DORCHESTER MINERALS LP

FORM 10-K
(Annual Report)

Filed 03/27/03 for the Period Ending 12/31/02

Address	3838 OAK LAWN SUITE 300 DALLAS, TX 75219-4541
Telephone	2145590300
CIK	0001172358
Symbol	DMLP
SIC Code	1311 - Crude Petroleum and Natural Gas
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2002**

Or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____to _____**

Commission file number: 000-50175

DORCHESTER MINERALS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**81-0551518**
(State of incorporation)	**(I.R.S. employer identification number)**

3738 Oak Lawn Avenue, Suite 300
Dallas, Texas 75219
(Address of principal executive offices)(Zip Code)

(214) 559-0300
(Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	**Name of Exchange on which Registered**
None	Not applicable

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Title of Class

Common Units Representing Limited Partnership Interests

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common units held by non-affiliates of the registrant (treating all managers, executive officers and 10% unitholders of the registrant as if they may be affiliates of the registrant) was approximately $222,923,279 as of March 24, 2003, based on $14.14 per unit, the closing price of the common units as reported on the NASDAQ National Market on such date. As the registrant began trading on February 3, 2003, disclosure of the above information as of the last business day of the most recently completed second fiscal quarter is not possible.

Number of Common Units outstanding as of March 24, 2003: 27,040,431

DOCUMENTS INCORPORATED BY REFERENCE: None.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I.

ITEM 1. BUSINESS

General

Dorchester Minerals, L.P. is a publicly traded Delaware limited partnership that was formed in December 2001 in connection with the combination, which was completed on January 31, 2003, of Dorchester Hugoton, Ltd., which was a publicly traded Texas limited partnership, and Republic Royalty Company and Spinnaker Royalty Company, L.P., both of which were privately held Texas partnerships. Our common units are listed on the NASDAQ National Market. Our executive offices are located at 3738 Oak Lawn Avenue, Suite 300, Dallas, Texas, 75219, and our telephone number is (214) 559-0300. In this report, the term "Partnership", as well as the terms "us" "our," "we," and "its," are sometimes used as abbreviated references to Dorchester Minerals, L.P. itself or Dorchester Minerals, L.P. and its related entities.

Our general partner is Dorchester Minerals Management LP, a Delaware limited partnership, and its general partner is Dorchester Minerals Management GP LLC, a Delaware limited liability company. Dorchester Minerals Management LP is managed by Dorchester Minerals Management GP LLC, its general partner. As a result, the Board of Managers of Dorchester Minerals Management GP LLC exercises effective control of our Partnership. Also, our general partner owns, directly and indirectly through Dorchester Minerals Management GP LLC, all of the partnership interests in Dorchester Minerals Operating LP, a Delaware limited partnership, and indirectly controls its management through Dorchester Minerals Operating GP LLC, a Delaware limited liability company. Dorchester Minerals Operating LP also provides day-to-day operational support and services to us and our general partner, such as accounting, tax and land services.

Dorchester Minerals Operating LP holds the working interest properties previously owned by Dorchester Hugoton and a minor portion of mineral interest properties previously owned by Republic and Spinnaker. Dorchester Minerals Oklahoma LP, which is owned directly and indirectly by our Partnership, holds a 96.97% net profits overriding royalty interest in these properties. We refer to our net profits overriding royalty interest in these properties as the Operating ORRIs. After the close of each month, we receive a payment equaling 96.97% of the net proceeds actually received during that month from the properties subject to the Operating ORRIs.

In addition to the Operating ORRIs, we also hold producing and non-producing mineral, royalty, overriding royalty, net profits and leasehold interests which we acquired as part of the combination upon the mergers of Republic and Spinnaker into our Partnership. We refer to these interests as the Royalty Properties. The Royalty Properties located in Oklahoma are held by Dorchester Minerals Oklahoma, L.P. The remaining Royalty Properties are held directly by our Partnership. We currently own Royalty Properties in 25 states and 564 counties and parishes.

We distribute on a quarterly basis all cash that we receive from the ownership of the Operating ORRIs and Royalty Properties beyond that required to pay our costs and fund reasonable reserves. We do not anticipate incurring any debt, other than trade debt incurred in the ordinary course of our business. We seek to avoid unrelated business taxable income for federal income tax purposes to make it practicable for pension funds, IRAs and other tax exempt investors to invest in our common units.

We intend to grow by acquiring additional oil and natural gas properties, subject to the limitations described below. The approval of the holders of a majority of our outstanding common units is required for our general partner to cause us to acquire or obtain any oil and natural gas property interest, unless the acquisition is complementary to our business and is made either:

- in exchange for our limited partner interests, including common units, not exceeding 20% of the common units outstanding after issuance; or

- in exchange for cash, if the aggregate cost of any acquisitions made for cash during the twelve-month period ending on the first to occur of the execution of a definitive agreement for the acquisition or its consummation is no more than 10% of our aggregate cash distributions for the four most recent fiscal quarters.

In the event that we acquire properties for a combination of cash and limited partner interests, including common units, (i) the cash component of the acquisition consideration shall be equal to or less than 5% of the aggregate cash distributions made by the Partnership for the four most recent quarters and (ii) the amount of limited partnership interests, including common units, to be issued in such acquisition, after giving effect to such issuance, shall not exceed 10% of the common units outstanding.

We also intend to grow by encouraging exploration and development of our unleased mineral interests through our relationship with Dorchester Minerals Operating LP, which gives us the ability to participate in the exploration and development of these mineral interests.

Credit Facilities and Financing Plans

We do not have a credit facility in place, nor do we anticipate doing so. We do not anticipate incurring any debt, other than trade debt incurred in the ordinary course of our business. Our Partnership Agreement prohibits us from incurring indebtedness, other than trade payables, (i) in excess of $50,000 in the aggregate at any given time; or (ii) which would constitute “acquisition indebtedness” (as defined in Section 514 of the Internal Revenue Code of 1986, as amended), in order to avoid unrelated business taxable income for federal income tax purposes. We may finance any growth of our business through acquisitions of oil and natural gas properties by issuing additional limited partnership interests or with cash, subject to the limits described above and in our Partnership Agreement.

Under our Partnership Agreement, we may also finance our growth through the issuance of additional partnership securities, including options, rights, warrants and appreciation rights with respect to partnership securities, from time to time in exchange for the consideration and on the terms and conditions established by our general partner in its sole discretion. However, we may not issue limited partnership interests that would represent over 20 percent of the outstanding limited partnership interests immediately after giving effect to such issuance or that would have greater rights or powers than our common units without the approval of the holders of a majority of our outstanding common units. Except in connection with qualifying acquisitions, we do not currently anticipate issuing additional partnership securities.

Regulation

Many aspects of the production, pricing and marketing of crude oil and natural gas are regulated by federal and state agencies. Legislation affecting the oil and natural gas industry is under constant review for amendment or expansion, which frequently increases the regulatory burden on affected members of the industry.

Exploration and production operations are subject to various types of regulation at the federal, state and local levels. Such regulation includes:

- requiring permits for the drilling of wells;
- maintaining bonding requirements in order to drill or operate wells;
- regulating the location of wells;
- the method of drilling and casing wells;
- the surface use and restoration of properties upon which wells are drilled;

- the plugging and abandonment of wells;
- numerous federal and state safety requirements;
- environmental requirements;
- property taxes and severance taxes; and
- specific state and federal income tax provisions.

Natural gas and oil operations are also subject to various conservation laws and regulations. These regulations regulate the size of drilling and spacing units or proration units and the density of wells which may be drilled and the unitization or pooling of oil and natural gas properties. In addition, state conservation laws establish a maximum allowable production from natural gas and oil wells. These state laws also generally prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. These regulations limit the amount of oil and natural gas that the operators of our properties can produce and limit the number of wells or the locations at which the operators can drill.

The transportation of natural gas after sale by operators of our properties is sometimes subject to regulation by state and federal authorities, specifically by the Federal Energy Regulatory Commission, also referred to as the FERC. The interstate transportation of natural gas is subject to federal governmental regulation, including regulation of tariffs and various other matters, by the FERC.

Customers and Pricing

Operating ORRIs

The pricing of our gas sales is primarily determined by supply and demand in the marketplace and can fluctuate considerably. During 2002, the highest monthly average price of gas was $4.38/MMBTU in December and the lowest monthly average price was $1.90/MMBTU in February.

We believe that the loss of any single customer would not have a material adverse effect on the results of our operations. See “Dorchester Hugoton, Ltd.-Notes to Financial Statements-General and Summary of Significant Accounting Policies-Operating Revenue”.

Royalty Properties

As royalty owners, we have no control over the volumes of oil and natural gas produced and sold from the Royalty Properties. In addition, our involvement in the operation of the Royalty Properties is extremely limited.

We believe that the loss of any single customer would not have a material adverse effect on the results of our operations.

The following table sets forth the three largest customers (purchasers and/or remitters of production proceeds) for the Royalty Properties, during 2002:

CUSTOMERS	PERCENT OF TOTAL
A	21.6%
B	13.3%
C	10.3%

Acquisitions

On January 31, 2003, Dorchester Hugoton contributed assets to us and Dorchester Minerals Operating LP and then liquidated. Republic and Spinnaker contributed their working interest properties to Dorchester Minerals

Operating LP and then merged with our Partnership. As a result, Dorchester Minerals Operating LP owns certain working interests and management assets and we own the Operating ORRIs and the Royalty Properties.

Competition

The energy industry in which we compete is subject to intense competition among a large number of companies, both larger and smaller than we are, many of which have financial and other resources greater than we have.

Operating Hazards and Uninsured Risks

Our operations do not directly involve the operational risks and uncertainties associated with drilling for, and the production and transportation of, oil and natural gas. However, we may be indirectly affected by the operational risks and uncertainties faced by the operators of our properties, including Dorchester Minerals Operating LP, whose operations may be materially curtailed, delayed or canceled as a result of numerous factors, including:

- the presence of unanticipated pressure or irregularities in formations;
- accidents;
- title problems;
- weather conditions;
- compliance with governmental requirements; and
- shortages or delays in the delivery of equipment.

Also, the ability of the operators of our properties to market oil and natural gas production depends on numerous factors, many of which are beyond their control, including:

- capacity and availability of oil and natural gas systems and pipelines;
- effect of federal and state production and transportation regulations;
- changes in supply and demand for oil and natural gas; and
- creditworthiness of the purchasers of oil and natural gas.

The occurrence of an operational risk or uncertainty which materially impacts the operations of the operators of our properties could have a material effect on the amount that we receive in connection with our interests in production from our properties, which could have a material adverse effect on our financial condition or result of operations.

In accordance with customary industry practices, we maintain insurance against some, but not all, of the risks that our business exposes us to. While we believe that we are reasonably insured against these risks, the occurrence of an uninsured loss could have a material adverse effect on our financial condition or results of operations.

Employees

As of February 28, 2003, Dorchester Minerals Operating LP had 15 full-time permanent employees in our Dallas and Garland, Texas offices and nine full-time permanent employees in field locations. None of these employees is represented by a union and we believe that we have good relations with our employees.

ITEM 2. PROPERTIES

Facilities

Dorchester Minerals Operating LP leases 13,420 square feet in Dallas and Garland, Texas for our Partnership offices. Dorchester Minerals Operating LP also owns a field office in Hooker, Oklahoma and leases part of an office in Amarillo, Texas under a month-to-month lease.

Properties

Operating ORRIs

As a result of the combination, one of our principal assets is a 96.97% net profits overriding royalty interest in the working interest properties formerly owned by Dorchester Hugoton and certain unleased mineral interest and cost bearing properties formerly held by Republic and Spinnaker, which we refer to as the Operating ORRIs. Dorchester Minerals Operating LP owns the underlying properties subject to the Operating ORRIs. The information set forth below with respect to the Operating ORRIs does not include information with respect to certain unleased mineral interest properties formerly held by Republic and Spinnaker on which operations are being conducted by third parties. We believe that the exclusion of this information represents a less than 1% change in each item of information set forth below.

Acreage

The following table sets forth as of December 31, 2002, 100% of the combined underlying developed and undeveloped acreage subject to the Operating ORRIs giving effect to the combination on January 31, 2003 as if it occurred on December 31, 2002. Acreage in which an interest is limited to royalty, overriding royalty or similar interests is excluded. Undeveloped acreage underlies the Oklahoma developed acreage.

	Developed		Undeveloped	
Location	Gross	Net	Gross	Net
Oklahoma	79,861	74,031	47,360	46,960
Kansas	7,035	7,035	—	—
Total	86,896	81,066	47,360	46,960

Costs Incurred and Drilling Results

The following table sets forth information regarding 100% of the costs incurred in acquisition and development activities during the periods indicated in connection with the properties underlying the Operating ORRIs, giving effect to the combination and assuming the consummation of the combination on January 1 of each period indicated.

	Years Ended December 31,		
	2002	2001	2000
		(in thousands)	
Acquisition costs	$ 148	$ 5,297*	$ 23
Development costs	21	240	301
Total	$ 169	$ 5,537	$ 324

* Includes $5,270,000 paid for an Oklahoma production payment.

Productive Well Summary

The following table sets forth as of December 31, 2002 the combined number of producing wells on the properties subject to the Operating ORRIs giving effect to the combination on January 31, 2003 as if it occurred on December 31, 2002. Gross wells refer to wells in which a working interest is owned. Net wells are determined by multiplying gross wells by the working interest in those wells.

	Productive Wells	
Location	**Gross**	**Net**
Oklahoma	127	115.2
Kansas	20	20.0
Total	147	135.2

Production Costs and Average Prices

The following table sets forth the production costs deducted under the terms of the Operating ORRIs and total average wellhead sales prices for the Royalty Properties and the properties subject to the Operating ORRIs for the periods indicated giving effect to the combination and assuming the consummation of the combination on January 1 of the periods indicated.

	Years Ended December 31,		
	2002	**2001**	**2000**
Total Average Wellhead Sales Prices:			
Oil ($/Bbl)	$ 23.21	$ 25.05	$ 25.54
Gas ($/Mcf)	$ 3.05	$ 4.45	$ 3.70
Production Costs Deducted Under the Operating ORRIs ($/Mcf)	$ 0.95	$ 0.87	$ 0.72

Royalty Properties

As a result of the combination, we also hold producing and non-producing mineral, royalty, overriding royalty, net profits and leasehold interests which we acquired in connection with the mergers of Republic and Spinnaker into our Partnership, which we refer to as the Royalty Properties. We currently own Royalty Properties in 564 counties and 25 states.

Acreage Summary

The following table sets forth as of December 31, 2002 a summary of our gross and net, where applicable, acres of mineral, royalty, overriding royalty and leasehold interests, and a compilation of the number of counties and parishes and states and the development status of the acres in each category giving effect to the combination on January 31, 2003 as if it occurred on December 31, 2002. Acreage amounts may not add across due to overlapping ownership among categories.

	Mineral					
	Leased	**Unleased**	**Royalty**	**Overriding Royalty**	**Leasehold**	**Total**
Number of States	18	25	17	18	8	25
Number of Counties/Parishes	207	424	192	131	35	564
Gross	609,104	1,548,751	568,704	196,131	35,679	2,958,368
Net (where applicable)	69,761	276,252	N/A	N/A	N/A	346,013

Our net interest in production from royalty, overriding royalty and leasehold interests is based on lease royalty and other third party contractual terms which vary from property to property. Consequently, net acreage ownership in these categories is not determinable. For example, our net interest in production from properties in which we own a royalty or overriding royalty interest will be affected by royalty terms negotiated by the mineral interest owners in such tracts and their lessees.

The following table sets forth as of December 31, 2002 the combined summary of total gross and net (where applicable) acres of mineral, royalty, overriding royalty and leasehold interests in each of the states in which these interests are located giving effect to the combination on January 31, 2003 as if it occurred on December 31, 2002.

State	Gross	Net	State	Gross	Net
Alabama	106,074	7,517	Missouri	344	43
Arkansas	47,551	15,453	Montana	285,232	62,850
California	924	162	Nebraska	3,360	257
Colorado	22,880	1,424	New Mexico	31,548	2,202
Florida	88,832	24,249	New York	23,077	18,440
Georgia	3,676	1,024	North Dakota	296,348	37,694
Illinois	4,480	761	Oklahoma	211,370	15,166
Indiana	303	113	Pennsylvania	10,016	4,841
Kansas	9,074	1,334	South Dakota	14,408	1,266
Kentucky	1,995	553	Texas	1,515,519	135,627
Louisiana	112,094	2,353	Utah	5,937	200
Michigan	54,367	2,623	Wyoming	28,888	1,256
Mississippi	80,071	8,607			

Activity Summary

As a royalty owner, our access to information concerning activity and operations on the Royalty Properties is significantly limited. Most of our producing properties will be subject to leases and other contracts pursuant to which we are not entitled to well information. Some of our leases provide for access to technical data and other information. We may have limited access to public data in some areas through third party subscription services. Consequently, the exact number of wells producing from, or drilling on the Royalty Properties at any point in time is not determinable. The primary manner by which we will become aware of activity on the Royalty Properties is the receipt of division orders or other correspondence from operators or purchasers.

The following table sets forth a summary of leases consummated and new wells added during 1998 through 2002 giving effect to the combination and assuming the consummation of the combination on January 1 of each year.

	2002	2001	2000	1999	1998
Consummated Leases					
Number	25	17	47	26	41
Number of States	4	5	6	6	8
Number of Counties	14	14	25	21	32
Average Royalty	24.2%	23.7%	24.8%	24.9%	24.8%
Average Bonus, $/acre	$ 49	$ 272	$ 150	$ 192	$ 162
Total Lease Bonus	$ 29,976	$173,217	$ 436,627	$ 744,938	$1,313,355
Other Land Revenue	454,797	330,714	2,260,342	558,981	828,890
Total Land Revenue	$484,773	$503,931	$2,696,969	$1,303,919	$2,142,245
New Wells Added					
Number	176	212	124	150	179
Number of States	7	11	8	8	10
Number of Counties	38	64	49	50	57

Leasing activity during 2002 includes 11 elections to lease under Oklahoma Corporation Commission (OCC) pooling order terms that generally do not include payment of lease bonus. In addition, one of our predecessors

elected to participate as an unleased mineral interest owner under four OCC pooling orders. Leasing activity for years prior to 2002 does not include pooling elections of these types.

Oil and Natural Gas Reserves

The following table sets forth on a pro forma basis proved reserves, proved developed reserves, future net revenues and discounted present value of future net revenues using SEC PV-10 present value at December 31, 2002 for the Operating ORRIs and the Royalty Properties giving effect to the combination on January 31, 2003 as if it occurred on December 31, 2002, based on the reports of Calhoun, Blair & Associates as to the properties formerly owned by Dorchester Hugoton and Huddleston & Co., Inc. as to the properties formerly owned by Republic and Spinnaker, both independent petroleum engineer consulting firms. Our estimated proved reserves have not been filed with or included in any reports to any federal agency.

	Operating ORRIs	Royalty Properties	Total
Proved developed reserves			
Natural gas (Mcf)	42,200,309	29,649,600	71,849,909
Oil (Bbls)	—	4,059,752	4,059,752
Proved reserves			
Natural gas (Mcf)	42,200,309	30,934,800	73,135,109
Oil (Bbls)	—	4,061,323	4,061,323
Future net revenues ($, in thousands)	$ 124,821	$ 243,950	$ 368,771
SEC PV-10 present value (1) ($, in thousands)	$ 86,991	$ 124,525	$ 211,516

(1) We do not reflect a federal income tax provision since our partners will include the income of our Partnership in their respective federal income tax returns.

Title to Properties

Our general partner believes we have satisfactory title to all of our assets. Record title to some of our assets may continue to be held by our predecessors until we have made the appropriate filings in the jurisdictions in which such assets are located. Title to property may be subject to encumbrances. Our general partner believes that none of such encumbrances should materially detract from the value of our properties or from our interest in these properties or should materially interfere with their use in the operation of our business.

ITEM 3. LEGAL PROCEEDINGS

In connection with the combination, we succeeded to the rights and liabilities of Dorchester Hugoton, Republic and Spinnaker with respect to all legal proceedings involving those partnerships.

In January 2002, some individuals and an association called Rural Residents for Natural Gas Rights, referred to as RRNGR, sued Dorchester Hugoton, Anadarko Petroleum Corporation, Conoco, Inc., XTO Energy Inc., ExxonMobil Corporation, Phillips Petroleum Company, Incorporated and Texaco Exploration and Production, Inc. The suit is currently pending in the District Court of Texas County, Oklahoma and discovery is underway by the plaintiffs and defendants. The individuals and RRNGR consist primarily of Texas County, Oklahoma residents who, in residences located on leases use natural gas from gas wells located on the same leases, at their own risk, free of cost. The plaintiffs seek declaration that their domestic gas use is not limited to stoves and inside lights and is not limited to a principal dwelling as provided in the oil and gas lease agreements with defendants in the 1930s to the 1950s. Plaintiffs also assert defendants conspired to restrain trade by warning of dangers of natural gas use and using such warnings to induce some plaintiffs to release their domestic gas rights. Plaintiffs also seek certification of class action against defendants. Additionally, plaintiffs seek an accounting of fuel use by defendants. Dorchester Hugoton believes plaintiffs' claims are completely without merit as to Dorchester Hugoton and has filed an answer. In July 2002, the defendants were granted a motion for

summary judgment removing RRNGR as a plaintiff. We assumed this liability in connection with the combination, however, based upon past measurements of such gas usage, we believe the damages sought by plaintiffs to be minimal.

We are, and expect to be, involved from time to time in various other legal and administrative proceedings and threatened legal and administrative proceedings incidental to the ordinary course of our business.

ITEM 4. SUBMISSION OF A MATTER TO A VOTE OF UNITHOLDERS

No matters were submitted to a vote of unitholders during the fourth quarter of the year ended December 31, 2002.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED UNITHOLDER MATTERS

The Partnership's common units began trading on the NASDAQ National Market on February 3, 2003. The following summarizes the high and low sales information for the common units for the period indicated. The information below reflects inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

2003:	High	Low
First Quarter (February 3, 2003 through March 24, 2003)	$ 17.00	$ 12.55

As of March 24, 2003, there were 1,539 common unit holders of record.

Beginning with the quarter ended March 31, 2003, we will distribute, on a quarterly basis, within 45 days of the end of the quarter, all of our available cash. Available cash generally means, all cash and cash equivalents on hand at the end of that quarter, less any amount of cash reserves that our general partner determines is necessary or appropriate to provide for the conduct of its business or to comply with applicable law or agreements or obligations to which we may be subject. Due to the timing of our receipt of production revenues, our initial quarterly distribution will generally reflect two months of production from the Royalty Properties and one month of production from the properties underlying the Operating ORRIs, rather than three months production from both. This is a one-time occurrence associated with the creation of the Operating ORRIs and the delay in our receipt of revenue, as well as the January 31, 2003 closing date of the combination. In addition, our initial quarterly distribution will also reflect payment of costs and expenses for which we are responsible in connection with the combination, such as NASDAQ listing fees, director and officer insurance premiums, recording and filing fees and legal expenses.

Recent Sales of Unregistered Securities

In connection with the closing of the combination on January 31, 2003, under the terms of the combination agreement we issued (i) a number of common units determined in accordance with the combination agreement to Dorchester Hugoton which were distributed to the former general partners of Dorchester Hugoton as part of the liquidation of Dorchester Hugoton and (ii) general partner interests in our Partnership to the former general partners of Republic and Spinnaker. The former general partners of Dorchester Hugoton, Republic and Spinnaker contributed the common units and general partner interests, as applicable, to Dorchester Minerals Management LP in accordance with the terms of the Contribution Agreement dated December 13, 2001. Under the terms of our Partnership Agreement, the common units contributed to Dorchester Minerals Management LP by the former general partners of Dorchester Hugoton were converted into general partner interests in our Partnership. The foregoing transactions were exempt from registration under the Securities Act of 1933, as amended, pursuant to

Section 4(2) thereof on the basis that the transactions did not involve a public offering. No underwriters were involved in the foregoing transactions. Other than the foregoing transactions, there have been no other sales of unregistered securities by our partnership during the last three years.

See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Unitholder Matters, which sets forth certain information with respect to equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA

The combination of Republic, Spinnaker and Dorchester Hugoton on January 31, 2003 was accounted for as a purchase and Dorchester Hugoton was designated as the accounting acquirer in connection with the combination. Prior to January 31, 2003, Dorchester Minerals had no combined operations. **As a result, the following table sets forth a summary of historical selected financial and operating data for Dorchester Hugoton for the periods indicated and certain pro forma operating data assuming the combination occurred on January 1, 2001. The historical data does not contain any information with respect to Republic, Spinnaker or Dorchester Minerals, post combination.** This table should be read in conjunction with the financial statements and related notes included elsewhere in this document. All of the historical data presented has been derived from the audited financial statements of Dorchester Hugoton and does not contain any information with respect to Republic, Spinnaker or Dorchester Minerals, post combination.

	Pro forma		Historical				
	Fiscal Year Ended December 31,						
	2002	2001	2002	2001	2000	1999	1998
	(in thousands, except per unit data)						
Total operating revenues	$ 37,547	$ 49,451	$ 18,738	$ 26,779	$ 25,182	$ 15,302	$ 15,366
Depreciation, depletion and amortization	$ 25,844	$ 24,753	$ 2,130	$ 2,105	$ 1,783	$ 1,903	$ 2,015
Net earnings	$ 6,524	$ 20,225	$ 12,963	$ 18,351	$ 17,962	$ 9,046	$ 9,010
Net earnings per unit	$ .24	$ .74	$ 1.19	$ 1.69	$ 1.66	$ 0.83	$ 0.83
Cash distributions (1)	$ 25,788	$ 39,208	$ 8,791	$ 13,349	$ 9,768	$ 7,814	$ 7,814
Cash distributions per unit(1)	$ .93	$ 1.40	$ 0.81	$ 1.23	$ 0.90	$ 0.72	$ 0.72
Total assets			$ 40,103	$ 41,454	$ 38,709	$ 28,165	$ 26,444
Long-term debt, including current portion			—	—	$ 100	$ 100	$ 100
Total liabilities			$ 1,233	$ 4,118	$ 5,779	$ 3,827	$ 3,803
Partners' equity			$ 38,870	$ 37,336	$ 32,930	$ 24,338	$ 22,641

(1) Because of depletion (which is usually higher in the early years of production), a portion of every distribution of revenues from properties represents a return of a limited partner's original investment. Until a limited partner receives cash distributions equal to his original investment, 100% of such distributions may be deemed to be a return of capital.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the combination completed on January 31, 2003 and accounted for as a purchase, Dorchester Hugoton was designated as the accounting acquirer. Prior to January 31, 2003, Dorchester Minerals had no combined operations. **In these circumstances, we are required to discuss and analyze the financial condition and results of operations of Dorchester Hugoton, the accounting acquiror, for the three years ended December 31, 2002. In this Item 7 of this first annual report of Dorchester Minerals, we do not provide any historical information with respect to Republic, Spinnaker, or the post-combination Dorchester Minerals. In future annual reports, we will provide historical information regarding the financial condition and results of operations of Dorchester Minerals, post combination.**

With respect to the Dorchester Hugoton information, you should refer to Dorchester Hugoton's financial statements and the notes to the financial statements included elsewhere in this document in conjunction with this discussion. The amounts and results of operations included in this discussion and in the accompanying financial statements and notes thereto reflect the historical amounts and results of operations of Dorchester Hugoton and do not contain any information with respect to Dorchester Minerals, Republic or Spinnaker, with exception for certain forward looking matters.

Overview

Dorchester Hugoton's business operations consisted of producing, gathering and selling natural gas from the long-established Hugoton gas field in Oklahoma and Kansas. Dorchester Hugoton distributed a large proportion of its net cash flow each year. Dorchester Hugoton did not engage in exploration activities and did not engage in development activities except to a very limited extent with respect to replacement or improvement of its existing wells. Dorchester Hugoton's cash flow from operations was historically sufficient to fund needed cash and capital expenditure requirements, and, while it previously maintained a revolving credit arrangement with a bank, its borrowings since January 1, 1998 were minimal. On June 4, 2002, Dorchester Hugoton repaid all borrowings and terminated its credit arrangement.

Dorchester Hugoton's period-to-period changes in net earnings and cash flows from operating activities were principally determined by changes in natural gas sales volumes and gas prices. Dorchester Hugoton's portion of gas sales volumes (not reduced for the Oklahoma production payment, where applicable) and weighted average sales prices were:

	Years Ended December 31,		
	2002	2001	2000
Sales Volumes (MMcf):			
Oklahoma	4,865	5,141	5,576
Kansas	848	974	1,082
Total	5,713	6,115	6,658
Weighted Average Sales Prices ($/Mcf):			
Oklahoma	$ 3.29	$ 4.42	$ 3.95
Kansas	3.09	4.55	3.99
Overall Weighted Average Sales Price	3.26	4.44	3.96

It is expected that Dorchester Minerals' net operating revenues for 2003 and future years will be benefited by Dorchester Hugoton's acquisition in 2001 of a production payment, which had reduced net operating income and cash flow in prior years. The benefit will be partially offset by increased depletion. Since future payments depend upon future gas prices, the amount of future benefit is not reasonably quantifiable. During the twelve-month periods ending March 1, 2001 and 2000, the production payment to others was approximately $1,701,000 and $730,000, respectively.

Commodity Price Risks

Dorchester Hugoton's profitability was and Dorchester Minerals' profitability will continue to be affected by volatility in prevailing natural gas prices. Natural gas prices have been subject to significant volatility in recent years in response to changes in the supply and demand for oil and natural gas in the market and general market volatility.

Dorchester Hugoton Results of Operations

Year Ended December 31, 2002 Compared with the Year Ended December 31, 2001

As shown in the table above, Dorchester Hugoton's Oklahoma 2002 gas sales volumes were 5% lower than 2001. Oklahoma volumes were influenced by reduced gas pipeline receipts in 2002 because of an explosion unrelated to Dorchester Hugoton and natural reservoir decline. Dorchester Hugoton's Kansas 2002 gas sales volumes were 13% lower than 2001 as a result of state well testing and natural reservoir decline. The decline in Kansas sales volume appears to be more stable, as discussed in the comparison of 2001 to 2000.

Dorchester Hugoton's natural gas weighted average sales prices in 2002 were down 27% compared to 2001 but were up approximately 33% comparing fourth quarter 2002 to third quarter 2002. The significantly lower gas prices and lower gas volumes caused net operating revenues to decrease in 2002 compared to 2001.

Dorchester Hugoton's operating costs during 2002 were lower than 2001 primarily as a result of lower production taxes associated with reduced gas revenues and lower operating expenses due to the completion in 2001 of scheduled Oklahoma engine maintenance repairs of approximately $300,000.

Dorchester Hugoton recognized a gain in other income of $2,000,000 on the sale of Exxon Mobil stock during December 2002, which it sold in anticipation of the combination.

In summary, net income was down in 2002 compared to 2001 primarily due to significantly reduced operating income as natural gas prices have declined from their early 2001 high levels.

Year Ended December 31, 2001 Compared with the Year Ended December 31, 2000

As shown in the table above, Dorchester Hugoton's Oklahoma 2001 gas sales volumes were approximately 8% lower than 2000 primarily as a result of extensive scheduled maintenance during 2001 causing downtime on the Oklahoma central gas compression units that deliver the gas into transmission pipelines, combined with natural reservoir decline and pipeline repairs.

Dorchester Hugoton's Kansas 2001 sales volumes were 10% lower than 2000 as a result of declining well volumes and pressures typical of other producers in that area. The gas volume percentage decline from 2000 was smaller compared to prior years' declines, which were approximately 20%.

Dorchester Hugoton's natural gas weighted average sales prices in 2001 were 12% higher than 2000, because of higher marketplace prices during the first half of 2001.

Compared to the prior year, Dorchester Hugoton's 2001 net operating revenues increased as a result of improved gas pricing, more than offsetting lower gas sales volumes, and as a result of the acquisition of a production payment in Oklahoma which reduced overriding royalty costs $860,000.

Dorchester Hugoton's operating costs during 2001 were higher than 2000 as a result of: (i) higher production taxes associated with increased gas revenues; (ii) a $530,000 increase in depletion costs resulting from the purchase of the Oklahoma production payment prior to being offset by reduced depletion due to increases in reserves; (iii) increased operating costs (repairs) of $300,000 from scheduled Oklahoma engine maintenance; (iv) higher general and administrative costs (primarily insurance) of approximately $200,000; and, (v) an increase in legal and other costs of $450,000 associated with the proposed combination with Republic and Spinnaker.

As a result, Dorchester Hugoton's increased cost in 2001 compared to 2000 tended to offset its 2001 increased net operating revenues compared to 2000, producing essentially the same net income for the two years.

Dorchester Minerals Liquidity and Capital Resources

Capital Resources

After the combination, our primary sources of capital are our cash flow from the Operating ORRIs and the Royalty Properties. Our only cash requirements are the distributions to our unitholders and the payment of oil and gas production and property taxes not otherwise deducted from gross production revenues and general and administrative expenses incurred on our behalf and properly allocated in accordance with our Partnership Agreement. Since the distributions to our unitholders are, by definition, determined after the payment of all expenses actually paid by us, the only cash requirements that may create liquidity concerns for us are the payments of expenses. Since most of these expenses vary directly with oil and natural gas prices and sales volumes, sufficient funds are anticipated to be available at all times for payment thereof.

We are not directly liable for the payment of any exploration, development or production costs. We do not have any transactions, arrangements or other relationships that could materially affect our liquidity or the availability of capital resources. We have not guaranteed the debt of any other party, nor do we have any other arrangements or relationships with other entities that could potentially result in unconsolidated debt.

Pursuant to the terms of our Partnership Agreement, we cannot incur indebtedness other than trade payables, (i) in excess of $50,000 in the aggregate at any given time or (ii) which would constitute “acquisition indebtedness” (as defined in Section 514 of the Internal Revenue Code of 1986, as amended).

Credit Facility

Prior to the combination and between 1994 and 2002, Dorchester Hugoton maintained an unsecured revolving credit facility for $15,000,000 with Bank One, Texas, N.A. While the most recent borrowing base was $6,000,000, since August 1997 the highest amount outstanding was $100,000. On June 4, 2002, Dorchester Hugoton repaid its borrowings and terminated the agreement.

Expenses and Capital Expenditures

Prior to the combination, Dorchester Hugoton’s expenses, including merger-related costs, but excluding depreciation, depletion and amortization, ranged from 24% to 32% of net operating revenues for the years ending December 31, 2002, 2001 and 2000. Dorchester Hugoton’s capital expenditures, excluding the acquisition of the Oklahoma production payment in 2001, were less than 2% of net operating revenues for the years ended December 31, 2002, 2001 and 2000.

Dorchester Minerals Operating LP does not currently anticipate drilling additional wells as a working interest owner in the Fort Riley zone, the Council Grove formation or elsewhere in the Oklahoma properties previously owned by Dorchester Hugoton, but successful activities by others in these formations could prompt a reevaluation. Any such drilling is estimated to require $250,000 to $300,000 per well. Dorchester Minerals Operating LP anticipates continuing additional fracture treating in the Oklahoma properties previously owned by Dorchester Hugoton but is unable to predict the cost until additional engineering studies are done. One well, scheduled for fracture treating in February 2003, recovered its volume with minor treatment.

Regarding the facilities formerly owned by Dorchester Hugoton, Dorchester Minerals Operating LP anticipates normal gradual increases in repairs to its Oklahoma gas compression and dehydration facility and gradual increases in Oklahoma field operating costs and expenses as repairs to its 50-year-old pipelines and gas wells become more frequent and as pressures decline. Dorchester Minerals Operating LP does not anticipate significant replacement of these items at this time. However, Dorchester Minerals Operating LP will install rental field compression units at various locations on its Oklahoma gas gathering pipelines in 2003 because of lower pressures. The cost of such additional compression could require from $400,000 to $600,000 in capital and require $450,000 to $500,000 per year additional operating costs (primarily compressor rental). While it is

believed that the benefits of such compression will more than exceed cost and recover capital, the amount of increased gas production is not currently predictable. At present, environmental permits are being obtained.

In 1998, Oklahoma regulations removed production quantity restrictions in the Guymon-Hugoton field, and did not address efforts by third parties to persuade Oklahoma to permit infill drilling in the Guymon-Hugoton field. Both infill drilling and removal of production limits could require considerable capital expenditures. The outcome and the cost of such activities are unpredictable. No additional compression that affects the wells formerly owned by Dorchester Hugoton has been installed since 2000 by operators on adjoining acreage resulting from the relaxed production rules. Such installations by others could require expenditures by Dorchester Minerals Operating LP to stay competitive with adjoining operators.

Liquidity and Working Capital

Dorchester Hugoton's year-end cash and cash equivalents totaled $23,129,000 for 2002, $18,439,000 for 2001 and $15,767,000 for 2000.

Unaudited Pro Forma Data

The following table sets forth summary unaudited pro forma financial data for our Partnership for the years ended December 31, 2002 and 2001 as though the combination occurred as of January 1, 2001.

	Year ended December 31,	
	2002	2001
	(in thousands except per unit data)	
Statement of Operations Data:		
Total operating revenues	$ 37,547	$ 49,451
Operating expenses, excluding depreciation, depletion and amortization	$ 5,179	$ 4,517
Depreciation, depletion and amortization	$ 25,844	$ 24,753
Total operating expenses	$ 31,023	$ 29,270
Other income	$ —	$ 44
Net earnings	$ 6,524	$ 20,225
Net earnings per unit	$ .24	$ .74
Cash distributions	$ 25,788	$ 39,208
Cash distributions per unit	$ .93	$ 1.40

Critical Accounting Policies

Dorchester Minerals uses the full cost method of accounting for its gas properties. Under the full cost method of accounting, all costs of acquisition, exploration and development of gas properties are capitalized in a "full cost pool" as such costs are incurred. Gas properties in the pool, plus estimated future development and abandonment costs are depleted and charged to operations using the unit of production method. The full cost method subjects companies to a quarterly calculation of a "ceiling test" or limitation on the amount that may be capitalized on the balance sheet attributable to gas properties. To the extent capitalized costs (net of depreciation, depletion and amortization) exceed the calculated ceiling, the excess must be permanently written off to expense.

Our discounted present value of our proved natural gas reserves is a major component of the ceiling calculation and requires many subjective judgments. Estimates of reserves are forecasts based on engineering and geological analyses. Different reserve engineers may reach different conclusions as to estimated quantities of natural gas reserves based on the same information. Our reserve estimates are prepared by independent consultants. The passage of time provides more qualitative information regarding reserve estimates, and revisions are made to prior estimates based on updated information. However, there can be no assurance that more significant revisions will not be necessary in the future. Significant downward revisions could result in a full cost write-down. In addition to the impact on calculation of the ceiling test, estimates of proved reserves are also a major component of the calculation of depletion.

While the quantities of proved reserves require substantial judgment, the associated prices of natural gas reserves that are included in the discounted present value of our reserves are objectively determined. The ceiling calculation requires prices and costs in effect as of the last day of the accounting period are generally held constant for the life of the properties. As a result, the present value is not necessarily an indication of the fair value of the reserves. Natural gas prices have historically been volatile and the prevailing prices at any given time may not reflect our Partnership's or the industry's forecast of future prices.

New Accounting Standards

In July 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted each period toward its future value, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity reports a gain or loss upon settlement to the extent the actual costs differ from the recorded liability. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Dorchester Minerals adopted SFAS No. 143 on January 1, 2003 and does not expect it to have a material effect on its financial statements.

Risks Related to Our Business

Our cash distributions are highly dependent on oil and natural gas prices, which have historically been very volatile.

Our Partnership's quarterly cash distributions depend in significant part on the prices realized from the sale of oil and, in particular, natural gas. Historically, the markets for oil and natural gas have been volatile and may continue to be volatile in the future. Various factors that are beyond our control will affect prices of oil and natural gas, such as:

- the worldwide and domestic supplies of oil and natural gas;
- the ability of the members of the Organization of Petroleum Exporting Countries, referred to as "OPEC," to agree to and maintain oil price and production controls;
- political instability or armed conflict in oil-producing regions;
- the price and level of foreign imports;
- the level of consumer demand;
- the price and availability of alternative fuels;
- the availability of pipeline capacity;
- weather conditions;
- domestic and foreign governmental regulations and taxes; and
- the overall economic environment.

Lower oil and natural gas prices may reduce the amount of oil and natural gas that is economic to produce and reduce our revenues and operating income. The volatility of oil and natural gas prices reduces the accuracy of estimates of future cash distributions to unitholders .

Terrorist attacks on oil and natural gas production facilities, transportation systems and storage facilities could have a material adverse impact on our business.

Oil and natural gas production facilities, transportation systems and storage facilities could be targets of terrorist attacks. These attacks could have a material adverse impact if certain oil and natural gas infrastructure integral to our operations were interrupted, damaged or destroyed, thus preventing the sale of oil and gas.

Our Partnership does not control operations and development of the Royalty Properties or Operating ORRIs, which could impact the amount of our cash distributions.

Essentially all of the producing properties we acquired from Republic and Spinnaker are royalty interests. As a royalty owner, we do not control the development of these properties or the volumes of oil and natural gas produced from them. The decision to develop these properties, including infill drilling, exploration of horizons deeper or shallower than the currently producing intervals, and application of enhanced recovery techniques will be made by the operator and other working interest owners of each property (including our lessees) and may be influenced by factors beyond our control, including but not limited to oil and natural gas prices, interest rates, budgetary considerations and general industry and economic conditions.

As the owner of a fractional undivided mineral or royalty interest, our ability to influence development of these nonproducing properties is severely limited. Also, since one of our Partnership's stated business objectives is to avoid the generation of unrelated business taxable income, we will generally avoid participation in the development of our properties as a working interest or other expense-bearing owner. The decision to explore for oil and natural gas on these properties will be made by the operator and other working interest owners of each property (including our lessees) and may be influenced by factors beyond our control, including but not limited to oil and natural gas prices, interest rates, budgetary considerations and general industry and economic conditions.

Our unitholders are not able to influence or control the operation or future development of the properties underlying the Operating ORRIs, except by removal of our general partner. Dorchester Minerals Operating LP is unable to influence significantly the operations or future development of properties that it does not operate. Dorchester Minerals Operating LP and the other current operators of the properties underlying the Operating ORRIs are under no obligation to continue operating the underlying properties. Dorchester Minerals Operating LP can sell any of the properties underlying the Operating ORRIs that it operates and relinquish the ability to control or influence operations. Any such sale or transfer must also simultaneously include the Operating ORRIs at a corresponding price. Our unitholders do not have the right to replace an operator.

Our lease bonus revenue depends in significant part on the actions of third parties which are outside of our control.

A significant portion of the nonproducing properties acquired from Republic and Spinnaker are mineral interests. With limited exceptions, we have the right to grant leases of these interests to third parties. We anticipate receiving cash payments as bonus consideration for granting these leases in most instances. Our ability to influence third parties' decisions to become our lessees with respect to these nonproducing properties is severely limited, and those decisions may be influenced by factors beyond our control, including but not limited to oil and natural gas prices, interest rates, budgetary considerations and general industry and economic conditions.

Dorchester Minerals Operating LP may transfer or abandon properties that are subject to the Operating ORRIs.

Our general partner, through Dorchester Minerals Operating LP, may at any time transfer all or part of the properties underlying the Operating ORRIs. Our unitholders are not entitled to vote on any transfer, however, any such transfer must also simultaneously include the Operating ORRIs at a corresponding price.

Dorchester Minerals Operating LP or any transferee may abandon any well or property if it reasonably believes that the well or property can no longer produce in commercially economic quantities. This could result in termination of the Operating ORRIs relating to the abandoned well.

Cash distributions are affected by production and other costs, some of which are outside of our control.

The cash available for distribution that comes from our royalty and mineral interests, including the Operating ORRIs, is directly affected by increases in production costs and other costs. Some of these costs are

outside our control, including costs of regulatory compliance and severance and other similar taxes. Other expenditures are dictated by business necessity, such as drilling additional wells in response to the drilling activity of others.

Our oil and natural gas reserves and the underlying properties are depleting assets, and there are limitations on our ability to replace them.

Our revenues and distributions depend in large part on the quantity of oil and natural gas produced from properties in which we hold an interest. Our producing oil and natural gas properties over time will all experience declines in production due to depletion of their oil and natural gas reservoirs, with the rates of decline varying by property. Replacement of reserves to maintain production levels requires maintenance, development or exploration projects on existing properties, or the acquisition of additional properties.

The timing and size of any maintenance, development or exploration projects depends on the market prices of oil and natural gas and on other factors beyond our control. Many of the decisions regarding implementation of such projects, including drilling or exploration on any unleased and undeveloped acreage, will be made by third parties. In addition, development possibilities in the Hugoton field are limited by the developed nature of that field and by regulatory restrictions.

Our ability to increase reserves through future acquisitions is limited by restrictions on our use of cash and limited partnership interests for acquisitions and by our general partner's obligation to use all reasonable efforts to avoid unrelated business taxable income. In addition, the ability of affiliates of our general partner to pursue business opportunities for their own accounts without tendering them to us in certain circumstances may reduce the acquisitions presented to our Partnership for consideration.

Drilling activities on our properties may not be productive, which could have an adverse effect on future results of operations and financial condition.

Dorchester Minerals Operating LP may undertake drilling activities in limited circumstances on the properties underlying the Operating ORRIs, and third parties may undertake drilling activities on our other properties. Any increases in our reserves will come from such drilling activities or from acquisitions.

Drilling involves a wide variety of risks, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain and drilling operations may be delayed or canceled as a result of a variety of factors, including:

- pressure or irregularities in formations;
- equipment failures or accidents;
- disputes with drill site landowners;
- unexpected drilling conditions;
- shortages or delays in the delivery of equipment;
- adverse weather conditions; and
- disputes with drill-site owners.

Future drilling activities on our properties may not be successful. If these activities are unsuccessful, this failure could have an adverse effect on our future results of operations and financial condition. In addition, under the terms of the Operating ORRIs, the costs of unsuccessful future drilling on the working interest properties that are subject to the Operating ORRIs will reduce amounts payable to us under the Operating ORRIs by 96.97% of these costs.

Our ability to identify and capitalize on acquisitions is limited by contractual provisions and substantial competition.

Our Partnership Agreement limits our ability to acquire oil and natural gas properties in the future, especially for consideration other than our limited partnership interests. Because of the limitations on our use of cash for acquisitions and on our ability to accumulate cash for acquisition purposes, we may be required to attempt to effect acquisitions with our limited partnership interests. However, sellers of properties we would like to acquire may be unwilling to take our limited partnership interests in exchange for properties.

Our Partnership Agreement obligates our general partner to use all reasonable efforts to avoid generating unrelated business taxable income. Accordingly, to acquire working interests we would have to arrange for them to be converted into overriding royalty interests or another type of interest that did not generate unrelated business taxable income in a manner similar to the treatment of Dorchester Hugoton's properties in the combination. Third parties may be less likely to deal with us than with a purchaser to which such a condition would not apply. These restrictions could prevent us from pursuing or completing business opportunities that might benefit us and our unitholders, particularly unitholders who are not tax-exempt investors.

The duty of affiliates of our general partner to present acquisition opportunities to our Partnership is limited, including pursuant to the terms of the Amended and Restated Business Opportunities Agreement. Accordingly, business opportunities that could potentially be pursued by us might not necessarily come to our attention, which could limit our ability to pursue a business strategy of acquiring oil and natural gas properties.

We compete with other companies and producers for acquisitions of oil and natural gas interests. Many of these competitors have substantially greater financial and other resources than we do.

Any future acquisitions will involve risks that could adversely affect our business, which our unitholders generally will not have the opportunity to evaluate.

Our current strategy contemplates that we may grow through acquisitions. We expect to participate in discussions relating to potential acquisition and investment opportunities. If we consummate any future acquisitions, our capitalization and results of operations may change significantly and our unitholders will not have the opportunity to evaluate the economic, financial and other relevant information that we will consider in connection with the acquisition, unless the terms of the acquisition require approval of our unitholders.

Acquisitions and business expansions involve numerous risks, including assimilation difficulties, unfamiliarity with new assets or new geographic areas and the diversion of management's attention from other business concerns. In addition, the success of any acquisition will depend on a number of factors, including the ability to estimate accurately the recoverable volumes of reserves, rates of future production and future net revenues attributable to reserves and to assess possible environmental liabilities. Our review and analysis of properties prior to any acquisition will be subject to uncertainties and, consistent with industry practice, may be limited in scope. We may not be able to successfully integrate any oil and natural gas properties that we acquire into our operations or we may not achieve desired profitability objectives.

A natural disaster or catastrophe could damage pipelines, gathering systems and other facilities that service our properties, which could substantially limit our operations and adversely affect our cash flow.

If gathering systems, pipelines or other facilities that serve our properties are damaged by any natural disaster, accident, catastrophe or other event, our income could be significantly interrupted. Any event that interrupts the production, gathering or transportation of our oil and natural gas, or which causes us to share in significant expenditures not covered by insurance, could adversely impact the market price of our limited partnership units and the amount of cash available for distribution to our unitholders. We do not carry business interruption insurance.

The vast majority of the properties subject to the Operating ORRIs are geographically concentrated, which could cause net proceeds payable under the Operating ORRIs to be impacted by regional events.

The vast majority of the properties subject to the Operating ORRIs are all natural gas properties that are located almost exclusively in the Hugoton field in Oklahoma and Kansas. Because of this geographic concentration, any regional events, including natural disasters, that increase costs, reduce availability of equipment or supplies, reduce demand or limit production may impact the net proceeds payable under the Operating ORRIs more than if the properties were more geographically diversified.

The number of prospective natural gas purchasers and methods of delivery are considerably less than would otherwise exist from a more geographically diverse group of properties. As a result, natural gas sales after gathering and compression tend to be sold to one buyer in each state, thereby increasing credit risk.

Under the terms of the Operating ORRIs, much of the economic risk of the underlying properties is passed along to us.

Under the terms of the Operating ORRIs, virtually all costs that may be incurred in connection with the properties, including overhead costs that are not subject to an annual reimbursement limit, are deducted as production costs or excess production costs in determining amounts payable to us. Therefore, we bear 96.97% of the costs of the working interest properties, and if costs exceed revenues, we do not receive any payments under the Operating ORRIs.

In addition, the terms of the Operating ORRIs provide for excess costs that cannot be charged currently because they exceed current revenues to be accumulated and charged in future periods, which could result in our not receiving any payments under the Operating ORRIs until all prior uncharged costs have been recovered by Dorchester Minerals Operating LP.

Damage claims associated with the production and gathering of our oil and natural gas properties could affect our cash flow.

Dorchester Minerals Operating LP owns and operates the gathering system and compression facilities acquired from Dorchester Hugoton. Casualty losses or damage claims from these operations would be production costs under the terms of the Operating ORRIs and could adversely affect our cash flow.

We may indirectly experience costs from repair or replacement of aging equipment.

Some of Dorchester Minerals Operating LP's current working interest wells were drilled and have been producing since prior to 1954. The 132-mile Oklahoma gas pipeline gathering system acquired from Dorchester Hugoton was originally installed in or about 1948, and because of its age is in need of periodic repairs and upgrades. Should major components of this system require significant repairs or replacement, Dorchester Minerals Operating LP may incur substantial capital expenditures in the operation of the Oklahoma properties previously owned by Dorchester Hugoton prior to the consummation of the combination, which, as production costs, would reduce our cash flow from these properties.

Our operations are subject to operating hazards and unforeseen interruptions for which we may not be fully insured.

Neither we nor Dorchester Operating Minerals LP are fully insured against certain of these risks, either because such insurance is not available or because of high premium costs. Operations that affect the properties are subject to all of the risks normally incident to the oil and natural gas business, including blowouts, cratering, explosions and pollution and other environmental damage, any of which could result in substantial decreases in the cash flow from our overriding royalty interests and other interests due to injury or loss of life, damage to or destruction of wells, production facilities or other property, clean-up responsibilities, regulatory investigations and penalties and suspension of operations. Any uninsured costs relating to the properties underlying the Operating ORRIs will be deducted as a production cost in calculating the net proceeds payable to us.

Governmental policies, laws and regulations could have an adverse impact on our business and cash distributions.

Our business and the properties in which we hold interests are subject to federal, state and local laws and regulations relating to the oil and natural gas industry as well as regulations relating to safety matters. These laws and regulations can have a significant impact on production and costs of production. For example, both Oklahoma and Kansas, where properties that are subject to the Operating ORRIs are located, have the ability, directly or indirectly, to limit production from those properties, and such limitations or changes in those limitations could negatively impact us in the future.

As another example, Oklahoma regulations currently restrict the concentration of gas production wells to one well for each 640 acres. For some time, certain interested parties have sought regulatory changes in Oklahoma which would permit "infill," or increased density, drilling similar to that which is available in Kansas, which allows one well for each 320 acres. Should Oklahoma change its existing regulations to permit infill drilling, it is possible that a number of producers will commence increased density drilling in areas adjacent to the properties in Oklahoma that are subject to the Operating ORRIs. If Dorchester Minerals Operating LP, or other operators of our properties do not do the same, our production levels relating to these properties may decrease. Capital expenditures relating to increased density on the properties underlying the Operating ORRIs would be deducted from amounts payable to us under the Operating ORRIs.

Environmental costs and liabilities and changing environmental regulation could affect our cash flow.

As with other companies engaged in the ownership and production of oil and natural gas, we always expect to have some risk of exposure to environmental costs and liabilities because the costs associated with environmental compliance or remediation could reduce the amount we would receive from our properties. The properties in which we hold interests are subject to extensive federal, state and local regulatory requirements relating to environmental affairs, health and safety and waste management. Governmental authorities have the power to enforce compliance with applicable regulations and permits, which could increase production costs on our properties and affect their cash flow. Third parties may also have the right to pursue legal actions to enforce compliance. It is likely that expenditures in connection with environmental matters, as part of normal capital expenditure programs, will affect the net cash flow from our properties. Future environmental law developments, such as stricter laws, regulations or enforcement policies, could significantly increase the costs of production from our properties and reduce our cash flow.

Our oil and gas reserve data and future net revenue estimates are uncertain.

Estimates of proved reserves and related future net revenues are projections based on engineering data and reports of independent consulting petroleum engineers hired for that purpose. The process of estimating reserves requires substantial judgment, resulting in imprecise determinations. Different reserve engineers may make different estimates of reserve quantities and related revenue based on the same data. Therefore, those estimates should not be construed as being accurate estimates of the current market value of our proved reserves. If these estimates prove to be inaccurate, our business may be adversely affected by lower revenues. We are affected by changes in oil and natural gas prices. Oil prices and natural gas prices may not experience corresponding price changes.

Risks Inherent In An Investment In Our Common Units

Cost reimbursement due our general partner may be substantial and reduce our cash available to distribute to our unitholders.

Prior to making any distribution on the common units, we reimburse the general partner and its affiliates for reasonable costs and expenses of management. The reimbursement of expenses could adversely affect our ability to pay cash distributions to our unitholders. Our general partner has sole discretion to determine the amount of

these expenses, subject to the annual limit of 5% of an amount primarily based on our distributions to partners for that fiscal year. The annual limit includes carry-forward and carry-back features, which could allow costs in a year to exceed what would otherwise be the annual reimbursement limit. In addition, our general partner and its affiliates may provide us with other services for which we will be charged fees as determined by our general partner.

Our net income as reported for financial statement purposes may differ significantly from our cash flow that is used to determine cash available for distributions.

Net income as reported for financial statement purposes is presented on an accrual basis in accordance with generally accepted accounting practices. Unitholder K-1 tax statements are calculated based on applicable tax conventions. Distributions, however, are calculated on the basis of actual cash receipts, changes in cash reserves, and disbursements during the relevant reporting period. Consequently, due to timing differences between the receipt of proceeds of production and the point in time at which the production giving rise to those proceeds actually occurs, net income reported on our financial statements and on unitholder K-1's will not reflect actual cash distributions during that reporting period.

Our unitholders have limited voting rights and do not control our general partner, and their ability to remove our general partner is limited.

Our unitholders have only limited voting rights on matters affecting our business. The general partner of our general partner manages our activities. Beginning with the 2004 annual meeting of limited partners, our unitholders only have the right to annually elect the managers comprising the Advisory Committee of the Board of Managers of the general partner of our general partner. Our unitholders do not have the right to elect the other managers of the general partner of our general partner, on an annual or any other basis.

Our general partner may not be removed as our general partner except upon approval by the affirmative vote of the holders of at least a majority of our outstanding common units (including common units owned by our general partner and its affiliates), subject to the satisfaction of certain conditions. Our general partner and its affiliates do not own sufficient common units to be able to prevent its removal as general partner, but they do own sufficient common units to make the removal of our general partner by other unitholders difficult.

These provisions may discourage a person or group from attempting to remove our general partner or acquire control of us without the consent of our general partner. As a result of these provisions, the price at which our common units trade may be lower because of the absence or reduction of a takeover premium in the trading price.

The control of our general partner may be transferred to a third party without unitholder consent.

Our general partner has agreed not to withdraw voluntarily as our general partner on or before December 31, 2010 (with limited exceptions), unless the holders of at least a majority of our outstanding common units (excluding common units owned by our general partner and its affiliates) approve the withdrawal. However, the general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Other than some transfer restrictions agreed to among the owners of our general partner relating to their interests in our general partner, there is no restriction in our Partnership Agreement or otherwise for the benefit of our limited partners on the ability of the owners of our general partner to transfer their ownership interests to a third party. The new owner of the general partner would then be in a position to replace the management of our Partnership with its own choices.

Our general partner and its affiliates have conflicts of interests, which may permit our general partner and its affiliates to favor their own interests to the detriment of unitholders.

We and our general partner and its affiliates share, and therefore compete for, the time and effort of general partner personnel who provide services to us. Officers of our general partner and its affiliates do not, and are not

be required to, spend any specified percentage or amount of time on our business. In fact, our general partner has a duty to manage our Partnership in the best interests of our unitholders, but it also has a duty to operate its business for the benefit of its partners. Some of our officers are also involved in management and ownership roles in other oil and natural gas enterprises and have similar duties to them and devote time to their businesses. Because these shared officers function as both our representatives and those of our general partner and its affiliates and of third parties, conflicts of interest could arise between our general partner and its affiliates, on the one hand, and us or our unitholders, on the other, or between us or our unitholders on the one hand and the third parties for which our officers also serve management functions. As a result of these conflicts, our general partner and its affiliates may favor their own interests over the interests of unitholders.

We may issue additional securities, diluting our unitholders' interests.

We can and may issue additional common units and other capital securities representing limited partnership units, including options, warrants, rights, appreciation rights and securities with rights to distributions and allocations or in liquidation equal or superior to the securities described in this document, however, a majority of the unitholders must approve such issuance if (i) the partnership securities to be issued will have greater rights or powers than our common units or (ii) if after giving effect to such issuance, such newly issued partnership securities represent over 20% of the outstanding limited partnership interests.

If we issue additional common units, it will reduce our unitholders' proportionate ownership interest in us. This could cause the market price of the common units to fall and reduce the per unit cash distributions paid to our unitholders. In addition, if we issued limited partnership units with voting rights superior to the common units, it could adversely affect our unitholders' voting power.

Our unitholders may not have limited liability in the circumstances described below and may be liable for the return of certain distributions.

Under Delaware law, our unitholders could be held liable for our obligations to the same extent as a general partner if a court determined that the right of unitholders to remove our general partner or to take other action under our Partnership Agreement constituted participation in the "control" of our business.

The general partner generally has unlimited liability for the obligations of our Partnership, such as its debts and environmental liabilities, except for those contractual obligations of our Partnership that are expressly made without recourse to the general partner.

In addition, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that, under certain circumstances, a unitholder may be liable for the amount of distribution for a period of three years from the date of distribution.

Because we conduct our business in various states, the laws of those states may pose similar risks to our unitholders. To the extent to which we conduct business in any state, our unitholders might be held liable for our obligations as if they were general partners if a court or government agency determined that we had not complied with that state's partnership statute, or if rights of unitholders constituted participation in the "control" of our business under that state's partnership statute. In some of the states in which we conduct business, the limitations on the liability of limited partners for the obligations of a limited partnership have not been clearly established.

We are dependent upon key personnel, and the loss of services of any of our key personnel could adversely affect our operations.

Our continued success depends to a considerable extent upon the abilities and efforts of the senior management of our general partner, particularly William Casey McManemin, its Chief Executive Officer, James E. Raley, its Chief Operating Officer, and H. C. Allen, Jr., its Chief Financial Officer. The loss of the services of any of these key personnel could have a material adverse effect on our results of operations. We have not obtained insurance or entered into employment agreements with any of these key personnel.

We are dependent on service providers who assist us with providing Schedule K-1 tax statements to our unitholders.

There are a very limited number of service firms that currently perform the detailed computations needed to provide each unitholder with estimated depletion and other tax information to assist the unitholder in various United States income tax computations. There are also very few publicly traded limited partnerships that need these services. As a result, the future costs and timeliness of providing Schedule K-1 tax statements to our unitholders is uncertain.

Disclosure Regarding Forward-Looking Statements

Statements included in this report which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto), are forward-looking statements. These statements can be identified by the use of forward-looking terminology including “may,” “believe,” “will,” “expect,” “anticipate,” “estimate,” “continue” or other similar words. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other “forward-looking” information.

These forward-looking statements are made based upon management’s current plans, expectations, estimates, assumptions and beliefs concerning future events impacting us and therefore involve a number of risks and uncertainties. We caution that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements for a number of important reasons, including those discussed under “Risk Factors” and elsewhere in this report.

You should read these statements carefully because they discuss our expectations about our future performance, contain projections of our future operating results or our future financial condition, or state other “forward-looking” information. Before you invest, you should be aware that the occurrence of any of the events herein described in “Risk Factors” and elsewhere in this report could substantially harm our business, results of operations and financial condition and that upon the occurrence of any of these events, the trading price of our common units could decline, and you could lose all or part of your investment.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures About Market Risk

The following information provides quantitative and qualitative information about our potential exposures to market risk. The term “market risk” refers to the risk of loss arising from adverse changes in oil and natural gas prices, interest rates and currency exchange rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses.

Market Risk Related to Oil and Natural Gas Prices

Essentially all of our assets and sources of income are from the Operating ORRIs and the Royalty Properties, which generally entitle us to receive a share of the proceeds from oil and natural gas production on those properties. Consequently, we are subject to market risk from fluctuations in oil and natural gas prices. Pricing for oil and natural gas production has been volatile and unpredictable for several years. We do not anticipate entering into financial hedging activities intended to reduce our exposure to oil and natural gas price fluctuations.

Absence of Interest Rate and Currency Exchange Rate Risk

We do not anticipate having a credit facility or incurring any debt, other than trade debt, following the combination. Therefore, we do not expect interest rate risk to be material to us. We do not anticipate engaging in transactions in foreign currencies which could expose us to foreign currency related market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements are set forth herein commencing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Management of the General Partner

Our general partner is Dorchester Minerals Management LP, a Delaware limited partnership. The management of Dorchester Minerals Management LP is conducted by its general partner, Dorchester Minerals Management GP LLC, a Delaware limited liability company, which owns a 0.1% general partnership interest in Dorchester Minerals Management LP. The business and affairs of Dorchester Minerals Management GP LLC are managed by its Board of Managers. By virtue of this ownership structure, the Board of Managers of Dorchester Minerals Management GP LLC exercises the effective control of the management of our Partnership.

The Board of Managers consists of:

- five managers appointed by the five members of Dorchester Minerals Management GP LLC, who are the former general partners, or the successors of the former general partners, of Dorchester Hugoton, Republic and Spinnaker, and
- three independent managers nominated by its members and elected annually beginning in 2004, or such greater number of independent managers as may be required by NASDAQ rules. Each independent manager must not be a security holder, officer, manager, director, or employee of Dorchester Minerals Management GP LLC, or a security holder, officer, manager, director or employee of any affiliate of Dorchester Minerals Management GP LLC. The independent managers, as a group, must also meet the requirements of the NASDAQ rules for members of an audit committee. Independent managers may be holders of our common units.

The current appointed managers are H.C. Allen, Jr., William Casey McManemin, Preston A. Peak, James E. Raley and Robert C. Vaughn. Each appointed manager will hold office until the earlier of his death, resignation or removal from office. In the event of any vacancy on the Board of Managers left by an appointed manager, the member who holds the right to appoint the appointed manager will designate the replacement appointed manager, unless the member who otherwise holds the right to appoint the replacement appointed manager has lost his appointment right.

The current independent managers are Buford P. Berry, Frank M. Burke and Rawles Fulgham. Each independent manager will hold office until the next annual meeting of the members, unless he or she has earlier been removed or has resigned. Any vacancy on the Board of Managers left by an independent manager will be filled by the member or members who holds or hold the right to nominate the independent manager whose death, resignation or removal has created the vacancy.

Advisory Committee/Audit Committee

The independent managers serve on an advisory committee to review specific matters which the Board of Managers believes may involve conflicts of interest between Dorchester Minerals Management LP or any of its affiliates and us, our limited partners or any assignees of our limited partners. The advisory committee determines if the resolution of a conflict of interest is fair and reasonable to us. Any matters approved by the advisory committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders. All matters decided upon by the advisory committee require the approval of the majority of the committee's members. In addition, the members of the advisory committee also serve as an audit committee for us to the extent required by NASDAQ rules and will review our external financial reporting, recommends engagement of our independent auditors and reviews procedures for internal auditing and the adequacy of our internal accounting controls.

Operating Committee

The appointed managers serve on an operating committee that has the authority to oversee day-to-day operations of our business. All matters decided upon by the Operating Committee require the approval of the majority of the committee's members.

Information Regarding Executive Officers and Appointed and Independent Managers of the General Partner of our General Partner

The following information sets forth the age, position and business experience of each executive officer and manager of Dorchester Minerals Management GP LLC. Each executive officer began serving in that capacity on December 12, 2001 and will serve until his successor is appointed by the Board of Managers or until his death, resignation or removal. The appointed and independent managers began serving in that capacity upon the consummation of the combination on January 31, 2003.

Name	Age	Position
William Casey McManemin	42	Chief Executive Officer/Appointed Manager
H.C. Allen, Jr	63	Chief Financial Officer/Appointed Manager
James E. Raley	63	Chief Operating Officer/Appointed Manager
Buford P. Berry	67	Independent Manager
Frank M. Burke	63	Independent Manager
Rawles Fulgham	75	Independent Manager
Preston A. Peak	80	Appointed Manager
Robert C. Vaughn	47	Appointed Manager

William Casey McManemin serves as Chief Executive Officer and as an Appointed Manager of Dorchester Minerals Management GP LLC, and as Chief Executive Officer of Dorchester Minerals Operating GP LLC and Dorchester Minerals. In addition, he currently serves as Vice-President of the general partner of SAM Partners, Ltd., a limited partner of Dorchester Minerals Management LP and member of Dorchester Minerals Management GP LLC, and of Smith Allen Oil & Gas, Inc., a limited partner of Dorchester Minerals Management LP and member of the Dorchester Minerals Management GP LLC. Mr. McManemin has served in those capacities since 1993 and 1996, respectively. He co-founded SASI Minerals Company, Republic Royalty Company, Spinnaker Royalty Company, L.P. and CERES Resource Partners, LP with Mr. Allen in 1988, 1993, 1996 and 1998, respectively. He was previously associated with the firm of Huddleston & Co., Inc., a petroleum engineering firm, from 1984 to 1988. He received his Bachelor of Science degree in Petroleum Engineering from Texas A&M University in 1984 and has been a Registered Professional Engineer in Texas since 1988. Mr. McManemin currently serves on the board of directors of Dale Gas Partners, LP and WAH Royalty Company.

H.C. Allen, Jr. serves as Chief Financial Officer and as an Appointed Manager of Dorchester Minerals Management GP LLC, and as Chief Financial Officer of Dorchester Minerals Operating GP LLC and Dorchester

Minerals. In addition, he currently serves as Secretary of the general partner of SAM Partners, Ltd., a limited partner of Dorchester Minerals Management LP and member of Dorchester Minerals Management GP LLC, and of Smith Allen Oil & Gas, Inc., a limited partner of Dorchester Minerals Management LP and member of Dorchester Minerals Management GP LLC. Mr. Allen has served in those capacities since 1993 and 1996, respectively. He co-founded SASI Minerals Company, Republic Royalty Company, Spinnaker Royalty Company, L.P. and CERES Resource Partners, LP with Mr. McManemin in 1988, 1993, 1996 and 1998, respectively. He received his Bachelor of Business Administration degree from the University of Texas in 1962, his Master of Business Administration degree from the University of North Texas in 1963, and has been a Certified Public Accountant since 1964. Mr. Allen has been active in oil and gas investments, real estate development and agribusiness operations since 1969. Mr. Allen was previously associated with a predecessor firm to KPMG Peat Marwick from 1964 to 1968.

James E. Raley serves as Chief Operating Officer and as an Appointed Manager of Dorchester Minerals Management GP LLC, and as Chief Operating Officer of Dorchester Minerals Operating GP LLC and Dorchester Minerals. In addition, he is the sole member of Yelar LLC, the general partner of Yelar Partners L.L.P., which is the successor to James E. Raley, Inc., which served as a general partner of Dorchester Hugoton since 1990 and is currently a limited partner of Dorchester Minerals Management LP and member of Dorchester Minerals Management GP LLC. Mr. Raley previously served as an independent consulting engineer and as a principal in Barnes & Click, Inc., consulting engineers, since 1984. Prior to 1984, Mr. Raley was President of Dorchester Gas Producing Company and Senior Vice President of Dorchester Gas Corporation. After receiving a Bachelor of Science degree in Mechanical Engineering from Texas Tech University in 1962, Mr. Raley was employed by Skelly Oil Company in various engineering positions. Mr. Raley has been a Registered Professional Engineer in Texas since 1969.

Buford P. Berry serves as an Independent Manager of Dorchester Minerals Management GP LLC. He is currently a senior partner at Thompson & Knight L.L.P., a Texas based law firm. Mr. Berry has been an attorney with Thompson & Knight L.L.P., serving in various capacities since 1963, including as Managing Partner from 1986 to 1998. Mr. Berry also serves as a member of the Advisory Board of the Institute for Energy Law of the Center for American and International Law (formerly Southwestern Legal Foundation) and previously served as a Vice Chair of this organization. He is a past Chairman of the Natural Resources Committee of the Taxation Section of the American Bar Association and past Chairman of the Southwestern Legal Foundation Oil and Gas Tax Institute. From 1958 to 1960, Mr. Berry served as a Lieutenant in the United States Naval Reserve. He received his Bachelor of Business Administration degree in 1958 and his Bachelor of Laws Degree in 1963, both from the University of Texas.

Frank M. Burke serves as an Independent Manager of Dorchester Minerals Management GP LLC. He has served as Chairman, Chief Executive Officer and Managing General Partner of Burke, Mayborn Company Ltd, a private investment company located in Dallas Texas, since 1984. He is a member of the National Petroleum Council and also serves as a director of Arch Coal, Inc., Kaneb Pipe Line Partners, L.P., Xanser Corporation and Kaneb Services LLC. Prior to that, Mr. Burke was a partner in Peat, Marwick, Mitchell & Co. Mr. Burke received his Bachelor of Business Administration and Master of Business Administration from Texas Tech University and his Juris Doctor from Southern Methodist University. He is a certified public accountant and member of the State Bar of Texas.

Rawles Fulgham serves as an Independent Manager of Dorchester Minerals Management GP LLC. He has served as a member of the Advisory Committee and the Audit Committee of Dorchester Hugoton since 1995. He also served as Chairman of the Board and Chief Executive Officer of Global Industrial Technologies, Inc. from July 1998 until 2000. From 1982 until December 1998, Mr. Fulgham served as senior advisor of the Investment Banking Division of Merrill Lynch & Co. Prior to that, he was employed in various capacities by First National Bank in Dallas and its successor holding companies from 1954 until 1982. He was President and co-Chief Executive Officer of the First National Bank in Dallas, and subsequently, President of its successor holding companies. Mr. Fulgham has served on the boards of directors of BancTec, Inc., NCH Corporation, Dresser

Industries, Inc and as Chairman of the Board of Directors of the Children's Medical Center of Dallas. In addition, Mr. Fulgham also served as a member of the Executive Committee of President Reagan's Grace Commission. He received a Bachelor of Arts degree from the Virginia Military Institute, a Bachelor of Business Administration degree from Southern Methodist University and has also completed several graduate courses for a Masters of Business Administration. Mr. Fulgham served in the United States Marine Corps, attaining the rank of captain.

Preston A. Peak serves as an Appointed Manager of Dorchester Minerals Management GP LLC. Mr. Peak is a member of Peak GP LLC, the general partner of Preston A. Peak Limited Partnership, which is the successor to P.A. Peak, Inc., which served as a general partner of Dorchester Hugoton and is currently a limited partner of Dorchester Minerals Management LP and member of Dorchester Minerals Management GP LLC. Mr. Peak co-founded Dorchester Hugoton in 1982. He holds a Bachelor of Science degree from the U.S. Naval Academy and a Master of Business Administration degree from the Wharton School of the University of Pennsylvania. From 1954 until 1984 he served Dorchester Gas Corporation in various financial capacities, including Vice Chairman. Mr. Peak previously served on the boards of directors of each of Kaneb Services, Inc. and Kaneb Pipe Line Partners, L.P.

Robert C. Vaughn serves as an Appointed Manager of Dorchester Minerals Management GP LLC. Mr. Vaughn has served in various capacities with Vaughn Petroleum, Inc., and affiliated entities since 1979, including as President and Chief Executive Officer from 1986 until 1995, and since 1995 as chairman and chief executive officer. He co-founded Vaughn Brothers Oil Company in 1981, CM/Vaughn Joint Venture in 1986, Vaughn Petroleum 1989 Joint Venture in 1989, Republic Royalty Company in 1993 and Vaughn Petroleum Royalty Partners, Ltd. in 1994. Vaughn Petroleum, Inc. is the successor to entities formed by Grady H. Vaughn in the early 1900s and was a general partner of Republic Royalty Company and is the general partner of Vaughn Petroleum Royalty Partners, Ltd. He attended the Petroleum Land Management program at The University of Texas at Austin. He currently serves on the Board of Trustees of the Culver Educational Foundation and the Development Board of The University of Texas.

Management of the Operating Subsidiary

Our general partner owns, directly and indirectly, through its general partner, all of the partnership interests in Dorchester Minerals Operating LP, and indirectly controls its management through Dorchester Minerals Operating GP LLC. Dorchester Minerals Operating LP provides day-to-day operational support and services to us and our general partner. As noted above, Messrs. McManemin, Raley and Allen also serve as executive officers of Dorchester Minerals Operating GP LLC.

Section 16(a) Beneficial Ownership and Reporting Compliance

Section 16(a) requires managers and officers of the Company, and persons who own more than 10% of the common units of the Company, to file with the SEC initial reports of ownership and reports of changes in ownership of the common units. Managers, officers and 10% holders of the common units are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company to date, all Section 16(a) requirements applicable to its managers, officers and 10% holders were met.

ITEM 11. EXECUTIVE COMPENSATION

Our Partnership was formed in December 2001 but did not conduct any business until February 2003. No officer of Dorchester Minerals Management GP LLC received any cash or other compensation for services rendered to our Partnership in 2002.

All decisions regarding compensation or benefits paid by us, Dorchester Minerals Management LP, Dorchester Minerals Management GP LLC, Dorchester Minerals Operating LP or Dorchester Minerals Operating

GP LLC to any executive officers are reviewed by the Advisory Committee of Dorchester Minerals Management GP LLC. Actions by the Advisory Committee require the approval of the majority of the committee's members.

Our officers are not paid any compensation for their services as officers of our Partnership. Our officers, generally, serve in the same capacities for Dorchester Minerals Management GP LLC, our general partner, and for Dorchester Minerals Operating LP and may be compensated by Dorchester Minerals Operating LP for their service in those capacities. Each of Messrs. McManemin, Raley and Allen receive a salary of $96,000 per year as approved by the Advisory Committee. Such compensation will be borne indirectly by us as a result of our obligation to reimburse Dorchester Minerals Management LP and Dorchester Minerals Operating LP for management expenses, subject to the limitation on reimbursement.

We do not have nor do we anticipate implementing any option or other incentive compensation plans for the benefit of our employees and officers and those of our affiliates.

Compensation of Managers

Each Independent Manager of Dorchester Minerals Management GP LLC is paid an annual retainer fee of $30,000.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED UNITHOLDER MATTERS

Security Ownership

The following table sets forth information regarding the beneficial ownership of our common units as of March 24, 2003. The information is set forth for (i) each appointed manager of Dorchester Minerals Management GP LLC, (ii) each of the named executive officers of Dorchester Minerals Management GP LLC, (iii) all executive officers and appointed managers of Dorchester Minerals Management GP LLC as a group, and (iv) all those known by us to be beneficial owners of more than five percent of our common units.

	Beneficial Ownership(1)	
Name of Beneficial Owner	Number of Units	Percentage
Named Executive Officers and Managers (2)		
William Casey McManemin (3)	4,613,792	17%
James E. Raley (4)	14,706	*
H.C. Allen, Jr. (5)	706,043	2.6%
Preston A. Peak (6)	1,577,412	5.8%
Robert C. Vaughn (7)	767,320	2.8%
Buford P. Berry (8)	0	N/A
Frank M. Burke (9)	0	N/A
Rawles Fulgham(10)	180	*
All executive officers and managers as a group (8 persons)	7,679,453	28.4%
Holders of 5% or More Not Named Above		
Red Wolf Partners (11)	3,781,933	14%
Boston Safe Deposit and Trust Company, as Trustee for the Lucent Technologies Inc. Master Pension Trust (12)	3,595,541	13.3%
State Street Bank and Trust Company, as Trustee for the Long-Term InvestmentTrust (12)	2,257,510	8.3%

* Less than one percent (1%).

(1) As of March 24, 2003, there were 27,040,431 common units outstanding.

(2) Unless otherwise indicated, the business address of each manager and executive officer of Dorchester Minerals Management GP LLC is c/o Dorchester Minerals Management GP LLC, 3738 Oak Lawn Ave., Suite 300, Dallas, Texas 75219.

(3) Mr. McManemin disclaims beneficial ownership of those common units owned by Red Wolf Partners in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is the managing general partner of Red Wolf Partners. Mr. McManemin disclaims beneficial ownership of those common units owned by 1307, Ltd. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is a general partner of 1307, Ltd. Mr. McManemin disclaims beneficial ownership of those common units owned by GARG Oil in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is a general partner of GARG Oil. Mr. McManemin disclaims beneficial ownership of those common units owned Smith Allen Oil & Gas, Inc. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is the Vice President and a shareholder of Smith Allen Oil & Gas, Inc. Mr. McManemin disclaims beneficial ownership of those common units owned by SAM Partners Ltd. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. McManemin is the Vice President and a shareholder of SAM Partners Management, Inc., the general partner of SAM Partners, Ltd. and a limited partner of SAM Partners, Ltd. Mr. McManemin disclaims beneficial ownership of those common units owned by RRC NPI Holdings, LP in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting an investment power. Mr. McManemin is the Vice President and a shareholder of SAM Partners Management, Inc., the general partner of SAM Partners Ltd., one of the general partners of RRC NPI Holdings, LP.

(4) The business address for Mr. Raley is c/o Dorchester Minerals Operating LP, 1919 S. Shiloh Road, Suite 600-LB48, Garland, Texas 75042-8234.

(5) Mr. Allen disclaims beneficial ownership of those common units owned Smith Allen Oil & Gas, Inc. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Allen is the Secretary and a shareholder of Smith Allen Oil & Gas, Inc. Mr. Allen disclaims beneficial ownership of those common units owned by SAM Partners Ltd. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Allen is the Secretary and a shareholder of SAM Partners Management, Inc., the general partner of SAM Partners, Ltd. In addition, he is the trustee of two trusts established for the benefit of his children that hold shares in SAM Partners Management, Inc. Mr. Allen disclaims beneficial ownership of those common units owned by RRC NPI Holdings, LP. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Allen is the Secretary and a shareholder of SAM Partners Management, Inc., the general partner of SAM Partners, Ltd., one of the general partners of RRC NPI Holdings, LP.

(6) Mr. Peak disclaims beneficial ownership of the 358,486 common units owned by the Preston A. Peak FBO Martha Ann Peak Trust established for the benefit of his daughter. Mr. Peak is the trustee of the trust. Mr. Peak disclaims beneficial ownership of the 72 common units owned by the PA Peak Trust for Mary Lee Peak established for the benefit of daughter. Mr. Peak is the trustee of the trust. The business address for Mr. Peak is c/o Dorchester Minerals Operating LP, 1919 Shiloh Road, Suite 600-LB48, Garland, Texas 75042-8234.

(7) Mr. Vaughn disclaims beneficial ownership of those common units owned by Vaughn Petroleum, Ltd. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Vaughn is a member of VPL (GP) LLC, the general partner of Vaughn Petroleum, Ltd. Mr. Vaughn disclaims beneficial ownership of those common units owned by Vaughn Petroleum Royalty Partners, Ltd. in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Vaughn is a member of VPL (GP) LLC, the general partner of Vaughn Petroleum, Ltd., the general partner of Vaughn Petroleum Royalty Partners, Ltd. Mr. Vaughn disclaims beneficial ownership of those common units owned by RRC NPI Holdings, LP in which he does not have an economic interest in but that he may be deemed to beneficially own based on shared voting and investment power. Mr. Vaughn is a member of Vaughn VPL (GP) LLC, the general partner of Vaughn Petroleum, Ltd., one of the general partners of RRC NPI Holdings, LP.

(8) The business address for Mr. Berry is 1700 Pacific Avenue, Suite 3300, Dallas, Texas, 75201.
(9) The business address for Mr. Burke is 5500 Preston Road, Suite 315, Dallas, Texas 75205.
(10) The business address for Mr. Fulgham is 2121 San Jacinto, Suite 1110, Dallas, Texas 75201. Includes 180 common units held in an Individual Retirement Account for the benefit of Mr. Fulgham.
(11) The business address of Red Wolf Partners is 3738 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219.
(12) The business address of each party is c/o Energy Trust LLC, 551 Fifth Avenue, 37 th Floor, New York, New York, 10176.

Equity Compensation Plans

Plan Category	Number of securities issued upon exercise of outstanding options, warrants, and rights	Weighted-average price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	N/A	N/A	N/A
Equity compensation plans not approved by security holders	N/A	N/A	N/A

We do not have any securities authorized for issuance under any equity compensation plans.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Legal Representation

Buford P. Berry is a senior partner of the law firm Thompson & Knight L.L.P., which firm serves as primary outside counsel to our Partnership.

Severance Policy

In connection with the consummation of the combination, pursuant to a February 1998 severance policy (which acted as an employee retention program), James E. Raley, Inc., a general partner of Dorchester Hugoton, received a $496,000 payment at the same time payments were made to qualifying Dorchester Hugoton employees.

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company’s principal executive officer and principal financial officer, based on their evaluation of the Company’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-14c) as of a date within 90 days prior to the filing of this Form 10-K, have concluded that the Company’s disclosure controls and procedures effectively ensure that the information required to be disclosed in the reports the Company files with the SEC is recorded, processed, summarized and reported, within the time periods specified by the SEC.

Changes in Internal Controls

There were no significant changes in the Company’s internal controls or in other factors that could significantly affect the Company’s internal controls subsequent to the date of their evaluation.

Table of Contents

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Financial Statements and Schedules

(1) See the Index to Financial Statements on page F-1.

(2) No schedules are required.

(3) Exhibits.

Number	Description
3.1	Certificate of Limited Partnership of Dorchester Minerals, L.P. (incorporated by reference to Exhibit 3.1 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.2	Amended and Restated Agreement of Limited Partnership of Dorchester Minerals, L.P.
3.3	Certificate of Limited Partnership of Dorchester Minerals Management, L.P. (incorporated by reference to Exhibit 3.4 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.4	Amended and Restated Agreement of Limited Partnership of Dorchester Minerals Management, L.P.
3.5	Certificate of Formation of Dorchester Minerals Management GP LLC (incorporated by reference to Exhibit 3.7 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.6	Amended and Restated Limited Liability Company Agreement of Dorchester Minerals Management GP LLC
3.7	Certificate of Formation of Dorchester Minerals Operating GP LLC (incorporated by reference to Exhibit 3.10 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.8	Limited Liability Company Agreement of Dorchester Minerals Operating GP LLC (incorporated by reference to Exhibit 3.11 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.9	Certificate of Limited Partnership of Dorchester Minerals Operating LP (incorporated by reference to Exhibit 3.12 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
3.10	Amended and Restated Agreement of Limited Partnership of Dorchester Minerals Operating LP
3.11	Certificate of Limited Partnership of Dorchester Minerals Oklahoma LP
3.12	Agreement of Limited Partnership of Dorchester Minerals Oklahoma LP
3.13	Certificate of Incorporation of Dorchester Minerals Oklahoma GP Inc.
3.14	Bylaws of Dorchester Minerals Oklahoma GP Inc.
10.1	Amended and Restated Business Opportunities Agreement dated as of December 13, 2001 by and between the Registrant, the General Partner, Dorchester Minerals Management GP, LLC, SAM Partners, Ltd., Vaughn Petroleum, Ltd., Smith Allen Oil & Gas, Inc., P.A. Peak, Inc., James E. Raley, Inc., and certain other parties
10.2	Transfer Restriction Agreement
10.3	Registration Rights Agreement
10.4	Lock-Up Agreement by William Casey McManemin

Number	Description
10.5	Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.5 to Dorchester Minerals' Registration Statement on Form S-4, Registration Number 333-88282)
21.1	Subsidiaries of the Registrant
99.1	Section 906 Certification for William Casey McManemin
99.2	Section 906 Certification for H.C. Allen

(b) Reports on Form 8-K during the quarter ended December 31, 2002 and through the date hereof.

(1) Filed December 27, 2002 on Item 5. Other Events (Regarding Adjourned Special Meetings of Dorchester Hugoton and Spinnaker)

(2) Filed January 24, 2003 on Item 5. Other Events (Regarding Prospectus Supplement No. 2)

(3) Filed February 3, 2003 on Item 2. Acquisition or Disposition of Assets (Regarding the Closing of the Combination)

(4) Filed February 6, 2003 on Item 5. Other Events (Regarding the Appointment of the Independent Managers)

GLOSSARY OF CERTAIN OIL AND GAS TERMS

The definitions set forth below shall apply to the indicated terms as used in this document. All volumes of natural gas referred to herein are stated at the legal pressure base of the state or area where the reserves exist and at 60 degrees Fahrenheit and in most instances are rounded to the nearest major multiple.

"*Bbl*" means a standard barrel of 42 U.S. gallons and represents the basic unit for measuring the production of crude oil, natural gas liquids and condensate.

"*BTU*" means British thermal unit.

"*Depletion*" means (a) the volume of hydrocarbons extracted from a formation over a given period of time, (b) the rate of hydrocarbon extraction over a given period of time expressed as a percentage of the reserves existing at the beginning of such period, or (c) the amount of cost basis at the beginning of a period attributable to the volume of hydrocarbons extracted during such period.

"*Division order*" means a document to protect lessees and purchasers of production, in which all parties who may have a claim to the proceeds of the sale of production agree upon how the proceeds are to be divided.

"*Enhanced recovery*" means the process or combination of processes applied to a formation to extract hydrocarbons in addition to those that would be produced utilizing the natural energy existing in that formation. Examples of enhanced recovery include water flooding and carbon dioxide (CO2) injection.

"*Estimated Future Net Revenues*" (also referred to as *"estimated future net cash flow")* means the result of applying current prices of oil and natural gas to estimated future production from oil and natural gas proved reserves, reduced by estimated future expenditures, based on current costs to be incurred, in developing and producing the proved reserves, excluding overhead.

"*Formation*" means a distinct geologic interval, sometime referred to as the strata, which has characteristics (such as permeability, porosity and hydrocarbon saturations) which distinguish it from surrounding intervals.

"*Gross acre*" means an acre in which a working interest is owned.

"*Gross well*" means a well in which a working interest is owned.

"*Lease bonus*" means the initial cash payment made to a lessor by a lessee in consideration for the execution and conveyance of the lease.

"*Lessee*" means the owner of a lease of a mineral interest in a tract of land.

"*Lessor*" means the owner of the mineral interest who grants a lease of his interest in a tract of land to a third party, referred to as the lessee.

"*Mineral interest*" means the interest in the minerals beneath the surface of a tract of land. A mineral interest may be severed from the ownership of the surface of the tract. Ownership of a mineral interest generally involves four incidents of ownership: (1) the right to use the surface; (2) the right to incur costs and retain profits, also called the right to develop; (3) the right to transfer all or a portion of the mineral interest; and (4) the right to retain lease benefits, including bonuses and delay rentals.

"*Mcf*" means one thousand cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"*MMBTU*" means one million BTUs.

"*MMcf*" means one million cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"*Net acre*" means the product determined by multiplying "gross" acres by the interest in such acres.

"*Net well*" means the product determined by multiplying "gross" oil and natural gas wells by the interest in such wells.

"*Net profits interest*" means a non-operating interest that creates a share in gross production from another (operating or non-operating) interest in oil and natural gas properties. The share is determined by net profits from the sale of production and customarily provides for the deduction of capital and operating costs from the proceeds of the sale of production. The owner of a net profits interest is customarily liable for the payment of capital and operating costs only to the extent that revenue is sufficient to pay such costs but not otherwise.

"*Operator*" means the individual or company responsible for the exploration, development, and production of an oil or natural gas well or lease.

"*Overriding royalty interest*" means a royalty interest created or reserved from another (operating or nonoperating) interest in oil and natural gas properties. Its term extends for the same term as the interest from which it is created.

"*Proved developed reserves*" means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

"*Proved reserves*" means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (a) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (b) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following: (a) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (b) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors; (c) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and (d) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

"*Proved undeveloped reserves*" means proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

"*Royalty*" means an interest in an oil and gas lease that gives the owner of the interest the right to receive a portion of the production from the leased acreage (or of the proceeds of the sale thereof), but generally does not require the owner to pay any portion of the costs of drilling or operating the wells on the leased acreage.

"*SEC PV-10 present value*" means the pretax present value of estimated future net revenues to be generated from the production of proved reserves calculated in accordance with SEC guidelines, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to non-property related expenses such as general and administrative expenses, debt service and depreciation, depletion and amortization, and discounted using an annual discount rate of 10%.

"*Severance tax*" means an amount of tax, surcharge or levy recovered by governmental agencies from the gross proceeds of oil and natural gas sales. Production tax may be determined as a percentage of proceeds or as a specific amount per volumetric unit of sales. Severance tax is usually withheld from the gross proceeds of oil and natural gas sales by the first purchaser (e.g. pipeline or refinery) of production.

"*Standardized measure of discounted future net cash flows*" (also referred to as "*standardized measure*") means the SEC PV-10 present value defined above, less applicable income taxes.

"*Undeveloped acreage*" means lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

"*Unitization*" means the process of combining mineral interests or leases thereof in separate tracts of land into a single entity for administrative, operating or ownership purposes. Unitization is sometimes called "pooling" or "communitization" and may be voluntary or involuntary.

"*Working Interest*" (also referred to as an "*operating interest*") means a real property interest entitling the owner to receive a specified percentage of the proceeds of the sale of oil and natural gas production or a percentage of the production, but requiring the owner of the working interest to bear the cost to explore for, develop and produce such oil and natural gas. A working interest owner who owns a portion of the working interest may participate either as operator or by voting his percentage interest to approve or disapprove the appointment of an operator and certain activities in connection with the development and operation of a property.

Table of Contents

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DORCHESTER MINERALS, L.P.

By: Dorchester Minerals Management LP,
its general partner

By: Dorchester Minerals Management GP LLC,
its general partner

By: /s/ William Casey McManemin

William Casey McManemin
Chief Executive Officer

Date: March 27, 2003

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ William Casey McManemin

William Casey McManemin
Chief Executive Officer and Manager
(Principal Executive Officer)
Date: March 27, 2003

/s/ H.C. Allen

H.C. Allen
Chief Financial Officer and Manager
(Principal Financial and Accounting Officer)
Date: March 27, 2003

/s/ James E. Raley

James E. Raley
Manager
Date: March 27, 2003

/s/ Preston A Peak

Preston A. Peak
Manager
Date: March 27, 2003

/s/ Robert C. Vaughn

Robert C. Vaughn
Manager
Date: March 27, 2003

Table of Contents

CERTIFICATIONS

I, William Casey McManemin, Chief Executive Officer of Dorchester Minerals Management GP LLC, General Partner of Dorchester Minerals Management LP, General Partner of Dorchester Minerals, L.P., (the "Registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of Dorchester Minerals, L.P.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15-d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions and about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ William Casey McManemin
William Casey McManemin
Chief Executive Officer

I, H.C. Allen, Chief Financial Officer of Dorchester Minerals Management GP LLC, General Partner of Dorchester Minerals Management LP, General Partner of Dorchester Minerals, L.P., (the "Registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of Dorchester Minerals, L.P.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15-d-14) for the registrant and we have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions and about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ H.C. Allen
H.C. Allen
Chief Financial Officer

Table of Contents

INDEX TO FINANCIAL STATEMENTS

DORCHESTER MINERALS, L.P.
(A Delaware Limited Partnership)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the General Partners and Unitholders of Dorchester Minerals, L.P.

We have audited the accompanying balance sheet of Dorchester Minerals, L.P. as of December 31, 2002. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Dorchester Minerals, L.P. as of December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Dallas, Texas
March 14, 2003

Table of Contents

DORCHESTER MINERALS, L.P.
(A Delaware Limited Partnership)

BALANCE SHEET
December 31, 2002

Assets	
Cash	$ 1,000
	$ 1,000
Partners' capital	$ 1,000
	$ 1,000

The accompanying notes are an integral part of this balance sheet.

DORCHESTER MINERALS, L.P.
(A Delaware Limited Partnership)

NOTES TO BALANCE SHEET
December 31, 2002

NOTE A—ORGANIZATION AND NATURE OF OPERATIONS

Dorchester Minerals, L.P. (the Partnership) was formed on December 12, 2001, as a Delaware limited partnership. On December 13, 2001, the Partnership entered into a combination agreement with Dorchester Hugoton, Ltd. (Hugoton), Republic Royalty Company (Republic) and Spinnaker Royalty Company, L.P. (Spinnaker). The combination agreement provides for the combining of the business and properties of Hugoton, Republic and Spinnaker (the Combining Partnerships) into the Partnership upon approval of the limited partners of the Combining Partnerships, which was obtained in January 2003.

NOTE B—BASIS OF PRESENTATION

Since its formation and through December 31, 2002, the Partnership has had no income, expenses or cash flows other than the initial capital contribution. Therefore, the financial statements do not include statements of earnings or cash flows.

NOTE C—COMBINATION WITH HUGOTON, REPUBLIC AND SPINNAKER

The combination with Hugoton, Republic and Spinnaker was consummated on January 31, 2003. In exchange for the oil and gas properties and certain other assets (consisting primarily of receivables) of Hugoton, Republic and Spinnaker, the Partnership issued 27,040,431 common units. Hugoton is deemed to be the acquirer for accounting purposes and, accordingly, its assets will be recorded at historic cost. The assets of Republic and Spinnaker will be recorded at the value of the consideration given, which approximates $238,000,000.

Following is an unaudited condensed balance sheet of the Partnership at January 31, 2003, giving effect to the combination transaction (amounts in thousands):

Current assets:		
Cash and cash equivalents	$	83
Accounts receivable, net		6,532
Other		355
Total current assets		6,970
Property and equipment		267,052
Less depreciation, depletion and amortization		(19,989)
Net property and equipment		247,063
Total assets	$	254,033
Current liabilities:		
Accounts payable and other current liabilities	$	79
Total current liabilities		79
Total liabilities		79
Partners' capital		253,954
Total liabilities and partners' capital	$	254,033

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the General Partners and Unitholders of Dorchester Hugoton, Ltd.:

We have audited the financial statements of Dorchester Hugoton, Ltd. listed in the Index to Financial Statements. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dorchester Hugoton, Ltd. as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP

Dallas, Texas
February 7, 2003

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31, 2002 and 2001
(Dollars in Thousands)

	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 23,129	$ 18,439
Investments – available for sale	—	5,030
Accounts receivable	2,566	1,472
Prepaid expenses and other current assets	223	453
Total current assets	25,918	25,394
Property and equipment – at cost:		
Natural gas properties (full cost method)	34,179	34,008
Other	1,001	988
Total	35,180	34,996
Less accumulated depreciation, depletion and amortization:		
Full cost depletion	20,614	18,561
Other	381	375
Total	20,995	18,936
Net property and equipment	14,185	16,060
Total assets	$ 40,103	$ 41,454
LIABILITIES AND PARTNERSHIP CAPITAL		
Current liabilities:		
Accounts payable	$ 451	$ 648
Production and property taxes payable	358	230
Royalties payable	423	309
Distributions payable to Unitholders	1	2,931
Total current liabilities	1,233	4,118
Commitments and contingencies (Note 4)		
Partnership capital:		
General partners	312	271
Unitholders	38,558	34,552
Accumulated other comprehensive income	—	2,513
Total partnership capital	38,870	37,336
Total liabilities and partnership capital	$ 40,103	$ 41,454

See Notes to Financial Statements.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

STATEMENTS OF EARNINGS
For the Years Ended December 31, 2002, 2001 and 2000
(Dollars in Thousands)

	2002	2001	2000
Net operating revenues:			
Natural gas sales	$18,602	$27,153	$26,368
Other	136	192	221
Production payment (ORRI)	—	(566)	(1,407)
Total net operating revenues	18,738	26,779	25,182
Costs and expenses:			
Operating	2,806	3,160	2,840
Production taxes	1,009	1,721	1,529
Depreciation, depletion and amortization	2,130	2,105	1,783
General and administrative:			
Tax and regulatory reporting	218	323	320
Depositary and transfer agent fees	25	22	22
Other	678	634	448
Management fees	524	605	589
Merger costs	736	785	339
Total operating expenses	8,126	9,355	7,870
Operating income	10,612	17,424	17,312
Other:			
Investment income	2,385	897	664
Interest expense	(15)	(36)	(39)
Other income, (expense) net	(19)	66	25
Total other income	2,351	927	650
Net earnings	$12,963	$18,351	$17,962
Net earnings per unit	$ 1.19	$ 1.69	$ 1.66

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2002, 2001 and 2000
(Dollars in Thousands)

	2002	2001	2000
Net earnings	$ 12,963	$ 18,351	$ 17,962
Unrealized holding gain (loss) on available for sale securities	(513)	(534)	408
Reclassification adjustment for gains included in net earnings	(2,000)	—	—
Comprehensive income	$ 10,450	$ 17,817	$ 18,370

See Notes to Financial Statements.

Table of Contents

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CHANGES IN PARTNERSHIP CAPITAL
For the Years Ended December 31, 2000, 2001 and 2002
(Dollars in Thousands)

Year	General Partners	Unitholders	Accumulated Other Comprehensive Income	Total
2000				
Balance at January 1, 2000	$ 140	$ 21,559	$ 2,639	$ 24,338
Net earnings	180	17,782	—	17,962
Net unrealized holding gain on investments available for sale	—	—	408	408
Distributions ($0.90 per Unit)	(98)	(9,670)	—	(9,768)
Other	—	(10)	—	(10)
Balance at December 31, 2000	222	29,661	3,047	32,930
2001				
Net earnings	183	18,168	—	18,351
Net unrealized holding loss on investments available for sale	—	—	(534)	(534)
Distributions ($1.23 per Unit)	(133)	(13,216)	—	(13,349)
Other	(1)	(61)	—	(62)
Balance at December 31, 2001	271	34,552	2,513	37,336
2002				
Net earnings	130	12,833	—	12,963
Net unrealized loss on investments available for sale	—	—	(513)	(513)
Reclassification adjustment for gains included in net earnings	—	—	(2,000)	(2,000)
Distributions ($0.81 per Unit)	(88)	(8,703)	—	(8,791)
Other	(1)	(124)	—	(125)
Balance at December 31, 2002	$ 312	$ 38,558	$ —	$ 38,870

See Notes to Financial Statements.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2002, 2001 and 2000
(Dollars in Thousands)

	2002	2001	2000
Cash flows from operating activities:			
Net earnings	$ 12,963	$ 18,351	$ 17,962
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation, depletion and amortization	2,130	2,105	1,783
Gain on sale of available-for-sale securities	(2,000)	—	—
(Gain) loss on sale of property and equipment	25	(22)	(29)
Other	(125)	(62)	(10)
Changes in operating assets and liabilities:			
Restricted cash	—	409	(19)
Accounts receivable	(1,094)	2,620	(2,537)
Prepaid expenses and other current assets	230	(169)	(143)
Accounts payable, taxes and royalties payable	45	(2,203)	1,519
Net cash provided by operating activities	12,174	21,029	18,526
Cash flows from investing activities:			
Capital expenditures	(321)	(5,587)	(496)
Cash received on sale of Exxon Mobil stock	4,517	—	—
Cash received on sale of property and equipment	41	37	54
Net cash provided by (used in) investing activities	4,237	(5,550)	(442)
Cash flows from financing activities:			
Distributions paid to Unitholders	(11,721)	(12,807)	(9,334)
Increase in cash and cash equivalents	4,690	2,672	8,750
Cash and cash equivalents at beginning of year	18,439	15,767	7,017
Cash and cash equivalents at end of year	$ 23,129	$ 18,439	$ 15,767
Supplemental cash flow and other information:			
Interest paid (no interest was capitalized)	$ 22	$ 28	$ 39
Distributions declared but not paid	$ 1	$ 2,931	$ 2,389

See Notes to Financial Statements.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2002, 2001 and 2000

1. General and Summary of Significant Accounting Policies

Nature of Operations —Dorchester Hugoton's operations consist principally of the operation of natural gas properties located in Kansas and Oklahoma.

Basis of Presentation —Per-Unit information is calculated by dividing the 99% interest owned by Unitholders by the 10,744,380 Units outstanding. In the combination completed on January 31, 2003 and accounted for as a purchase, Dorchester Hugoton was designated as the accounting acquirer. In these circumstances, Dorchester Hugoton's financial statements are required to be reported for the year ended December 31, 2002.

Reclassification —Certain amounts in the 2000 and 2001 financial statements have been reclassified to conform to the 2002 presentation.

Estimates —The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents —Dorchester Hugoton's principal banking and short-term investing activities are with major financial institutions. Short-term investments with a maturity of three months or less are considered to be cash equivalents and are carried at cost, which approximates fair value. Cash balances in these accounts may, at times, exceed federally insured limits. Dorchester Hugoton has not experienced any losses in such cash accounts or investments and does not believe it is exposed to any significant risk on cash and cash equivalents.

Concentration of Credit Risks —Dorchester Hugoton sells its natural gas to major corporate gas purchasers in the United States and either requires major corporate guarantees, good credit history with the Partnership, letters of credit, or performs on-going credit evaluations or review of financial statements on a regular basis. Dorchester Hugoton has incurred minimal credit losses.

Accounts Receivable —Dorchester Hugoton's accounts receivable are due from companies in the oil and gas industry. Accounts receivable are due within 30 days and are stated at amounts due from customers. Accounts outstanding longer than the contractual payment terms are considered past due. Dorchester Hugoton reviews its need for an allowance on a periodic basis, writes-off accounts receivable when they become uncollectible, and any payments subsequently received on such receivables reduce bad debt expense in the period the payment is received. Dorchester Hugoton has no allowance for doubtful accounts at December 31, 2002 or 2001 and has recorded no bad debt expense in 2002, 2001 and 2000.

Investments —Until December 18, 2002 Dorchester Hugoton's investments consisted of 128,000 shares of Exxon Mobil Corporation (previously Exxon Corporation) common stock which was classified as available for sale. At December 31, 2001 the carrying value of this stock, based on the quoted market price, was $5,030,400 and the cost was $2,517,455. The stock was sold on December 18, 2002 for $4,517,227.

Property and Equipment —Dorchester Hugoton follows the full cost method of accounting prescribed by the United States Securities and Exchange Commission under which all costs relating to the acquisition,

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)
NOTES TO FINANCIAL STATEMENTS—(Continued)

exploration and development of natural gas properties (both productive and nonproductive) are capitalized (not to exceed estimated discounted future net cash flow) by the country (United States) in which the costs are incurred. Natural gas properties are being depleted on the unit-of-production method using estimates of proved gas reserves. Other assets are being depreciated or amortized using straight-line methods for financial reporting purposes over estimated useful lives of 3 to 40 years.

Gains and losses are recognized upon the disposition of natural gas properties involving a significant portion of Dorchester Hugoton's reserves. Proceeds from other dispositions of natural gas properties are credited to the full cost account.

General Partners —Dorchester Hugoton's General Partners have the overall responsibility for the management, operation and future development of the properties. Each General Partner is entitled to receive reasonable compensation in the form of management fee, to be divided among the General Partners in an annual aggregate amount of $350,000 plus 1% of the gross income from the Partnership properties for services rendered in operating and managing Dorchester Hugoton. The General Partners are also reimbursed for all general and administrative expenses incurred by them on behalf of Dorchester Hugoton.

Operating Agreement —Dorchester Hugoton operates substantially all of its natural gas properties. Efforts are made to balance each working interest owner's share of production to gas marketed by increasing or decreasing the volumes of gas allocated to each working interest owner in subsequent months so that each such working interest owner shall be able to share in the actual cumulative production in proportion to its interest in the properties. Dorchester Hugoton receives in-kind its' share of gas produced from 11 wells in Oklahoma (10 operated by others and 1 operated by Dorchester Hugoton). At December 31, 2002 the net balance owed Dorchester Hugoton is approximately 2,700 MCF compared to approximately 14,000 MCF at December 31, 2001.

Other Agreements —Effective May 1, 2002, all of Dorchester Hugoton's Kansas gas was committed for sale to Anadarko Energy Services Company for a period of one year and year to year thereafter. Anadarko pays Dorchester Hugoton based on an average of the market price in the field. Pursuant to notice given November 1, 2001, the previous gas sales agreement with Duke Energy Field Services, Inc. expired May 1, 2002. Dorchester Hugoton believes the impact of the change in gas purchasers is immaterial to its income and cash flow.

Effective July 1, 2000, most of Dorchester Hugoton's Oklahoma gas was committed for sale to Williams Energy Marketing and Trading Company for a one-year period at a premium over the market price index. Since July 1, 2001, such sales have been on a month-to-month basis at varying market price indexes. Because Williams Energy Marketing and Trading Company has announced the possibility of selling its gas trading and marketing functions, Dorchester Hugoton is reviewing alternative gas purchasers. During 1996, Dorchester Hugoton's Oklahoma gas began a five-year commitment to Williams Field Services Company for delivery to the ultimate purchaser or purchasers through a processing facility, which also removes the contaminant nitrogen. During 2001, the commitment was extended another five years. Effective February 28, 2002, Williams Field Services Company sold the processing facility to Duke Energy Field Services, L.P., which has shifted the processing to its facility near Liberal, Kansas. Minimal impact is occurring. The quantity sold to Williams Energy Marketing and Trading Company is determined by nominations at the processing facility outlet. Imbalances with actual deliveries to Duke Energy Field Services, L.P., formerly Williams Field Services Company, are corrected in each subsequent month. At December 31, 2002, the imbalance was approximately 19,400 MMBTU owed by Dorchester Hugoton compared to 3,000 MMBTU owed to Dorchester Hugoton at December 31, 2001.

On May 1, 2000 Dorchester Hugoton extended year to year a previous four-year gas sales agreement with WFS Gas Resources Company (part of Williams Companies, Inc.) providing for gathering, compression, and sale

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)
NOTES TO FINANCIAL STATEMENTS—(Continued)

of gas at market prices. This agreement covers only three wells in which Dorchester Hugoton has minimal interest that are not connected to Dorchester Hugoton's Oklahoma gas gathering pipeline and compression facilities. This sales agreement replaced the previously regulated gathering and compression services provided by Williams Natural Gas Company.

Operating Revenue —Natural gas revenues are recognized as production and sales take place (the "sales method"). Dorchester Hugoton's purchasers (including their affiliates) who accounted for more than 10% of natural gas revenues for each of the years ended December 31, 2002, 2001, and 2000 are as follows:

Year	Purchaser "A"	Purchaser "B"
2002	84%	N/A
2001	83%	16%
2000	83%	16%

Dorchester Hugoton believes that the loss of any single customer would not have a material adverse effect on the results of its operations because the transmission (and gathering) pipelines connected to Dorchester Hugoton's facilities are required by the Federal Energy Regulatory Commission or state regulations to provide continued equal access for shipment of natural gas. Additionally, there are numerous buyers available on each pipeline.

Income Taxes —Dorchester Hugoton is treated as a partnership for income tax purposes and, as a result, income or loss of Dorchester Hugoton is includible in the tax returns of the individual Unitholders. Accordingly, no recognition has been given to income taxes in the financial statements.

Until February 1, 2003, an investment in Dorchester Hugoton by certain tax entities (such as IRA's, pension plans, etc.) may produce Unrelated Business Taxable Income ("UBTI"). Many tax-exempt entities are subject to tax on UBTI. Tax-exempt entities subject to the tax on UBTI must file with the IRS for each tax year that the entity has gross income of $1,000 or more from an unrelated trade or business. Additionally, Dorchester Hugoton reports Unitholders share of depreciation adjustments for alternative minimum tax ("AMT") purposes. The AMT adjustment must be taken into account when figuring Unitholder passive activity gains and losses for AMT purposes. UBTI and AMT are specialized areas of the tax law — Unitholders should consult tax advisors concerning their own tax situation. Finally, depletion of natural gas properties is an expense allowable to each individual partner and the depletion expense as reported on the financial statements will not be indicative of the depletion expanse an individual partner or Unitholder may be able to deduct for income tax purposes.

Simplified Employee Pension Plan —Contributions aggregating $165,949, $150,980, and $136,065 were made to eligible employees' accounts for 2002, 2001 and 2000, respectively under Dorchester Hugoton's simplified employee pension plan. Employees become eligible in their third calendar year of employment. Dorchester Hugoton does not have any other post-retirement benefit plans.

Operating Leases —Dorchester Hugoton rents administrative office space under leases expiring at various dates through 2007. Dorchester Hugoton also rents nine skid-mounted field gas compressor units on a month-to-month basis. Dorchester Hugoton also has various prepaid compressor site leases in Kansas and Oklahoma. Total rental expense was $302,000, $311,000 and $337,000 for the years ended December 31, 2002, 2001 and 2000 respectively.

2. Loans And Long-Term Debt

On July 19, 1994, Dorchester Hugoton entered into a $15,000,000 unsecured revolving facility (the "Credit Agreement") with Bank One, Texas, NA ("Bank") which would have expired July 31, 2002. The current

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS—(Continued)

borrowing base was $6,000,000 which was to be re-evaluated by the Bank at least annually. If, on any such date, the aggregate amount of outstanding loans and letters of credit exceeded the current borrowing base, Dorchester Hugoton was required to repay the excess. This credit facility included both cash advances and any letters of credit that Dorchester Hugoton needed, with interest being charged at the Bank's base rate, which was 4.75% on December 31, 2001. All amounts borrowed under this facility would have become due and payable on July 31, 2002. As of December 31, 2001, no letters of credit were issued under the credit facility. Dorchester Hugoton was required to maintain certain minimum defined financial ratios with respect to its current ratio and the ratio of net cash flow to debt service. In addition, Partnership capital was to be maintained above specified amounts. This note was guaranteed by the General Partners. Since July 1994 the maximum amount borrowed under the Credit Agreement has been $5,800,000. During 2001 and 2000 the amount borrowed under the Credit Agreement was $100,000 (the minimum borrowing necessary to maintain the credit facility). On June 4, 2002 Dorchester Hugoton repaid its borrowings and the Credit Agreement was terminated.

3. Agreement To Combine Businesses And Properties.

As disclosed on a Form 8-K filed on February 3, 2003, the combination of the businesses and/or properties of Dorchester Hugoton, Republic Royalty Company, and Spinnaker Royalty Company, LP, in a non-taxable transaction into Dorchester Minerals, L.P., a new publicly traded limited partnership, became effective on January 31, 2003. During 2002, approximately $736,000 of combination related expenses were incurred compared to $785,000 in 2001 and $339,000 in 2000.

4. Commitments and Contingencies

Since its first annual payment in 1997, in May of each year Dorchester Hugoton paid an Oklahoma production payment (calculated through the prior February) that was based upon the difference between market gas prices compared to a table of rising prices and based upon a table of declining volumes. On August 9, 2001, Dorchester Hugoton paid $5,270,000 to acquire, effective March 1, 2001, the Oklahoma production payment.

Through 1998 Dorchester Hugoton recorded $450,000 (which included related interest) towards a request from Panhandle Eastern Pipe Line Company ("PEPL") for refund of Kansas tax reimbursements received by Dorchester Hugoton during the years 1983 to 1987. These charges resulted from a ruling by the United States Court of Appeals for the District of Columbia, which overruled a previous order by the Federal Energy Regulatory Commission ("FERC"). On March 9, 1998, $151,757 was paid to PEPL. An additional $366,633, which was still awaiting possible settlement/regulatory/judicial/ legislative action, was placed into an escrow account. On March 2, 1999, $2,840 was released from escrow to PEPL. On June 22, 2001, Dorchester Hugoton, along with others, reached a Settlement Agreement with PEPL which became final October 15, 2001 upon approval by the FERC. Dorchester Hugoton reduced its accrued liability from approximately $419,000 to approximately $320,000 during the third quarter of 2001. Pursuant to that Settlement, during October 2001, Dorchester Hugoton returned all funds collected from royalty owners (approximately $35,000) who had paid their refund obligation to Dorchester Hugoton. Also, in connection with the Settlement, on November 20, 2001 Dorchester Hugoton paid from the escrow account approximately $285,000 to PEPL and approximately $135,000 to Dorchester Hugoton, subsequently closing the escrow account.

Dorchester Hugoton adopted a severance policy during the first quarter of 1998. Benefits were generally payable to employees and General Partner(s) in the event Dorchester Hugoton incurs reduction in force or the elimination of a position or group of positions. Pursuant to the combination referred to in Note 3, approximately $2.7 million in severance payments were paid by Dorchester Hugoton in January 2003 prior to closing of the combination.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)
NOTES TO FINANCIAL STATEMENTS—(Continued)

In January 2002, some individuals and an association called Rural Residents for Natural Gas Rights, referred to as RRNGR, sued Dorchester Hugoton, Anadarko Petroleum Corporation, Conoco, Inc., XTO Energy Inc., ExxonMobil Corporation, Phillips Petroleum Company, Incorporated and Texaco Exploration and Production, Inc. The suit is currently pending in the District Court of Texas County, Oklahoma and discovery is underway by the plaintiffs and defendants. The individuals and RRNGR consist primarily of Texas County, Oklahoma residents who, in residences located on leases use natural gas from gas wells located on the same leases, at their own risk, free of cost. The plaintiffs seek declaration that their domestic gas use is not limited to stoves and inside lights and is not limited to a principal dwelling as provided in the oil and gas lease agreements with defendants in the 1930s to the 1950s. Plaintiffs also assert defendants conspired to restrain trade by warning of dangers of natural gas use and using such warnings to induce some plaintiffs to release their domestic gas rights. Plaintiffs also seek certification of class action against defendants. Additionally, plaintiffs seek an accounting of fuel use by defendants. Dorchester Hugoton believes plaintiffs' claims are completely without merit as to Dorchester Hugoton and has filed an answer. In July 2002, the defendants were granted a motion for summary judgment removing RRNGR as a plaintiff. Based upon past measurements of such gas usage, Dorchester Hugoton believes the damages sought by plaintiffs to be minimal.

Dorchester Hugoton is involved in a few other legal and/or administrative proceedings arising in the ordinary course of its gas business, none of which have predictable outcomes and none of which are believed to have any significant effect on financial position or operating results.

5. Unaudited Natural Gas Reserve Information

Dorchester Hugoton retained Calhoun, Blair & Associates, Inc., an independent petroleum engineering consulting firm, to provide annual estimates as of December 31 of each year of Dorchester Hugoton's future net recoverable natural gas reserves. Dorchester Hugoton has no known reserves of crude oil. There have been no events that have occurred since December 31, 2002 that would have a material effect on the estimated proved developed natural gas reserves.

In accordance with SFAS No. 69 and Securities and Exchange Commission ("SEC") rules and regulations, the following information is presented with regard to Dorchester Hugoton's gas reserves, all of which are proved, developed and located in the United States.

The SEC has adopted SFAS No. 69 disclosure guidelines for oil and gas producers. These rules require Dorchester Hugoton to include as a supplement to the basic financial statements a standardized measure of discounted future net cash flows relating to proved oil and gas reserves. The standardized measure, in management's opinion, should be examined with caution. The basis for these disclosures is an independent petroleum engineer's reserve study which contains imprecise estimates of quantities and rates of production of reserves. Revision of prior year estimates can have a significant impact on the results. Also, exploration and production improvement costs in one year may significantly change previous estimates of proved reserves and their valuation. Values of unproved properties and anticipated future price, and cost increases or decreases are not considered. Therefore, the standardized measure is not necessarily a "best estimate" of the fair value of Dorchester Hugoton's gas properties or of future net cash flows.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)
NOTES TO FINANCIAL STATEMENTS—(Continued)

The following summaries of changes in reserves and standardized measure of discounted future net cash flows were prepared from estimates of proved reserves developed by independent petroleum engineers.

Summary of Changes in Proved Developed Reserves

	Natural Gas (MMCF)		
	2002	2001	2000
Estimated quantity, beginning of year	48,302	54,127	58,209
Revisions in previous estimates	1,348	743	3,012
Production	(6,131)	(6,568)	(7,094)
Estimated quantity, end of year	43,519	48,302	54,127
Depletion of natural gas properties (per MCF)	$ 0.33	$ 0.31	$ 0.24
Development costs incurred (in thousands of dollars)	$ 21	$ 240	$ 301
Leasehold acquisitions (in thousands of dollars)	$ 148	$ 5,297	$ 23

Standardized Measure of Discounted Future Net Cash Flows
(Dollars in Thousands)

	2002	2001	2000
Future estimated gross revenues	$ 185,213	$ 117,029	$ 313,890
Future estimated gross production payment (ORRI)	—	—	(18,613)
Future estimated production and development costs	(56,492)	(51,083)	(71,661)
Future estimated net revenues	128,721	65,946	223,616
10% annual discount for estimated timing of cash flows	(39,012)	(21,220)	(83,613)
Standardized measure of discounted future estimated net revenues	$ 89,709	$ 44,726	$ 140,003
Sales of natural gas produced, net of production costs	$ (14,924)	$ (21,899)	$ (20,812)
Net changes in prices and production costs	47,101	(89,233)	108,425
Revisions of previous quantity estimates	8,671	3,488	3,964
Accretion of discount	3,938	12,471	3,932
Other	197	(104)	112
Net change in standardized measure of discounted future estimated net revenues	$ 44,983	$ (95,277)	$ 95,621

* The ORRI was acquired during 2001 for $5,270,000. See Note 4 to the Financial Statements.

DORCHESTER HUGOTON, LTD.
(A Texas Limited Partnership)
NOTES TO FINANCIAL STATEMENTS—(Continued)

6. Unaudited Quarterly Financial Data

Quarterly financial data for the last two years (dollars in thousands except per unit data) is summarized as follows:

	2002 Quarter Ended				2001 Quarter Ended			
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
Net operating revenues	$ 3,700	$ 4,648	$ 4,509	$ 5,881	$ 11,378	$ 7,014	$ 4,729	$ 3,658
Net earnings	1,817	2,738	2,660	5,748	9,224	4,830	3,045	1,252
Net earnings per Unit	$ 0.17	$ 0.25	$ 0.24	$ 0.53	$ 0.85	$ 0.44	$ 0.28	$ 0.12

EXHIBIT 3.2

A MENDED AND R ESTATED

A GREEMENT OF L IMITED P ARTNERSHIP

OF

D ORCHESTER M INERALS , L.P.

F EBRUARY 1, 2003

TABLE OF CONTENTS

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
DORCHESTER MINERALS, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF DORCHESTER MINERALS, L.P., dated effective as of 12:00 a.m. on February 1, 2003 is entered into by and among Dorchester Minerals Management LP, a Delaware limited partnership, as the General Partner, and Dorchester Minerals Management GP LLC, a Delaware limited liability company, as the Organizational Limited Partner, together with any other Persons who become Partners in the Partnership or parties hereto as provided herein. In consideration of the covenants, conditions, and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINITIONS

SECTION 1.1. *Definitions* .

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement.

"Additional Limited Partner" means a Person admitted to the Partnership as a Limited Partner pursuant to Section 10.4 and who is shown as such on the books and records of the Partnership.

"Adjusted Capital Account" means the Capital Account maintained for each Partner as of the end of each fiscal year of the Partnership, (a) increased by (i) the amount of any unpaid Capital Contributions agreed to be contributed by such Partner, if any, and (ii) any amounts that each Partner is obligated to contribute under the standards set by Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5)) and (b) reduced by (i) the amount of depletion deductions with respect to oil and gas properties expected to be allocated to such Partner in subsequent years and charged to such Partner's Capital Account under Treasury Regulation Section 1.704-1(b)(2)(iv)(k); (ii) the amount of all deductions that, as of the end of such fiscal year, are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and Treasury Regulation Section 1.751-1(b)(2)(ii), and (iii) the amount of all distributions that, as of the end of such fiscal year, are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 6.1(d)(i) or 6.1(d)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Distribution Amount" for any fiscal year of the Partnership means

(a) (i) the aggregate distributions made pursuant to Section 6.3(a) with respect to the four Quarters of such fiscal year, plus (ii) an amount (which may be a negative number) equal to (x) the amount of cash reserves of the type described in clause (b) of the definition of Available Cash included in the calculation of Available Cash with respect to the last Quarter of such fiscal year, minus (y) the amount of cash reserves of the type described in clause (b) of the definition of Available Cash included in the calculation of Available Cash with respect to the last Quarter of the fiscal year preceding such fiscal year; plus

(b) the sum of (i) the Direct Expenses for such fiscal year, (ii) the Management Expenses actually reimbursed for such fiscal year (after application of the Management Expense Limitation, if any, imposed in Section 7.4(c)), (iii) any Production Costs for such fiscal year to the extent such Production Costs are (as determined by the General Partner in its reasonable discretion) in the nature of capital expenditures, (iv) new or additional taxes (other than income, gift or estate taxes but including amounts withheld by the Partnership and paid to any taxing authority which are attributable to Partners' shares of local, state or federal income taxes) paid during such fiscal year that were not in effect at the Closing Date or that were increased (as to rate or other method of calculation) after the Closing Date, and (v) new or additional costs of compliance paid during such fiscal year that were required as a result of changes in federal, state or local laws, regulations or ordinances that were not in effect at the Closing Date or that were changed after the Closing Date.

"Adjusted Property" means any property the Carrying Value of that has been adjusted pursuant to Section 5.5(d)(i) or 5.5(d)(ii).

"Advisory Committee" means a committee of the managers or directors of the General Partner (or its general partner) composed entirely of three or more persons who are not otherwise security holders, officers, managers, directors nor employees of the General Partner (or its general partner) nor otherwise security holders, officers, managers, directors or employees of any Affiliate of the General Partner; provided that they may be holders of Limited Partner Interests.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question. As used herein, the term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"Agreed Allocation" means any allocation, other than a Required Allocation, of an item of income, gain, loss or deduction pursuant to the provisions of Section 6.1, including, without limitation, a Curative Allocation (if appropriate to the context in which the term "Agreed Allocation" is used).

"Agreed Value" of any Contributed Property means the fair market value of such property or other consideration at the time of contribution as determined by the General Partner using such reasonable method of valuation as it may adopt. The General Partner shall, in its discretion, use such method as it deems reasonable and appropriate to allocate the aggregate Agreed Value of Contributed Properties contributed to the Partnership in a single or integrated transaction among each separate property on a basis proportional to the fair market value of each Contributed Property.

"Agreement" means this Amended and Restated Agreement of Limited Partnership of Dorchester Minerals, L.P., as it may be amended, supplemented or restated from time to time.

"Assets" means the assets being conveyed to the Partnership either directly or by operation of law, including within the meaning of the Code or regulations promulgated thereunder, on the Closing Date pursuant to Article II or Article III of the Combination Agreement.

"Assignee" means a Non-citizen Assignee or a Person to whom one or more Limited Partner Interests have been transferred in a manner permitted under this Agreement and who has executed and delivered a Transfer Application as required by this Agreement, but who has not been admitted as a Substituted Limited Partner.

"Associate" means, when used to indicate a relationship with any Person, (a) any corporation or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

"Available Cash" means, with respect to any Quarter ending prior to the Liquidation Date,

(a) all cash and cash equivalents of the Partnership on hand at the end of such Quarter, less

(b) the amount of any cash reserves that is necessary or appropriate to (i) provide for the proper conduct of the business of the Partnership (including reserves for acquisitions permitted under Section 7.3(c)(i) or other future capital expenditures and for anticipated future credit needs of the Partnership) subsequent to such Quarter and (ii) comply with applicable law or any loan agreement, security agreement, mortgage, debt instrument or other agreement or obligation; provided, however, that cash reserves for acquisitions may only be excluded from the calculation of Available Cash to the extent such acquisitions are the subject of a binding agreement or a non-binding letter of intent.

Notwithstanding the foregoing, "Available Cash" with respect to the Quarter in which the Liquidation Date occurs and any subsequent Quarter shall equal zero.

"Book-Tax Disparity" means with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date. A Partner's share of the Partnership's Book-Tax Disparities in all of its Contributed Property and Adjusted Property will be reflected by the difference between such Partner's Capital Account balance as maintained pursuant to Section 5.5 and the hypothetical balance of such Partner's Capital Account computed as if it had been maintained strictly in accordance with federal income tax accounting principles.

"Business Day" means Monday through Friday of each week, except that a legal holiday recognized as such by the government of the United States of America or the State of Texas or a date upon which any National Securities Exchange on which the Common Units or other Partnership Securities are listed for trading is closed shall not be regarded as a Business Day.

"Business Opportunities Agreement" means that certain Amended and Restated Business Opportunities Agreement, dated as of the Closing Date, among Dorchester Minerals, L.P., Dorchester Minerals Management LP, Vaughn Petroleum, Ltd., SAM Partners, Inc., Smith Allen Oil & Gas, Inc., James E. Raley, Inc., and P.A. Peak, Inc.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 5.5.

"Capital Contribution" means any cash, cash equivalents or the Net Agreed Value of Contributed Property that a Partner contributes to the Partnership pursuant to this Agreement.

"Carrying Value" means (a) with respect to a Contributed Property, the Agreed Value of such property reduced (but not below zero) by all depletion, depreciation, amortization, and cost recovery deductions charged to the Partners' and Assignees' Capital Accounts in respect of such Contributed Property, and (b) with respect to any other Partnership property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Sections 5.5(d)(i) and 5.5(d)(ii) and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Partnership properties, as deemed appropriate by the General Partner.

"Cause" means a court of competent jurisdiction has entered a final, non-appealable judgment finding the General Partner liable for actual fraud, gross negligence or willful or wanton misconduct in its capacity as general partner of the Partnership.

"Certificate" means a certificate (i) substantially in the form of Exhibit A to this Agreement, (ii) issued in global form in accordance with the rules and regulations of the Depositary or (iii) in such other form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more Common Units or a certificate, in such form as may be adopted by the General Partner in its discretion, issued by the Partnership evidencing ownership of one or more other Partnership Securities.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of Delaware as referenced in Section 2.1, as such Certificate of Limited Partnership may be amended, supplemented or restated from time to time.

"Citizenship Certification" means a properly completed certificate in such form as may be specified by the General Partner by which an Assignee or a Limited Partner certifies that he (and if he is a nominee holding for the account of another Person, that to the best of his knowledge such other Person) is an Eligible Citizen.

"Claim" has the meaning assigned to such term in Section 7.12(c).

"Closing Date" means the date on which the Combination is consummated.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of successor law.

"Combination" means the consummation of the transactions contemplated by Articles II and III of the Combination Agreement, as described in the Registration Statement.

"Combination Agreement" means that certain Combination Agreement, dated as of December 13, 2001, among Republic Royalty Company, Spinnaker Royalty Company, L.P., Dorchester Hugoton, Ltd, Dorchester Minerals, L.P. and certain other parties, as amended.

"Combined Interest" has the meaning assigned to such term in Section 11.3(a).

"Commission" means the United States Securities and Exchange Commission.

"Common Unit" means a Partnership Security representing a fractional part of the Partnership Interests of all Limited Partners and Assignees and of the General Partner (exclusive of its interest as a holder of the General Partner Interest) and having the rights and obligations specified with respect to Common Units in this Agreement.

"Contributed Property" means each property or other asset, in such form as may be permitted by the Delaware Act, but excluding cash, contributed to the Partnership, including the Assets other than cash. Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 5.5(d), such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property.

"Contribution Agreement" means that certain Contribution Agreement, dated as of December 13, 2001, among SAM Partners, Ltd., Vaughn Petroleum, Ltd., Smith Allen Oil & Gas, Inc., P.A. Peak, Inc., James E. Raley, Inc., Dorchester Minerals Management LLC and Dorchester Minerals Management LP, as amended.

"Curative Allocation" means any allocation of an item of income, gain, deduction, loss or credit pursuant to the provisions of Section 6.1 (c)(ix).

"Current Market Price" as of any date of any class of Limited Partner Interests listed or admitted to trading on any National Securities Exchange means the average of the daily Closing Prices (as hereinafter defined) per limited partner interest of such class for the 20 consecutive Trading Days (as hereinafter defined) immediately prior to such date. For purposes of this definition, (i) "Closing Price" for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such Limited Partner Interests of such class are listed or admitted to trading or, if such Limited Partner Interests of such class are not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the Nasdaq Stock Market or any other system then in use, or, if on any such day such Limited Partner Interests of such class are not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such Limited Partner Interests of such class selected by the General Partner, or if on any such day no market maker is making a market in such Limited Partner Interests of such class, the fair value of such Limited Partner Interests on such day as determined reasonably and in good faith by the General Partner; and (ii) "Trading Day" means a day on which the principal National Securities Exchange on which such Limited Partner Interests of any class are listed or admitted to trading is

open for the transaction of business or, if Limited Partner Interests of a class are not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in Dallas, Texas generally are open.

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del C. sec. 17-101, *et seq.* , as amended, supplemented or restated from time to time, and any successor to such statute.

"Departing Partner" means a former General Partner from and after the effective date of any withdrawal or removal of such former General Partner pursuant to Section 11.1 or Section 11.2.

"Depositary" means, with respect to any Units issued in global form, The Depository Trust Company and its successors and permitted assigns.

"DHL" means Dorchester Hugoton, Ltd., a Texas limited partnership.

"Direct Expenses" means expenses that are properly paid directly from the Partnership (even if paid on behalf of the Partnership by the General Partner or an Affiliate thereof and reimbursed by the Partnership), including, without limitation, professional (*e.g.* audit, tax, legal, engineering) and regulatory fees and expenses, ad valorem taxes, severance taxes, the fees of independent managers or directors of the General Partner (or its general partner), and premiums for officers' and managers' liability insurance.

"Economic Risk of Loss" has the meaning set forth in Treasury Regulation Section 1.752-2(a).

"Eligible Citizen" means a Person qualified to own interests in real property in jurisdictions in which any Group Member owns real property or does business or proposes to do business from time to time, and whose status as a Limited Partner or Assignee does not or would not subject such Group Member to a significant risk of cancellation or forfeiture of any of its properties or any interest therein.

"Employee" means (a) any Person who is or was an employee, agent or trustee of any Group Member, of the General Partner or of any Departing Partner, and (b) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an employee, agent, fiduciary or trustee of another Person. For purposes of the preceding sentence, "General Partner" and "Departing Partner" shall be deemed to include any general partner or Subsidiary thereof.

"Event of Withdrawal" has the meaning assigned to such term in Section 11.1(a).

"General Partner" means Dorchester Minerals Management LP and its successors and permitted assigns as general partner of the Partnership.

"General Partner Interest" means the ownership interest of the General Partner in the Partnership (in its capacity as a general partner without reference to any Limited Partner Interest held by it), which may be evidenced by Partnership Securities, and includes any and all benefits to which the General Partner is entitled as provided in this Agreement, together with all obligations of the General Partner to comply with the terms and provisions of this Agreement.

"Group" means a Person that with or through any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting (except voting pursuant to a revocable proxy or consent given to such Person in response to a proxy or consent solicitation made to 10 or more Persons) or disposing of any Partnership Securities with any other Person that beneficially owns or whose Affiliates or Associates beneficially own, directly or indirectly, Partnership Securities.

"Group Member" means a member of the Partnership Group.

"Holder" as used in Section 7.12, has the meaning assigned to such term in Section 7.12(a).

"Indemnified Persons" has the meaning assigned to such term in Section 7.12(c).

"Indemnitee" means (a) the General Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, officer or director of any Group Member, of the General Partner or of any Departing Partner, and (e) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, member or partner of another Person; provided, that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis, trustee, fiduciary or custodial services. For purposes of the preceding sentence, "General Partner" and "Departing Partner" shall be deemed to include any general partner or Subsidiary thereof.

"Initial Limited Partners" means the parties admitted to the Partnership in accordance with Section 10.1.

"Issue Price" means the price at which a Unit is purchased from the Partnership, after taking into account any sales commission or underwriting discount charged to the Partnership.

"Limited Partner" means, unless the context otherwise requires, (a) the Organizational Limited Partner prior to its withdrawal from the Partnership, each Initial Limited Partner, each Substituted Limited Partner, each Additional Limited Partner and any Partner upon the change of its status from General Partner to Limited Partner pursuant to Section 11.3 or (b) solely for purposes of Articles V, VI, VII, IX and XII, each Assignee.

"Limited Partner Interest" means the ownership interest of a Limited Partner or Assignee in the Partnership, which may be evidenced by Common Units or other Partnership Securities or a combination thereof or interest therein, and includes any and all benefits to which such Limited Partner or Assignee is entitled as provided in this Agreement, together with all obligations of such Limited Partner or Assignee to comply with the terms and provisions of this Agreement.

"Limited Partner Amendment" means an amendment to this Agreement that has not been approved by the General Partner.

"Liquidation Date" means (a) in the case of an event giving rise to the dissolution of the Partnership of the type described in clauses (a) and (b) of the first sentence of Section 12.2, the date on which the applicable time period during which the holders of Outstanding Units have the right to elect to reconstitute the Partnership and continue its business has expired without such an election being made, and (b) in the case of any other event giving rise to the dissolution of the Partnership, the date on which such event occurs.

"Liquidator" means one or more Persons selected by the General Partner to perform the functions described in Section 12.3 as liquidating trustee of the Partnership within the meaning of the Delaware Act.

"Management Expenses" shall mean the expenses of the General Partner or its Affiliates incurred on behalf of the Partnership, including wages, salaries, incentive compensation, and the cost of employee benefit plans paid or provided to employees and officers that are properly allocated to the Partnership and all other necessary or appropriate expenses allocable to the Partnership, provided, however, that Management Expenses shall not include Direct Expenses or Production Costs.

"Merger Agreement" has the meaning assigned to such term in Section 14.1.

"National Securities Exchange" means an exchange registered with the Commission under Section 6(a) of the Securities Exchange Act of 1934, as amended, supplemented or restated from time to time, and any successor to such statute, or the Nasdaq National Market or any successor thereto.

"Net Agreed Value" means, (a) in the case of any Contributed Property, the Agreed Value of such property reduced by any liabilities either assumed by the Partnership upon such contribution or to which such property is subject when contributed, and (b) in the case of any property distributed to a Partner or Assignee by the Partnership, the Partnership's Carrying Value of such property (as adjusted pursuant to Section 5.5(d)(ii)) at the time such property is distributed, reduced by any indebtedness either assumed by such Partner or Assignee upon such distribution or to which such property is subject at the time of distribution, in either case, as determined under Section 752 of the Code.

"Net Income" means, for any taxable year, the excess, if any, of the Partnership's items of income and gain for such taxable year over the Partnership's items of loss and deduction for such taxable year. The items included in the calculation of Net Income shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(c).

"Net Loss" means, for any taxable year, the excess, if any, of the Partnership's items of loss and deduction for such taxable year over the Partnership's items of income and gain for such taxable year. The items included in the calculation of Net Loss shall be determined in accordance with Section 5.5(b) and shall not include any items specially allocated under Section 6.1(c).

"Non-citizen Assignee" means a Person whom the General Partner has determined in its discretion does not constitute an Eligible Citizen and as to whose Partnership Interest the General Partner has become the Substituted Limited Partner, pursuant to Section 4.9.

"Nonrecourse Deductions" means any and all items of loss, deduction or expenditures (including, without limitation, any expenditures described in Section 705(a)(2)(B) of the Code) that, in accordance with the principles of Treasury Regulation Section 1.704-2(b), are attributable to a Nonrecourse Liability.

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.752-1(a)(2).

"Operating Subsidiary" means Dorchester Minerals Operating LP.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Partnership or the General Partner or any of its Affiliates) acceptable to the General Partner in its reasonable discretion.

"Organizational Limited Partner" means Dorchester Minerals Management LLC in its capacity as the organizational limited partner of the Partnership pursuant to this Agreement.

"ORRI" means the payments received with respect to (i) the overriding royalty interest in the properties conveyed by DHL to the Operating Subsidiary reserved by DHL pursuant to that certain Assignment, Conveyance and Assumption Agreement of even date herewith from DHL to the Operating Subsidiary, (ii) the overriding royalty interest in the properties conveyed by Republic Royalty Company, L.P. to the Operating Subsidiary reserved by Republic Royalty Company, L.P. pursuant to that certain Assignment, Conveyance and Assumption Agreement of even date herewith from Republic Royalty Company, L.P. to the Operating Subsidiary, (iii) the overriding royalty interest in the properties conveyed by Spinnaker Royalty Company, L.P. to the Operating Subsidiary reserved by Spinnaker Royalty Company, L.P. pursuant to that certain Assignment and Conveyance of even date herewith from Spinnaker Royalty Company, L.P. to the Operating Subsidiary, and (iv) any overriding royalty interest in any properties conveyed by the Partnership to the Operating Subsidiary reserved by the Partnership pursuant to that certain Royalty/NPI Agreement dated of even date herewith between the Partnership and the Operating Subsidiary.

"Outstanding" means, with respect to Partnership Securities, all Partnership Securities that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination.

"Partner Nonrecourse Debt" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partner Nonrecourse Deductions" has the meaning set forth in Treasury Regulation Section 1.704-2(i)(2).

"Partners" means the General Partner and the Limited Partners.

"Partnership" means Dorchester Minerals, L.P., a Delaware limited partnership, and any successors thereto.

"Partnership Group" means the Partnership and any Subsidiary of the Partnership, treated as a single consolidated entity.

"Partnership Interest" means an interest in the Partnership, which shall include the General Partner Interest and Limited Partner Interests.

"Partnership Minimum Gain" means that amount determined in accordance with the principles of Treasury Regulation Section 1.704-2 (d).

"Partnership Security" means any class or series of equity interest in the Partnership (but excluding any options, rights, warrants, and appreciation rights relating to an equity interest in the Partnership), including without limitation, Common Units and the General Partner Interest.

"Percentage Interest" means as of any date of determination (a) as to the General Partner (with respect to its General Partner Interest), a 1% partnership interest and sharing percentage in each ORRI and a 4% partnership interest and sharing percentage in every other asset, property, obligation and liability of the Partnership and every other item of revenue, cost and expense (including any reserves established for the payment of future costs and expenses) of the Partnership, excluding only each ORRI, adjusted to the extent necessary and appropriate to reflect the interests of holders of additional Partnership Securities covered by clause (c) below, (b) as to any Unitholder or Assignee (i) a partnership interest and sharing percentage in each ORRI equal to the product obtained by multiplying (A) 99% by (B) the quotient obtained by dividing the number of Common Units held by such Unitholder or Assignee by the total number of all Outstanding Units and (ii) a partnership interest and sharing percentage in every other asset, property, obligation and liability of the Partnership and every other item of revenue, cost and expense (including any reserves established for the payment of future costs and expenses) of the Partnership, excluding only the ORRI, equal to the product obtained by multiplying (A) 96% by (B) the quotient obtained by dividing the number of Common Units held by such Unitholder or Assignee by the total number of all Outstanding Units, and in the case of (b)(i) and (ii) adjusted to the extent necessary and appropriate to reflect the interests of holders of additional Partnership Securities covered by clause (c) below, and (c) as to the holders of additional Partnership Securities (other than Common Units) issued by the Partnership in accordance with Section 5.6, the percentage established as a part of such issuance.

"Person" means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association, government agency or political subdivision thereof or other entity.

"Prime Rate" means the prime rate reported in the Money Rates section of *The Wall Street Journal* . In the event that *The Wall Street Journal* should cease or temporarily interrupt publication, the term "Prime Rate" shall mean the daily average prime rate published in another business newspaper, or business section of a newspaper, of national standing and general circulation chosen by the Partnership. In the event that a prime rate is no longer generally published or is limited, regulated or administered by a governmental or quasi-governmental body, then the Partnership shall select a comparable interest rate index which is readily available and verifiable to a Limited Partner or Assignee but is beyond the Partnership's control.

"Production Costs" means "Production Costs" as defined in that certain Assignment, Conveyance and Assumption Agreement of even date herewith from DHL to the Operating Subsidiary and "Production Costs" (or its substantial equivalent) in any other net profits interest agreement in place between the Partnership and the Operating Subsidiary (or the successor to its assets).

"Pro Rata" means (a) when modifying Units or any class thereof, apportioned equally among all designated Units in accordance with their relative Percentage Interests and (b) when

modifying Partners and Assignees, apportioned among all Partners and Assignees in accordance with their relative Percentage Interests.

"Quarter" means, unless the context requires otherwise, a fiscal quarter, or with respect to the first fiscal quarter after the Closing Date the portion of such fiscal quarter after the Closing Date, of the Partnership.

"Recapture Income" means any gain recognized by the Partnership (computed without regard to any adjustment required by Section 734 or Section 743 of the Code) upon the disposition of any property or asset of the Partnership, which gain is characterized as ordinary income because it represents the recapture of deductions previously taken with respect to such property or asset.

"Record Date" means the date established by the General Partner for determining (a) the identity of the Record Holders entitled to notice of, or to vote at, any meeting of Limited Partners or entitled to vote by ballot or give approval of Partnership action in writing without a meeting or entitled to exercise rights in respect of any lawful action of Limited Partners or (b) the identity of Record Holders entitled to receive any report or distribution or to participate in any offer.

"Record Holder" means the Person in whose name a Common Unit is registered on the books of the Transfer Agent as of the opening of business on a particular Business Day, or with respect to other Partnership Securities, the Person in whose name any such other Partnership Security is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day.

"Redeemable Interests" means any Partnership Interests for which a redemption notice has been given, and has not been withdrawn, pursuant to Section 4.9.

"Registration Statement" means the Registration Statement on Form S-4 (Registration No. 333-88282) as it has been or as it may be amended or supplemented from time to time, filed by the Partnership with the Commission under the Securities Act.

"Republic" means Republic Royalty Company, a Texas partnership.

"Required Allocations" means (a) any limitation imposed on any allocation of Net Losses under Section 6.1(b) and (b) any allocation of an item of income, gain, loss or deduction pursuant to Section 6.1(c)(i), 6.1(c)(ii), 6.1(c)(iii), 6.1(c)(vi) or 6.1(c)(viii).

"Residual Gain" or "Residual Loss" means any item of gain or loss; as the case may be, of the Partnership recognized for federal income tax purposes resulting from a sale, exchange or other disposition of a Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.2(d)(i)(A) or 6.2(d)(ii)(A), respectively, to eliminate Book-Tax Disparities.

"Securities Act" means the Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

"Separate Person" means (a) any Limited Partner, (b) any Departing Partner, (c) any Person who is or was an Affiliate of the General Partner or any Departing Partner, (d) any Person who is or was a member, partner, manager, officer, director, employee, agent or trustee of any Group Member, of the General Partner or any Affiliate thereof or of any Departing Partner or any

Affiliate thereof, (e) any Person who owns, directly or indirectly, in excess of 5% of the equity ownership of any Affiliate of the General Partner or any Departing Partner, and (f) any Person who is or was serving at the request of the General Partner or any Departing Partner or any Affiliate of the General Partner or any Departing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another Person; provided, that the General Partner, the Operating Subsidiary and the general partner of the Operating Subsidiary shall not be a Separate Person.

"Special Approval" means approval by a majority of the members of the Advisory Committee.

"Spinnaker" means Spinnaker Royalty Company, L.P., a Texas limited partnership.

"Subsidiary" means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, or (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person.

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to Section 10.2 in place of and with all the rights of a Limited Partner and who is shown as a Limited Partner on the books and records of the Partnership.

"Surviving Business Entity" has the meaning assigned to such term in Section 14.2(b).

"Trading Day" has the meaning assigned to such term in Section 15.1(a).

"Transfer" has the meaning assigned to such term in Section 4.4(a).

"Transfer Agent" means such bank, trust company or other Person (including the General Partner or one of its Affiliates) as shall be appointed from time to time by the Partnership to act as registrar and transfer agent for the Common Units; provided that if no Transfer Agent is specifically designated for any other Partnership Securities, the General Partner shall act in such capacity.

"Transfer Application" means an application and agreement for transfer of Units in the form set forth on the back of a Certificate or in a form substantially to the same effect in a separate instrument.

"Unit" means a Common Unit, and any other Partnership Security that is issued pursuant to Section 5.6 and is designated as a "Unit," but shall not include a General Partner Interest.

"Unitholders" means the holders of Common Units (including, unless specifically excluded with respect to any particular vote or consent, Common Units held by the General Partner or its Affiliates).

"Unit Majority" means at least a majority of the Outstanding Common Units.

"Unrealized Gain" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the fair market value of such property as of such date (as determined under Section 5.5(d)) over (b) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date).

"Unrealized Loss" attributable to any item of Partnership property means, as of any date of determination, the excess, if any, of (a) the Carrying Value of such property as of such date (prior to any adjustment to be made pursuant to Section 5.5(d) as of such date) over (b) the fair market value of such property as of such date (as determined under Section 5.5(d)).

"US GAAP" means United States Generally Accepted Accounting Principles consistently applied.

"Withdrawal Opinion of Counsel" has the meaning assigned to such term in Section 11.1(b).

"Working Capital Borrowings" means borrowings exclusively for working capital purposes made pursuant to a credit facility or other arrangement requiring all such borrowings thereunder to be reduced to a relatively small amount each year (or for the year in which the Combination is consummated, the 12-month period beginning on the Closing Date) for an economically meaningful period of time.

SECTION 1.2. *Construction* .

Unless the context requires otherwise: (a) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa; (b) references to Articles and Sections refer to Articles and Sections of this Agreement; and (c) the term "include" or "includes" means includes, without limitation, and "including" means including, without limitation.

ARTICLE II.

ORGANIZATION

SECTION 2.1. *Formation* .

The General Partner and the Organizational Limited Partner have previously formed the Partnership as a limited partnership pursuant to the provisions of the Delaware Act and hereby amend and restate the original Agreement of Limited Partnership of Dorchester Minerals, L.P. in its entirety. This amendment and restatement shall become effective on the date of this Agreement. Except as expressly provided to the contrary in this Agreement, the rights, duties (including fiduciary duties), liabilities, and obligations of the Partners and the administration, dissolution and termination of the Partnership shall be governed by the Delaware Act. All

Partnership Interests shall constitute personal property of the owner thereof for all purposes and a Partner has no interest in specific Partnership property.

SECTION 2.2. *Name* .

The name of the Partnership shall be "Dorchester Minerals, L.P." The Partnership's business may be conducted under any other name or names deemed necessary or appropriate by the General Partner in its sole discretion, including the name of the General Partner. The words "Limited Partnership," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purpose of complying with the laws of any jurisdiction that so requires. The General Partner in its discretion may change the name of the Partnership at any time and from time to time and shall notify the Limited Partners of such change in the next regular communication to the Limited Partners.

SECTION 2.3. *Registered Office; Registered Agent; Principal Office; Other Offices* .

Unless and until changed by the General Partner, the registered office of the Partnership in the State of Delaware shall be located at 1209 Orange Street, City of Wilmington, County of New Castle 19801 and the registered agent for service of process on the Partnership in the State of Delaware at such registered office shall be The Corporation Trust Company. The principal office of the Partnership shall be located at 3738 Oak Lawn Avenue, Dallas, Texas or such other place as the General Partner may from time to time designate by notice to the Limited Partners in the next regular communication to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Delaware as the General Partner deems necessary or appropriate. The address of the General Partner shall be 3738 Oak Lawn Avenue, Dallas, Texas or such other place as the General Partner may from time to time designate by notice to the Limited Partners in the next regular communication to the Limited Partners.

SECTION 2.4. *Purpose and Business*

The purpose and nature of the business to be conducted by the Partnership shall be to (a) acquire, manage, operate, and sell the Assets and any similar assets or properties now or hereafter acquired by the Partnership and to distribute all Available Cash to owners of Partnership Interests according to their respective Percentage Interests, (b) engage directly in or enter into or form any corporation, partnership, joint venture, limited liability company or other entity or arrangement to engage indirectly in, any business activity that the General Partner approves and which lawfully may be conducted by a limited partnership organized pursuant to the Delaware Act and, in connection therewith, to exercise all of the rights and powers conferred upon the Partnership pursuant to the agreements relating to such business activity; provided, however, that the General Partner reasonably determines, as of the date of the acquisition or commencement of such activity, that the income generated by such activity is (i) "qualifying income" (as such term is defined pursuant to Section 7704 of the Code), and (ii) enhances the operations of an activity of the Partnership, and (c) do anything necessary or appropriate to the foregoing. In managing the business of the Partnership, the General Partner shall use all reasonable efforts to prevent the Partnership from realizing income that would be treated as "unrelated business taxable income" (as such term is defined in Section 512 of the Code) to a Limited Partner or Assignee that is otherwise exempt from United States federal income tax. The General Partner has no obligation or duty to the Partnership, the Limited Partners or the Assignees to propose or approve, and in its discretion may decline to propose or approve, the conduct by the Partnership of any business, except as provided for in Section 7.3.

SECTION 2.5. *Powers* .

The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described in Section 2.4 and for the protection and benefit of the Partnership.

SECTION 2.6. *Power of Attorney.*

(a) Each Limited Partner and each Assignee hereby constitutes and appoints the General Partner and, if a Liquidator shall have been selected pursuant to Section 12.3, the Liquidator, (and any successor to the Liquidator by merger, transfer, assignment, election or otherwise) and each of their authorized officers and attorneys-in-fact, as the case may be, with full power of substitution, as his true and lawful agent and attorney-in-fact, with full power and authority in his name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) all certificates, documents and other instruments (including this Agreement and the Certificate of Limited Partnership and all amendments or restatements hereof or thereof) that the General Partner or the Liquidator deems necessary or appropriate to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware and in all other jurisdictions in which the Partnership may conduct business or own property; (B) all certificates, documents and other instruments that the General Partner or the Liquidator deems necessary or appropriate to reflect, in accordance with its terms, any amendment, change, modification or restatement of this Agreement; (C) all certificates, documents and other instruments (including conveyances and a certificate of cancellation) that the General Partner or the Liquidator deems necessary or appropriate to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement; (D) all certificates, documents and other instruments relating to the admission, withdrawal, removal or substitution of any Partner pursuant to, or other events described in, Article IV, X, XI or XII; (E) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges of any class or series of Partnership Securities issued pursuant to Section 5.6; and (F) all certificates, documents and other instruments (including agreements and a certificate of merger) relating to a merger, consolidation or conversion of the Partnership pursuant to Article XIV; and

(ii) execute, swear to, acknowledge, deliver, file and record all ballots, consents, approvals, waivers, certificates, documents and other instruments necessary or appropriate, in the discretion of the General Partner or the Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement or is necessary or appropriate, in the discretion of the General Partner or the Liquidator, to effectuate the terms or intent of this Agreement; provided, that when required by Section 13.3 or any other provision of this Agreement that establishes a percentage of the Limited Partners or of the Limited Partners of any class or series required to take any action, the General Partner and the Liquidator may exercise the power of attorney made in this Section 2.6(a)(ii) only after the necessary vote, consent

or approval of the Limited Partners or of the Limited Partners of such class or series, as applicable.

Nothing contained in this Section 2.6(a) shall be construed as authorizing the General Partner to amend this Agreement except in accordance with Article XIII or as may be otherwise expressly provided for in this Agreement.

(b) The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and, to the maximum extent permitted by law, not be affected by the subsequent death, incompetency, disability, incapacity, dissolution, bankruptcy or termination of any Limited Partner or Assignee and the transfer of all or any portion of such Limited Partner's or Assignee's Partnership Interest and shall extend to such Limited Partner's or Assignee's heirs, successors, assigns and personal representatives. Each such Limited Partner or Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator acting in good faith pursuant to such power of attorney; and each such Limited Partner or Assignee, to the maximum extent permitted by law, hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator taken in good faith under such power of attorney. Each Limited Partner or Assignee shall execute and deliver to the General Partner or the Liquidator, within 15 days after receipt of the request therefor, such further designation, powers of attorney, and other instruments as the General Partner or the Liquidator deems necessary to effectuate this Agreement and the purposes of the Partnership.

SECTION 2.7. *Term* .

The term of the Partnership commenced upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until the dissolution of the Partnership in accordance with the provisions of Article XII. The existence of the Partnership as a separate legal entity shall continue until the cancellation of the Certificate of Limited Partnership as provided in the Delaware Act.

SECTION 2.8. *Title to Partnership Assets.*

Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner or Assignee, individually or collectively, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner, one or more of its Affiliates or one or more nominees, as the General Partner may determine. The General Partner hereby declares and warrants that any Partnership assets for which record title is held in the name of the General Partner or one or more of its Affiliates or one or more nominees shall be held by the General Partner or such Affiliate or nominee for the use and benefit of the Partnership in accordance with the provisions of this Agreement; provided, however, that the General Partner shall use reasonable efforts to cause record title to such assets (other than those assets in respect of which the General Partner determines that the expense and difficulty of conveyancing makes transfer of record title to the Partnership impracticable) to be vested in the Partnership or a wholly-owned Subsidiary of the Partnership as soon as reasonably practicable; provided, further, that, prior to the withdrawal or removal of the General Partner or as soon thereafter as practicable, the General Partner shall use reasonable efforts to effect the transfer of record title to the Partnership and, prior to any such transfer, will provide for the use of such assets for the benefit of the Partnership in a manner

satisfactory to the General Partner. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which record title to such Partnership assets is held.

ARTICLE III.

RIGHTS OF LIMITED PARTNERS

SECTION 3.1. *Limitation of Liability.*

The Limited Partners and the Assignees shall have no liability under this Agreement except as expressly provided in this Agreement or the Delaware Act.

SECTION 3.2. *Management of Business.*

No Limited Partner or Assignee, in its capacity as such, shall participate in the operation, management or control (within the meaning of the Delaware Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. Any action taken by any Affiliate of the General Partner or any officer, director, employee, manager, member, general partner, agent or trustee of the General Partner or any of its Affiliates, or any officer, director, employee, manager, member, general partner, agent or trustee of a Group Member, in its capacity as such, shall not be deemed to be participation in the control of the business of the Partnership by a limited partner of the Partnership (within the meaning of Section 17-303(a) of the Delaware Act) and shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

SECTION 3.3. *Outside Activities of the Limited Partners.*

Subject to the provisions of Section 7.5 and the Business Opportunities Agreement, which shall continue to be applicable to the Persons referred to therein, regardless of whether such Persons shall also be Limited Partners or Assignees, any Limited Partner or Assignee shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities in direct competition with the Partnership Group. Neither the Partnership nor any of the other Partners or Assignees shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee.

SECTION 3.4. *Rights of Limited Partners.*

(a) In addition to other rights provided by this Agreement or by applicable law, and except as limited by Section 3.4(b), each Limited Partner shall have the right, for a purpose reasonably related to such Limited Partner's interest as a limited partner in the Partnership, upon reasonable written demand setting forth the purpose of such demand and at such Limited Partner's own expense:

(i) to obtain true and full information regarding the status of the business and financial condition of the Partnership;

(ii) promptly after becoming available, to obtain a copy of the Partnership's federal, state and local income tax returns for each year;

(iii) to have furnished to him a current list of the name and last known business, residence or mailing address of each Partner;

(iv) to have furnished to him a copy of this Agreement and the Certificate of Limited Partnership and all amendments thereto, together with a copy of the executed copies of all powers of attorney pursuant to which this Agreement, the Certificate of Limited Partnership and all amendments thereto have been executed;

(v) to obtain true and full information regarding the amount of cash and a description and statement of the Net Agreed Value of any other Capital Contribution by each Partner and which each Partner has agreed to contribute in the future, and the date on which each became a Partner; and

(vi) to obtain such other information regarding the affairs of the Partnership as is just and reasonable.

(b) The General Partner may keep confidential from the Limited Partners and Assignees, for such period of time as the General Partner deems reasonable, (i) any information that the General Partner reasonably believes to be in the nature of trade secrets or (ii) other information the disclosure of which the General Partner in good faith believes (A) is not in the best interests of the Partnership, (B) could damage the Partnership or (C) that any Partner is required by law or by agreement with any third party to keep confidential (other than agreements with Affiliates of the Partnership the primary purpose of which is to circumvent the obligations set forth in this Section 3.4).

ARTICLE IV.

CERTIFICATES; RECORD HOLDERS; TRANSFER OF PARTNERSHIP INTERESTS; REDEMPTION OF PARTNERSHIP INTERESTS

SECTION 4.1. *Certificates* .

Upon the Partnership's issuance of Common Units to any Person, the Partnership shall issue one or more Certificates in the name of such Person evidencing the number of such Units being so issued. In addition, upon the General Partner's request, the Partnership shall issue to it one or more Certificates in the name of the General Partner evidencing its interests in the Partnership. Such Certificates shall be executed on behalf of the Partnership by the Chairman of the Board, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer or any Vice President, and by the Secretary or any Assistant Secretary of the General Partner (or its general partner, if applicable). No Common Unit Certificate shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the General Partner elects to issue Common Units in global form, the Common Unit Certificates shall be valid upon receipt of a certificate from the Transfer Agent certifying that the Common Units have been duly registered in accordance with the directions of the General Partner; and provided further that this

requirement shall not apply to Common Unit Certificates issued pursuant to the Combination Agreement to the general partners of DHL with respect to their general partner interests in DHL.

SECTION 4.2. *Mutilated, Destroyed, Lost or Stolen Certificates.*

(a) If any mutilated Certificate is surrendered to the Transfer Agent, the appropriate officers of the General Partner on behalf of the Partnership shall execute, and the Transfer Agent shall countersign and deliver in exchange therefor, a new Certificate evidencing the same number and type of Partnership Securities as the Certificate so surrendered.

(b) The appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and the Transfer Agent shall countersign a new Certificate in place of any Certificate previously issued if the Record Holder of the Certificate does each of the following:

(i) makes proof by affidavit, in form and substance satisfactory to the Partnership, that a previously issued Certificate has been lost, destroyed or stolen;

(ii) requests the issuance of a new Certificate before the Partnership has notice that the Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

(iii) if requested by the Partnership, delivers to the Partnership a bond, in form and substance satisfactory to the Partnership, with surety or sureties and with fixed or open penalty as the Partnership may reasonably direct, in its sole discretion, to indemnify the Partnership, the Partners, the General Partner and the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the Certificate; and

(iv) satisfies any other reasonable requirements imposed by the Partnership.

If a Limited Partner or Assignee fails to notify the Partnership within a reasonable time after he has notice of the loss, destruction or theft of a Certificate, and a transfer of the Limited Partner Interests represented by the Certificate is registered before the Partnership, the General Partner or the Transfer Agent receives such notification, the Limited Partner or Assignee shall be precluded from making any claim against the Partnership, the General Partner or the Transfer Agent for such transfer or for a new Certificate.

(c) As a condition to the issuance of any new Certificate under this Section 4.2, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent) reasonably connected therewith.

SECTION 4.3. *Record Holders* .

The Partnership shall be entitled to recognize the Record Holder as the Partner or Assignee with respect to any Partnership Interest and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Partnership Interest on the part of any other Person, regardless of whether the Partnership shall have actual or other notice thereof, except as otherwise provided by law or any applicable rule, regulation, guideline or requirement of any National Securities Exchange on which such Partnership Interests are listed for trading. Without

limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Partnership Interests, as between the Partnership on the one hand, and such other Persons on the other, such representative Person (a) shall be the Partner or Assignee (as the case may be) of record and beneficially, (b) must execute and deliver a Transfer Application and (c) shall be bound by this Agreement and shall have the rights and obligations of a Partner or Assignee (as the case may be) hereunder and as, and to the extent, provided for herein.

SECTION 4.4. *Transfer Generally.*

(a) The term "transfer," when used in this Agreement with respect to a Partnership Interest, shall be deemed to refer to a transaction by which the General Partner assigns its General Partner Interest or any portion thereof or interest therein to another Person who becomes the General Partner, by which the holder of a Limited Partner Interest assigns such Limited Partner Interest or any portion thereof or interest therein to another Person who is or becomes a Limited Partner or an Assignee, and includes a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or otherwise.

(b) No Partnership Interest or any portion thereof or interest therein shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article IV. Any transfer or purported transfer of a Partnership Interest or any portion thereof or interest therein not made in accordance with this Article IV shall be null and void.

(c) Nothing contained in this Agreement shall be construed to prevent a disposition by any owner of equity interests of the General Partner (or its general partner, if applicable) of any or all of the issued and outstanding equity interests of the General Partner (or its general partner, if applicable).

SECTION 4.5. *Registration and Transfer of Limited Partner Interests.*

(a) The Partnership shall keep or cause to be kept on behalf of the Partnership a register in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of Section 4.5(b), the Partnership will provide for the registration and transfer of Limited Partner Interests. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Units and transfers of such Common Units as herein provided. The Partnership shall not recognize transfers of Certificates evidencing Limited Partner Interests unless such transfers are effected in the manner described in this Section 4.5. Upon surrender of a Certificate for registration of transfer of any Limited Partner Interests evidenced by a Certificate, and subject to the provisions of Section 4.5(b), the appropriate officers of the General Partner on behalf of the Partnership shall execute and deliver, and in the case of Common Units, the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Certificates evidencing the same aggregate number and type of Limited Partner Interests as was evidenced by the Certificate so surrendered.

(b) Except as otherwise provided in Section 4.9, the Partnership shall not recognize any transfer of Limited Partner Interests until the Certificates evidencing such Limited Partner Interests are surrendered for registration of transfer and such Certificates are accompanied by a Transfer Application duly executed by the transferee (or the transferee's attorney-in-fact duly

authorized in writing). No charge shall be imposed by the Partnership for such transfer; provided, that as a condition to the issuance of any new Certificate under this Section 4.5, the Partnership may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed with respect thereto.

(c) Limited Partner Interests may be transferred only in the manner described in this Section 4.5. The transfer of any Limited Partner Interests and the admission of any new Limited Partner shall not constitute an amendment to this Agreement.

(d) Until admitted as a Substituted Limited Partner pursuant to Section 10.2, the Record Holder of a Limited Partner Interest shall be an Assignee in respect of such Limited Partner Interest. Limited Partners may include custodians, nominees or any other individual or entity in its own or any representative capacity.

(e) A transferee of a Limited Partner Interest who has completed and delivered a Transfer Application shall be deemed to have (i) requested admission as a Substituted Limited Partner, (ii) agreed to comply with and be bound by and to have executed this Agreement, (iii) represented and warranted that such transferee has the right, power and authority and, if an individual, the capacity to enter into this Agreement, (iv) granted the powers of attorney set forth in this Agreement and (v) given the consents and approvals and made the waivers contained in this Agreement.

(f) The General Partner and its Affiliates shall have the right at any time to transfer their Common Units to one or more Persons, subject to the other requirements of this Section 4.5 and Sections 4.7 and 4.8.

(g) Notwithstanding the foregoing, the provisions of this Section 4.5 shall not apply to the transfer on the Closing Date of Common Units to the General Partner pursuant to the Contribution Agreement.

SECTION 4.6. *Transfer of the General Partner's General Partner Interest.*

(a) Subject to Section 4.6(b) below, unless a Limited Partner Amendment has been effected, the General Partner shall not transfer all or any part of its General Partner Interest to a Person prior to December 31, 2010, unless such transfer (i) has been approved by the prior written consent or vote of the holders of at least a majority of the Outstanding Common Units (excluding Common Units held by the General Partner and its Affiliates) or (ii) is of all, but not less than all, of its General Partner Interest to (A) an Affiliate of the General Partner or (B) another Person in connection with the merger or consolidation of the General Partner with or into another Person or the transfer by the General Partner of all or substantially all of its assets to another Person. Subject to Section 4.6(b) below, on or after December 31, 2010, the General Partner may transfer all or any of its General Partner Interest without Unitholder approval.

(b) Notwithstanding anything herein to the contrary, no transfer by the General Partner of all or any part of its General Partner Interest to another Person shall be permitted unless (i) the transferee agrees to assume the rights and duties of the General Partner under this Agreement and to be bound by the provisions of this Agreement, (ii) the Partnership receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any Limited Partner or cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed),

(iii) such transferee also agrees to purchase all (or the appropriate portion thereof, if applicable) of the partnership or membership interest of the General Partner as the general partner of the Partnership, and (iv) the General Partner sells to the transferee either (A) all of the equity interests in the Operating Subsidiary or (B) all of the assets of the Operating Subsidiary, such price for the equity interests and/or the assets of the Operating Subsidiary shall be fair market value. In the case of a transfer pursuant to and in compliance with this Section 4.6, the transferee or successor (as the case may be) shall, subject to compliance with the terms of Section 10.3, be admitted to the Partnership as a General Partner immediately prior to the transfer of the Partnership Interest, and the business of the Partnership shall continue without dissolution.

(c) Notwithstanding the foregoing, the provisions of this Section 4.6 shall not apply to the transfer on the Closing Date of general partner interests in the Partnership to the General Partner pursuant to the Contribution Agreement.

SECTION 4.7. *Restrictions on Transfers.*

(a) Except as provided in Section 4.7(c) below, but notwithstanding the other provisions of this Article IV, no transfer of any Partnership Interests shall be made if such transfer would (i) violate the then applicable federal or state securities laws or rules and regulations of the Commission, any state securities commission or any other governmental authority with jurisdiction over such transfer, (ii) terminate the existence or qualification of the Partnership under the laws of the jurisdiction of its formation, or (iii) cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not already so treated or taxed).

(b) The General Partner may impose restrictions on the transfer of Partnership Interests if a subsequent Opinion of Counsel determines that such restrictions are necessary to avoid a significant risk of the Partnership becoming taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes. The restrictions may be imposed by making such amendments to this Agreement as the General Partner may determine to be necessary or appropriate to impose such restrictions; provided, however, that any amendment that the General Partner believes, in the exercise of its reasonable discretion, could result in the delisting or suspension of trading of any class of Limited Partner Interests on the principal National Securities Exchange on which such class of Limited Partner Interests is then traded must be approved, prior to such amendment being effected, by the holders of at least a majority of the Outstanding Limited Partner Interests of such class, unless the Partnership has been approved for listing or trading on another National Securities Exchange.

(c) Nothing contained in this Article IV, or elsewhere in this Agreement, shall preclude the settlement of any transactions involving Partnership Interests entered into through the facilities of any National Securities Exchange on which such Partnership Interests are listed for trading.

SECTION 4.8. *Citizenship Certificates; Non-citizen Assignees.*

(a) If any Group Member is or becomes subject to any federal, state or local law or regulation that, in the reasonable determination of the General Partner, creates a substantial risk of cancellation or forfeiture of any property in which the Group Member has an interest based on the nationality, citizenship or other related status of a Limited Partner or Assignee, the General Partner may request any Limited Partner or Assignee to furnish to the General Partner, within 30 days after receipt of such request, an executed Citizenship Certification or such other information

concerning his nationality, citizenship or other related status (or, if the Limited Partner or Assignee is a nominee holding for the account of another Person, the nationality, citizenship or other related status of such Person) as the General Partner may request. If a Limited Partner or Assignee fails to furnish to the General Partner within the aforementioned 30-day period such Citizenship Certification or other requested information or if upon receipt of such Citizenship Certification or other requested information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership Interests owned by such Limited Partner or Assignee shall be subject to redemption in accordance with the provisions of Section 4.9. In addition, the General Partner may require that the status of any such Partner or Assignee be changed to that of a Non-citizen Assignee and, thereupon, the General Partner shall be substituted for such Non-citizen Assignee as the Limited Partner in respect of his Limited Partner Interests and hold such Limited Partner Interests on behalf of such Non-citizen Assignee.

(b) The General Partner shall, in exercising voting rights in respect of Limited Partner Interests held by it on behalf of Non-citizen Assignees, distribute the votes in the same ratios as the votes of Partners (including without limitation the General Partner) in respect of Limited Partner Interests other than those of Non-citizen Assignees are cast, either for, against or abstaining as to the matter.

(c) Upon dissolution of the Partnership, a Non-citizen Assignee shall have no right to receive a distribution in kind pursuant to Section 12.4 but shall be entitled to the cash equivalent thereof, and the Partnership shall provide cash in exchange for an assignment of the Non-citizen Assignee's share of the distribution in kind. Such payment and assignment shall be treated for Partnership purposes as a purchase by the Partnership from the Non-citizen Assignee of his Limited Partner Interest (representing his right to receive his share of such distribution in kind).

(d) At any time after he can and does certify that he has become an Eligible Citizen, a Non-citizen Assignee may, upon application to the General Partner, request admission as a Substituted Limited Partner with respect to any Limited Partner Interests of such Non-citizen Assignee not redeemed pursuant to Section 4.9, and upon his admission pursuant to Section 10.2, the General Partner shall cease to be deemed to be the Limited Partner in respect of the Non-citizen Assignee's Limited Partner Interests.

SECTION 4.9. *Redemption of Partnership Interests of Non-citizen Assignees.*

(a) If at any time a Limited Partner or Assignee fails to furnish a Citizenship Certification or other information requested within the 30-day period specified in Section 4.8(a), or if upon receipt of such Citizenship Certification or other information the General Partner determines, with the advice of counsel, that a Limited Partner or Assignee is not an Eligible Citizen, the Partnership may, unless the Limited Partner or Assignee establishes to the satisfaction of the General Partner that such Limited Partner or Assignee is an Eligible Citizen or has transferred his Partnership Interests to a Person who is an Eligible Citizen and who furnishes a Citizenship Certification to the General Partner prior to the date fixed for redemption as provided below, redeem the Partnership Interest of such Limited Partner or Assignee as follows:

(i) The General Partner shall, not later than the 30th day before the date fixed for redemption, give notice of redemption to the Limited Partner or Assignee, at his last address designated on the records of the Partnership or the Transfer Agent, by registered or certified mail, postage prepaid. The notice shall be deemed to have been

given when so mailed. The notice shall specify the Redeemable Interests, the date fixed for redemption, the place of payment, that payment of the redemption price will be made upon surrender of the Certificate evidencing the Redeemable Interests and that on and after the date fixed for redemption no further allocations or distributions to which the Limited Partner Assignee would otherwise be entitled in respect of the Redeemable Interests will accrue or be made.

(ii) The aggregate redemption price for Redeemable Interests shall be an amount equal to the Current Market Price (the date of determination of which shall be the date fixed for redemption) of Limited Partner Interests of the class to be so redeemed multiplied by the number of Limited Partner Interests of each such class included among the Redeemable Interests. The redemption price shall be paid, in the discretion of the General Partner, in cash or by delivery of a promissory note of the Partnership in the principal amount of the redemption price, bearing interest at the Prime Rate and payable in three equal annual installments of principal together with accrued interest, commencing one year after the redemption date.

(iii) Upon surrender by or on behalf of the Limited Partner or Assignee, at the place specified in the notice of redemption, of the Certificate evidencing the Redeemable Interests, duly endorsed in blank or accompanied by an assignment duly executed in blank, the Limited Partner or Assignee or his duly authorized representative shall be entitled to receive the payment therefor.

(iv) After the redemption date, Redeemable Interests shall no longer constitute issued and Outstanding Limited Partner Interests.

(b) The provisions of this Section 4.9 shall also be applicable to Limited Partner Interests held by a Limited Partner or Assignee as nominee of a Person determined to be other than an Eligible Citizen.

(c) Nothing in this Section 4.9 shall prevent the recipient of a notice of redemption from transferring his Limited Partner Interest before the redemption date if such transfer is otherwise permitted under this Agreement. Upon receipt of notice of such a transfer, the General Partner shall withdraw the notice of redemption, provided the transferee of such Limited Partner Interest certifies to the satisfaction of the General Partner in a Citizenship Certification delivered in connection with the Transfer Application that he is an Eligible Citizen. If the transferee fails to make such certification, such redemption shall be effected from the transferee on the original redemption date.

ARTICLE V.

CAPITAL CONTRIBUTIONS AND ISSUANCE OF PARTNERSHIP INTERESTS

SECTION 5.1. *Organizational Contributions.*

(a) In connection with the formation of the Partnership under the Delaware Act, the General Partner made an initial Capital Contribution to the Partnership in the amount of $50.00 for an interest in the Partnership and has been admitted as the General Partner of the Partnership, and the Organizational Limited Partner made an initial Capital Contribution to the Partnership in the

amount of $950.00 for an interest in the Partnership and has been admitted as a Limited Partner of the Partnership. As of the Closing Date, the interest of the Organizational Limited Partner shall be redeemed upon the admission of the first Initial Limited Partner (other than a general partner of DHL with respect to the Common Units received by such general partner with respect to its general partner interest in DHL, which Common Units shall be converted into a general partner interest pursuant to Section 5.2); the initial Capital Contributions of each Partner shall thereupon be refunded; and the Organizational Limited Partner shall cease to be a Limited Partner of the Partnership. Ninety-five percent of any interest or other profit that may have resulted from the investment or other use of such initial Capital Contributions shall be allocated and distributed to the Organizational Limited Partner, and the balance thereof shall be allocated and distributed to the General Partner.

SECTION 5.2. *Issuance of Common Units in the Combination.*

Pursuant to the Combination Agreement, the Partnership shall issue Common Units as specified in the Combination Agreement.

SECTION 5.3. *Issuance of General Partner Interests; Closing of the Contribution Agreement.*

(a) Upon the closing of the mergers of Spinnaker and Republic into the Partnership as contemplated by the Combination Agreement, the general partner interests in the Partnership into which the general partner interests in Spinnaker and Republic are converted pursuant to the Combination Agreement shall be deemed to have been issued by the Partnership.

(b) Upon the closing of the transactions contemplated by the Contribution Agreement, including the contribution by the General Partner to the Partnership of the cash required to be contributed to the General Partner pursuant to the Contribution Agreement, the Common Units contributed to the General Partner pursuant to the Contribution Agreement shall be deemed to be converted into a general partner interest in the Partnership constituting a 1% interest in the capital and profits of the Partnership relating solely to the assets conveyed to the Partnership by DHL pursuant to the Combination Agreement and the certificates representing such Common Units shall be surrendered by the General Partner to the Partnership for cancellation.

(c) Immediately following the consummation of the transactions contemplated by the Contribution Agreement, the general partner interests in the Partnership described in Sections 5.3(a) and (b) shall automatically be converted into and become the General Partner Interest.

SECTION 5.4. *Interest and Withdrawal.*

No interest on Capital Contributions shall be paid by the Partnership. No Partner or Assignee shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent, if any, that distributions made pursuant to this Agreement or upon termination of the Partnership may be considered as such by law and then only to the extent provided for in this Agreement. Except to the extent expressly provided in this Agreement, no Partner or Assignee shall have priority over any other Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions. Any such return shall be a compromise to which all Partners and Assignees agree within the meaning of Section 17-502(b) of the Delaware Act.

SECTION 5.5. *Capital Accounts.*

(a) The Partnership shall maintain for each Partner (or a beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion) owning a Partnership Interest a separate Capital Account with respect to such Partnership Interest in accordance with the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions made to the Partnership with respect to such Partnership Interest pursuant to this Agreement and (ii) all items of Partnership income and gain (including, without limitation, income and gain exempt from tax) computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1, and decreased by (x) the amount of cash or Net Agreed Value of all distributions of cash or property made with respect to such Partnership Interest pursuant to this Agreement and (y) all items of Partnership deduction and loss computed in accordance with Section 5.5(b) and allocated with respect to such Partnership Interest pursuant to Section 6.1.

(b) For purposes of computing the amount of any item of income, gain, loss or deduction that is to be allocated pursuant to Article VI and is to be reflected in the Partners' Capital Accounts, the determination, recognition, and classification of any such item shall be the same as its determination, recognition, and classification for federal income tax purposes (including, without limitation, any method of depreciation, cost recovery or amortization used for that purpose), provided, that:

(i) Solely for purposes of this Section 5.5, the Partnership shall be treated as owning directly its proportionate share (as determined by the General Partner based upon the provisions of this Agreement) of all property owned by any Subsidiary of the Partnership that is classified as a partnership for federal income tax purposes.

(ii) All fees and other expenses incurred by the Partnership to promote the sale of (or to sell) a Partnership Interest that can neither be deducted nor amortized under Section 709 of the Code, if any, shall, for purposes of Capital Account maintenance, be treated as an item of deduction at the time such fees and other expenses are incurred and shall be allocated among the Partners pursuant to Section 6.1.

(iii) Except as otherwise provided in Treasury Regulation Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Partnership and, as to those items described in Section 705(a)(1)(B) or 705(a)(2)(B) of the Code, without regard to the fact that such items are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(*m*), to be taken into account in determining Capital Accounts, the amount of such adjustment in the Capital Accounts shall be treated as an item of gain or loss.

(iv) Any income, gain or loss attributable to the taxable disposition of any Partnership property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Partnership's Carrying Value with respect to such property as of such date.

(v) In accordance with the requirements of Section 704(b) of the Code, any deductions for depreciation, cost recovery or amortization attributable to any Contributed Property shall be determined as if the adjusted basis of such property on the date it was acquired by the Partnership were equal to the Agreed Value of such property. Upon an adjustment pursuant to Section 5.5(d) to the Carrying Value of any Partnership property subject to depreciation, cost recovery or amortization, any further deductions for such depreciation, cost recovery or amortization attributable to such property shall be determined (A) as if the adjusted basis of such property were equal to the Carrying Value of such property immediately following such adjustment and (B) using a rate of depreciation, cost recovery or amortization derived from the same method and useful life (or, if applicable, the remaining useful life) as is applied for federal income tax purposes; provided, however, that, if the asset has a zero adjusted basis for federal income tax purposes, depreciation, cost recovery or amortization deductions shall be determined using any reasonable method that the General Partner may adopt.

(vi) Any depletion deductions attributable to a separate oil and gas property (as defined in Section 614 of the Code) shall be computed by the Partnership using the cost or percentage method of depletion (without regard to limitations imposed on the percentage method under Section 613A of the Code which theoretically could apply to less than all of the Partners), whichever results in the greater deduction. For purposes hereof, any cost depletion determined with respect to an oil and gas property shall be determined as if the adjusted basis of such property on the date of such determination was equal in amount to the Partnership's Carrying Value with respect to such property as of such date. Depletion deductions determined with respect to an oil and gas property shall, in the aggregate, reduce the Capital Accounts of the Partners only to the extent of the Partnership's Carrying Value with respect to such property. The allocations of basis and amount realized (and all items of income, gain, deduction or loss computed with respect thereto) required by Section 613A(c)(7)(D) of the Code shall not affect the Capital Accounts of the Partners.

(c) A transferee of a Partnership Interest shall succeed to a pro rata portion of the Capital Account of the transferor relating to the Partnership Interest so transferred in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(*l*).

(d) (i) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(*f*), on an issuance of additional Partnership Interests for cash or Contributed Property, the General Partner may adjust the Capital Accounts of all Partners and the Carrying Value of each Partnership property immediately prior to such issuance upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property immediately prior to such issuance and had been allocated to the Partners at such time pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss, the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to the issuance of additional Partnership Interests shall be determined by the General Partner using such reasonable method of valuation as it may adopt; provided, however, that the General Partner, in arriving at such valuation, must take fully into account the fair market value of the Partnership Interests of all Partners at such time. The General Partner shall allocate such aggregate value among the assets of the Partnership (in such

manner as it determines in its discretion to be reasonable) to arrive at a fair market value for individual properties.

(ii) In accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(*f*), immediately prior to any distribution to a Partner of any Partnership property (other than a distribution of cash that is not in redemption or retirement of a Partnership Interest), the General Partner may adjust the Capital Accounts of all Partners and the Carrying Value of all Partnership property upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Partnership property, as if such Unrealized Gain or Unrealized Loss had been recognized in a sale of such property immediately prior to such distribution for an amount equal to its fair market value, and had been allocated to the Partners, at such time, pursuant to Section 6.1 in the same manner as any item of gain or loss actually recognized during such period would have been allocated. In determining such Unrealized Gain or Unrealized Loss the aggregate cash amount and fair market value of all Partnership assets (including, without limitation, cash or cash equivalents) immediately prior to a distribution shall (A) in the case of a distribution that is not made pursuant to Section 12.4, be determined and allocated in the same manner as that provided in Section 5.5(d)(i) or (B) in the case of a liquidating distribution pursuant to Section 12.4, be determined and allocated by the Liquidator using such reasonable method of valuation as it may adopt.

SECTION 5.6. *Issuances of Additional Partnership Securities.*

(a) Subject to Section 5.7, the Partnership may issue additional Partnership Securities and options, rights, warrants, and appreciation rights relating to the Partnership Securities for any Partnership purpose at any time and from time to time to such Persons for such consideration and on such terms and conditions as shall be established by the General Partner in its sole discretion. Notwithstanding any provision to the contrary in this Agreement (including this Section 5.6(a)), the Partnership is prohibited from issuing any Partnership Securities having greater rights or powers than the common units of the Partnership, and any options, rights, warrants, and appreciation rights relating to such Partnership Securities, unless such issuance is approved by a Unit Majority.

(b) Each additional Partnership Security authorized to be issued by the Partnership pursuant to Section 5.6(a) may be issued in one or more classes, or one or more series, with such designations, preferences, rights, powers, and duties (which may be senior to existing classes and series of Partnership Securities), as shall be fixed by the General Partner in the exercise of its sole discretion, including (i) the right to share Partnership profits and losses or items thereof; (ii) the right to have separate rights, powers or duties with respect to specified property or obligations of the Partnership; (iii) the right to share in Partnership distributions; (iv) the rights upon dissolution and liquidation of the Partnership; (v) whether, and the terms and conditions upon which, the Partnership may redeem the Partnership Security; (vi) whether such Partnership Security is issued with the privilege of conversion or exchange and, if so, the terms and conditions of such conversion or exchange; (vii) the terms and conditions upon which each Partnership Security will be issued, evidenced by certificates and assigned or transferred; and (viii) the right, if any, of each such Partnership Security to vote on Partnership matters, including matters relating to the relative designations, preferences, rights, powers, and duties of such Partnership Security.

(c) The General Partner is hereby authorized and directed to take all actions that it deems necessary or appropriate in connection with (i) each issuance of Partnership Securities and options, rights, warrants, and appreciation rights relating to Partnership Securities pursuant to this Section 5.6, (ii) the conversion of the General Partner Interest into Units pursuant to the terms of

this Agreement, (iii) the admission of Additional Limited Partners, and (iv) all additional issuances of Partnership Securities. The General Partner is further authorized and directed to specify the relative rights, powers, and duties of the holders of the Units or other Partnership Securities being so issued. The General Partner shall do all things necessary to comply with the Delaware Act and is authorized and directed to do all things it deems to be necessary or advisable in connection with any future issuance of Partnership Securities or in connection with the conversion of the General Partner Interest into Units pursuant to the terms of this Agreement, including compliance with any statute, rule, regulation or guideline of any federal, state or other governmental agency or any National Securities Exchange on which the Units or other Partnership Securities are listed for trading.

SECTION 5.7. *Limitations on Issuance of Additional Partnership Securities.*

The issuance of Partnership Securities pursuant to Section 5.6 shall be subject to the following restrictions and limitations:

(a) Without approval of a Unit Majority, the Partnership shall not issue in a single transaction or group of related transactions any Partnership Securities representing Limited Partner Interests if, immediately after giving effect to such issuance, such newly issued Partnership Securities would represent over 20% of the outstanding Limited Partner Interests.

(b) No fractional Units shall be issued by the Partnership. Notwithstanding anything to the contrary herein, fractional Common Units may, pursuant to the Combination Agreement, be issued to the general partners of DHL with respect to their general partner interests in DHL.

SECTION 5.8. *Limited Preemptive Right.*

Except as provided in this Section 5.8 and in Section 5.2, no Person shall have any preemptive, preferential or other similar right with respect to the issuance of any Partnership Security, whether unissued, held in the treasury or hereafter created. The General Partner shall have the right, which it may from time to time assign in whole or in part to any of its Affiliates, to purchase Partnership Securities from the Partnership whenever, and on the same terms that, the Partnership issues Partnership Securities to Persons other than the General Partner and its Affiliates, to the extent necessary to maintain the Percentage Interests of the General Partner and its Affiliates equal to that which existed immediately prior to the issuance of such Partnership Securities.

SECTION 5.9. *Splits and Combination.*

(a) Subject to Sections 5.9(d), 6.6 and 6.9 (dealing with adjustments of distribution levels), the Partnership may make a Pro Rata distribution of Partnership Securities to all Record Holders or may effect a subdivision or combination of Partnership Securities so long as, after any such event, each Partner shall have the same Percentage Interest in the Partnership as before such event, and any amounts calculated on a per Unit basis or stated as a number of Units are proportionately adjusted retroactive to the beginning of the Partnership.

(b) Whenever such a distribution, subdivision or combination of Partnership Securities is declared, the General Partner shall select a Record Date as of which the distribution, subdivision or combination shall be effective and shall send notice thereof at least 20 days prior to such Record Date to each Record Holder as of a date not less than 10 days prior to the date of such

notice. The General Partner also may cause a firm of independent public accountants selected by it to calculate the number of Partnership Securities to be held by each Record Holder after giving effect to such distribution, subdivision or combination. The General Partner shall be entitled to rely on any certificate provided by such firm as conclusive evidence of the accuracy of such calculation.

(c) Promptly following any such distribution, subdivision or combination, the Partnership may issue Certificates to the Record Holders of Partnership Securities as of the applicable Record Date representing the new number of Partnership Securities held by such Record Holders, or the General Partner may adopt such other procedures as it may deem appropriate to reflect such changes. If any such combination results in a smaller total number of Partnership Securities Outstanding, the Partnership shall require, as a condition to the delivery to a Record Holder of such new Certificate, the surrender of any Certificate held by such Record Holder immediately prior to such Record Date.

(d) The Partnership shall not issue fractional Units upon any distribution, subdivision or combination of Units. If a distribution, subdivision or combination of Units would result in the issuance of fractional Units but for the provisions of Section 5.7(b) and this Section 5.9 (d), each fractional Unit shall be rounded to the nearest whole Unit (and a 0.5 Unit shall be rounded to the next higher Unit).

SECTION 5.10. *Fully Paid and Non-Assessable Nature of Limited Partner Interests.*

All Limited Partner Interests issued pursuant to, and in accordance with the requirements of, this Article V shall be fully paid and non-assessable Limited Partner Interests in the Partnership, except as such non-assessability may be affected by Section 17-607 of the Delaware Act.

ARTICLE VI.

ALLOCATIONS AND DISTRIBUTIONS

SECTION 6.1. *Allocations for Capital Account Purposes.*

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss, and deduction (computed in accordance with Section 5.5(b)) shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

(a) Net Income . After giving effect to the allocations set forth in Sections 6.1(c), Net Income for each taxable year (and all items of income, gain, loss and deduction taken into account in computing Net Income for such taxable year) shall be allocated as follows:

(i) First, to the General Partner, to the extent of Net Loss previously allocated to it under Section 6.1(b)(ii) for which Net Income has not previously been allocated pursuant to this Section 6.1(a)(i); and

(ii) Second, to the Partners in proportion to their respective Percentage Interests.

(b) Net Loss . After giving effect to the allocations set forth in Section 6.1(c), Net Loss for each taxable year (and all items of income, gain, loss and deduction taken into account in computing Net Loss for such taxable year) shall be allocated as follows:

(i) First, to the Partners in proportion to their respective Percentage Interests provided that Net Loss shall not be allocated pursuant to this Section 6.1(b)(i) to the extent that such allocation would cause any Limited Partner to have a deficit balance in its Adjusted Capital Account at the end of such taxable year (or increase any existing deficit balance in its Adjusted Capital Account); and

(ii) Second, the balance to the General Partner.

(c) Special Allocations . Notwithstanding any other provision of this Section 6.1, the following special allocations shall be made for such taxable period:

(i) Partnership Minimum Gain Chargeback . Notwithstanding any other provision of this Section 6.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(f)(6), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 6.1(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(c) with respect to such taxable period (other than an allocation pursuant to Sections 6.1(c)(vi) and 6.1(c)(vii)). This Section 6.1(c)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in Treasury Regulation Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain . Notwithstanding the other provisions of this Section 6.1 (other than Section 6.1(c)(i)), except as provided in Treasury Regulation Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in Treasury Regulation Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 6.1(c), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income or gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 6.1(c), other than Section 6.1(c)(i) and other than an allocation pursuant to Sections 6.1(c)(v) and 6.1(c)(vi), with respect to such taxable period. This Section 6.1(c)(ii) is intended to comply with the chargeback of items of income and gain requirement in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(ii) Qualified Income Offset . In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(*d*)(4), 1.704-1(b)(2)(ii)(*d*)(5), or 1.704-1(b)(2)(ii)(*d*)(6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital

Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Section 6.1(c)(i) or (ii).

(iv) Gross Income Allocations . In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to Treasury Regulation Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided that an allocation pursuant to this Section 6.1(c)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 6.1 have been tentatively made as if this Section 6.1(c)(iv) were not in this Agreement.

(v) Nonrecourse Deductions . Nonrecourse Deductions for any taxable period shall be allocated to the Partners in accordance with their respective Percentage Interests. If the General Partner determines in its good faith discretion that the Partnership's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized, upon notice to the other Partners, to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions . Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulation Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities . For purposes of Treasury Regulation Section 1.752-3(a)(3), the Partners agree that Nonrecourse Liabilities of the Partnership in excess of the amount of Partnership Minimum Gain shall be allocated among the Partners in accordance with their respective Percentage Interests.

(viii) Code Section 754 Adjustments . To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(c) of the Code is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(*m*), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(ix) Curative Allocation.

(A) Notwithstanding any other provision of this Section 6.1, other than the Required Allocations, the Required Allocations shall be taken into account in making the Agreed Allocations so that, to the extent possible, the net amount of items of income,

gain, loss, and deduction allocated to each Partner pursuant to the Required Allocations and the Agreed Allocations, together, shall be equal to the net amount of such items that would have been allocated to each such Partner under the Agreed Allocations had the Required Allocations and the related Curative Allocation not otherwise been provided in this Section 6.1. Allocations pursuant to this Section 6.1(c)(ix)(A) shall only be made with respect to Required Allocations to the extent the General Partner reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Partners.

(B) The General Partner shall have reasonable discretion, with respect to each taxable period, to (1) apply the provisions of Section 6.1(c)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 6.1(c)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

SECTION 6.2. *Allocations for Tax Purposes.*

(a) Except as otherwise provided herein, for federal income tax purposes, each item of income, gain, loss, and deduction shall be allocated among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1.

(b) The deduction for depletion with respect to each separate oil and gas property (as defined in Section 614 of the Code) shall be computed for federal income tax purposes separately by the Partners rather than the Partnership in accordance with Section 613A(c)(7)(D) of the Code. For purposes of such computation, the proportionate share of the adjusted basis (before taking into account any adjustments resulting from an election made by the Partnership on behalf of such Partner under Section 754 of the Code) of each oil and gas property (as defined in Section 614 of the Code) allocated to each Partner shall be determined in accordance with the following principles:

(i) In the case of a Contributed Property (or Adjusted Property that was originally a Contributed Property), the adjusted basis of such property shall be allocated at the time of contribution to the Partners who contributed such property to the Partnership in amounts equal to their respective tax basis in such property immediately prior to such contribution. For purposes of this Section 6.2(b), the Assets shall be deemed to have been contributed to the Partnership by the partners of Republic, Spinnaker or DHL, as applicable, or their successors.

(ii) In all other cases, the adjusted basis of each oil and gas property shall be allocated to the Partners in accordance with their respective Percentage Interests.

Each Partner shall separately keep records of his share of the adjusted basis in each oil and gas property, allocated as provided above, adjust such share of the adjusted basis for any cost or percentage depletion allowable on such property and use such adjusted basis in the computation of his cost depletion or in the computation of his gain or loss on the disposition of such property by the Partnership.

(c) For the purpose of the separate computation of gain or loss by each Partner on the sale or disposition of each separate oil and gas property (as defined in Section 614 of the Code), the

Partnership's allocable share of the "amount realized" (as such term is defined in Section 1001(b) of the Code) from such sale shall be allocated for federal income tax purposes to the Partners as follows:

(i) In the case of the Contributed Property (or Adjusted Property that was originally a Contributed Property), such "amount realized" shall be allocated (A) first, to the Partners who contributed such property, in a manner consistent with Section 704(c) of the Code, and (B) second, the balance to the Partners in accordance with their respective Percentage Interests.

(ii) In all other cases, the "amount realized" shall be allocated to the Partners in accordance with their respective Percentage Interests.

(d) In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, other than with respect to oil and gas properties as provided in Section 6.2(b) and Section 6.2(c), items of income, gain, loss, depreciation, amortization, and cost recovery deductions shall be allocated for federal income tax purposes among the Partners as follows:

(i) (A) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Partners in the manner provided under Section 704(c) of the Code that takes into account the variation between the Agreed Value of such property and its adjusted basis at the time of contribution; and (B) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(ii) (A) In the case of an Adjusted Property, such items shall (1) first, be allocated among the Partners in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 5.5(d)(i) or 5.5(d)(ii), and (2) second, in the event such property was originally a Contributed Property, be allocated among the Partners in a manner consistent with Section 6.2(d)(i)(A); and (B) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Partners in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1.

(e) For the proper administration of the Partnership and for the preservation of uniformity of the Limited Partner Interests (or any class or classes thereof), the General Partner shall have sole discretion to (i) adopt such conventions as it deems appropriate in determining the amount of depletion, depreciation, amortization, and cost recovery deductions; (ii) make special allocations for federal income tax purposes of income (including, without limitation, gross income) or deductions; and (iii) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of the Limited Partner Interests (or any class or classes thereof). The General Partner may adopt such conventions, make such allocations, and make such amendments to this Agreement as provided in this Section 6.2(e) only if such conventions, allocations or amendments would not have a material adverse effect on the Partners, the holders of any class or classes of Limited Partner Interests issued and Outstanding or the Partnership, and if such allocations are consistent with the principles of Section 704 of the Code.

(f) The General Partner in its discretion may determine to depreciate, deplete or amortize the portion of an adjustment under Section 743 (b) of the Code attributable to unrealized appreciation in any Adjusted Property (to the extent of the unamortized Book-Tax Disparity) using a predetermined rate derived from the depreciation, depletion or amortization method and useful life applied to the Partnership's common basis of such property, despite any inconsistency of such approach with Treasury Regulation Section 1.167(c)-1(a)(6) or other applicable regulation or any successor regulations thereto. If the General Partner determines that such reporting position cannot reasonably be taken, the General Partner may adopt depreciation, depletion, and amortization conventions under which all purchasers acquiring Limited Partner Interests in the same month would receive depreciation, depletion, and amortization deductions, based upon the same applicable rate as if they had purchased a direct interest in the Partnership's property. If the General Partner chooses not to utilize such method, the General Partner may use any other reasonable depreciation, depletion, and amortization conventions to preserve the uniformity of the intrinsic tax characteristics of any Limited Partner Interests that would not have a material adverse effect on the Limited Partners or the Record Holders of any class or classes of Limited Partner Interests.

(g) Any gain allocated to the Partners upon the sale or other taxable disposition of any Partnership asset shall, to the extent possible, after taking into account other required allocations of gain pursuant to this Section 6.2, be characterized as Recapture Income in the same proportions and to the same extent as such Partners (or their predecessors in interest) have been allocated any deductions directly or indirectly giving rise to the treatment of such gains as Recapture Income.

(h) All items of income, gain, loss, deduction, and credit recognized by the Partnership for federal income tax purposes and allocated to the Partners in accordance with the provisions hereof shall be determined without regard to any election under Section 754 of the Code which may be made by the Partnership; provided, however, that such allocations, once made, shall be adjusted as necessary or appropriate to take into account those adjustments permitted or required by Sections 734 and 743 of the Code.

(i) Each item of Partnership income, gain, loss, and deduction, shall for federal income tax purposes, be determined on a monthly basis and shall be allocated to the Partners on the last Business Day of each month; provided, however, that such items for the period beginning on the Closing Date and ending on the last day of the month shall be allocated to the Partners on the last Business Day of the such month; and provided, further, that gain or loss on a sale or other disposition of any assets of the Partnership or any other extraordinary item of income or loss realized and recognized other than in the ordinary course of business, as determined by the General Partner in its sole discretion, shall be allocated to the Partners on the last Business Day of the month in which such gain or loss is recognized for federal income tax purposes. The General Partner may revise, alter or otherwise modify such methods of allocation as it determines necessary or appropriate in its sole discretion, to the extent permitted or required by Section 706 of the Code and the regulations or rulings promulgated thereunder.

(j) Allocations that would otherwise be made to a Limited Partner under the provisions of this Article VI shall instead be made to the beneficial owner of Limited Partner Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method acceptable to the General Partner in its sole discretion.

SECTION 6.3. *Requirement and Characterization of Distributions; Distributions to Record Holders.*

(a) Within 45 days following the end of each Quarter commencing with the Quarter ending on March 31, 2003, an amount equal to 100% of Available Cash with respect to such Quarter shall, subject to Section 17-607 of the Delaware Act, be distributed in accordance with this Article VI by the Partnership to the Partners as of the Record Date selected by the General Partner in its reasonable discretion.

(b) Notwithstanding Section 6.3(a), in the event of the dissolution and liquidation of the Partnership, all receipts received during or after the Quarter in which the Liquidation Date occurs, other than from borrowings described in (a)(ii) of the definition of Available Cash, shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 12.4.

(c) The General Partner shall have the discretion to treat taxes paid by the Partnership on behalf of, or amounts withheld with respect to, all or less than all of the Partners, as a distribution of Available Cash to such Partners.

(d) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(e) Available Cash with respect to any Quarter, subject to Section 17-607 of the Delaware Act, shall be distributed, except as otherwise required by Section 5.6(b) in respect of additional Partnership Securities issued pursuant thereto, according to the Partners' respective Percentage Interests.

ARTICLE VII.

MANAGEMENT AND OPERATION OF BUSINESS

SECTION 7.1. *Management* .

(a) The General Partner shall conduct, direct, and manage all activities of the Partnership. Except as otherwise expressly provided in this Agreement, all management powers over the business and affairs of the Partnership shall be exclusively vested in the General Partner, and no Limited Partner or Assignee shall have any management power over the business and affairs of the Partnership. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions of this Article VII, shall have full power and authority to do all things and on such terms as it, in its sole discretion, may deem necessary or appropriate to conduct the business of the Partnership, to exercise all powers set forth in Section 2.5 and to effectuate the purposes set forth in Section 2.4, including the following:

(i) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness, including indebtedness that is convertible into Partnership Securities, and the incurring of any other obligations, provided that, notwithstanding any provision to the contrary in this Agreement and to the extent necessary to avoid unrelated business taxable income, the General Partner is prohibited from incurring indebtedness, excluding trade payables, (i) in excess of $50,000 in the aggregate at any given time or (ii) which would constitute "acquisition indebtedness" (as defined in Section 514 of the Internal Revenue Code of 1986, as amended);

(ii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(iii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person (the matters described in this clause (iii) being subject, however, to any prior approval that may be required by Section 7.3);

(iv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement;

(v) the negotiation, execution and performance of any contracts, conveyances or other instruments (including instruments that limit the liability of the Partnership under contractual arrangements to all or particular assets of the Partnership, with the other party to the contract to have no recourse against the General Partner or its assets other than its interest in the Partnership, even if same results in the terms of the transaction being less favorable to the Partnership than would otherwise be the case);

(vi) the distribution of Partnership cash;

(vii) the selection and dismissal of employees (including employees having titles such as "president," "chief executive officer," "chief operating officer," "chief financial officer," "vice president," "secretary," "treasurer" and "controller") and agents, outside attorneys, accountants, consultants, and contractors and the determination of their compensation and other terms of employment or hiring;

(viii) the formation of, or acquisition of, an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships subject to the restrictions set forth in Section 2.4;

(ix) the control of any matters affecting the rights and obligations of the Partnership, including the bringing and defending of actions at law or in equity and otherwise engaging in the conduct of litigation and the incurring of legal expense and the settlement of claims and litigation;

(x) the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(xi) the entering into of listing agreements with any National Securities Exchange and the delisting of some or all of the Limited Partner Interests from, or requesting that trading be suspended on, any such exchange;

(xii) unless restricted or prohibited by Section 5.7, the purchase, sale or other acquisition or disposition of Partnership Securities, or the issuance of additional options, rights, warrants, and appreciation rights relating to Partnership Securities; and

(xiii) the assigning of working interests (including those acquired in any consummated acquisition or through participation elections) to any Subsidiary of the Partnership or to the Operating Subsidiary (or the successor to its assets) for a royalty or net profits interest, on terms deemed appropriate and in the best interests of the Partnership, provided that, notwithstanding any provision to the contrary in this Agreement and to the extent necessary to avoid unrelated business taxable income, the General Partner shall not cause the Partnership to acquire working interests or cost bearing interests in any oil and gas leases or similar assets. In the event that any of the assets of the Partnership become working interests or cost bearing interests, the General Partner shall cause such assets to be assigned to the Operating Subsidiary subject to the reservation of an ORRI.

(b) Notwithstanding any other provision of this Agreement, the Delaware Act or any applicable law, rule or regulation, each of the Partners and the Assignees and each other Person who may acquire an interest in Partnership Securities hereby (i) approves, ratifies, and confirms the execution, delivery and performance by the parties thereto of the Business Opportunities Agreement, the Contribution Agreement, and the other agreements and other described in or filed as exhibits to the Registration Statement that are related to the transactions contemplated by the Registration Statement; (ii) agrees that the General Partner (on its own or through any officer of the Partnership) is authorized to execute, deliver, and perform the agreements referred to in clause (i) of this sentence and the other agreements, acts, transactions, and matters described in or contemplated by the Registration Statement on behalf of the Partnership without any further act, approval or vote of the Partners or the Assignees or the other Persons who may acquire an interest in Partnership Securities; and (iii) agrees that the execution, delivery or performance by the General Partner, any Group Member or any Affiliate of any of them, of this Agreement or any agreement authorized or permitted under this Agreement (including the exercise by the General Partner or any Affiliate of the General Partner of the rights accorded pursuant to Article XV), shall not constitute a breach by the General Partner of any duty that the General Partner may owe the Partnership or the Limited Partners or any other Persons under this Agreement (or any other agreements) or of any duty stated or implied by law or equity.

SECTION 7.2. *Certificate of Limited Partnership.*

The General Partner has caused the Certificate of Limited Partnership to be filed with the Secretary of State of the State of Delaware as required by the Delaware Act and shall use all reasonable efforts to cause to be filed such other certificates or documents as may be determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability) in the State of Delaware or any other state in which the Partnership may elect to do business or own property. To the extent that such action is

determined by the General Partner in its sole discretion to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate of Limited Partnership and do all things to maintain the Partnership as a limited partnership (or a partnership or other entity in which the limited partners have limited liability) under the laws of the State of Delaware or of any other state in which the Partnership may elect to do business or own property. Subject to the terms of Section 3.4(a), the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate of Limited Partnership, any qualification document or any amendment thereto to any Limited Partner.

SECTION 7.3. *Restrictions on General Partner's Authority.*

(a) The General Partner may not, without written approval of the specific act by holders of all of the Outstanding Limited Partner Interests or by other written instrument executed and delivered by holders of all of the Outstanding Limited Partner Interests subsequent to the date of this Agreement, take any action in contravention of this Agreement, including, except as otherwise provided in this Agreement, (i) committing any act that would make it impossible to carry on the ordinary business of the Partnership; (ii) possessing Partnership property, or assigning any rights in specific Partnership property, in each case for other than a Partnership purpose; (iii) admitting a Person as a Partner; (iv) amending this Agreement in any manner; or (v) transferring its interest as general partner of the Partnership.

(b) Except as provided in Articles XII and XIV, the General Partner may not sell, exchange or otherwise dispose of all or substantially all of the Partnership's assets in a single transaction or a series of related transactions (including by way of merger, consolidation or other combination) or approve on behalf of the Partnership the sale, exchange or other disposition of all or substantially all of the assets of the Partnership, without the approval of holders of a Unit Majority; provided however that this provision shall not preclude or limit the General Partner's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Partnership and shall not apply to any forced sale of any or all of the assets of the Partnership pursuant to the foreclosure of, or other realization upon, any such encumbrance. Without the approval of holders of a Unit Majority, the General Partner shall not, on behalf of the Partnership, except as permitted under Sections 4.6, 11.1 and 11.2, elect or cause the Partnership to elect a successor general partner of the Partnership.

(c) After consummation of the transactions contemplated by the Combination Agreement, the General Partner may not, without written approval of a Unit Majority, cause the Partnership to acquire or obtain any oil or gas property interest (including mineral fee interests, royalty and overriding royalty interests) unless such acquisition is complementary to the Partnership's objectives and is made either (A) in exchange for Partnership Interests (other than General Partner Interests, and subject to the restrictions described in Section 5.7) or (B) in exchange for cash, provided this clause (B) shall only be available to the extent the aggregate cost of any acquisitions (including acquisition expenses) made in exchange for cash during the 12-month period ending on the first to occur of the execution of a definitive agreement for such acquisition and its consummation (the "Determination Date") is equal to or less than 10% of the Partnership's aggregate cash distributions made pursuant to Section 6.3(a) with respect to the four most recent Quarters for which such cash distributions have been made as of the Determination Date. The Partnership Interests referred to in this Section 7.3(c) include but are not limited to Common Units. Notwithstanding any provision to the contrary in this Agreement (including Section 5.7 and this 7.3(c)), in the event that the Partnership acquires properties for a combination of cash and Partnership Interests, (i) the cash component of the acquisition consideration shall be equal to or

less than 5% of the aggregate cash distributions made by the Partnership for the four most recent Quarters and (ii) the amount of Partnership Interests to be issued in such acquisition, after giving effect to such issuance, shall not exceed 10% of the outstanding Limited Partnership Interests.

SECTION 7.4. *Reimbursement of the General Partner.*

(a) Except as provided in this Section 7.4 and elsewhere in this Agreement, the General Partner shall not be compensated for its services as general partner of the Partnership.

(b) Subject to Section 7.4(c), the General Partner shall be reimbursed on a monthly basis, or such other reasonable basis as the General Partner may determine in its sole discretion, for (i) all direct and indirect expenses it incurs or payments it makes on behalf of the Partnership (or that one of its Affiliates so incurs or makes, to the extent allocated or charged to the General Partner), and (ii) all other necessary or appropriate expenses allocable to the Partnership or otherwise reasonably incurred by the General Partner in connection with operating the Partnership's business (including expenses allocated to the General Partner by its Affiliates); provided that Production Costs incurred by the Operating Subsidiary shall be separately paid under the terms of the net profits interest agreements between any Group Member and the Operating Subsidiary and to the extent such Production Costs so separately paid include general and administrative costs, such expenses so separately paid shall reduce Management Expenses. The General Partner shall determine the expenses that are allocable to the Partnership in any reasonable manner determined by the General Partner in its sole discretion. Reimbursements pursuant to this Section 7.4 shall be in addition to any reimbursement to the General Partner as a result of indemnification pursuant to Section 7.7.

(c) Except as provided in Section 7.4(d), the Partnership's reimbursement for Management Expenses during any fiscal year of the Partnership shall be limited to an amount not greater than five percent of the Partnership's Adjusted Distribution Amount during such fiscal year (the "Management Expense Limitation"). Upon the determination of the Adjusted Distribution Amount with respect to the last Quarter of a fiscal year, the General Partner shall promptly calculate the Management Expense Limitation for such fiscal year. Unless otherwise provided in Section 7.4(d), if the reimbursements for Management Expenses made during such fiscal year exceed the Management Expense Limitation, the General Partner shall promptly refund such excess to the Partnership after determination thereof.

(d) If the Management Expenses that would otherwise be reimbursable to the General Partner for a fiscal year exceed the Management Expense Limitation for such year, the excess (a "Reimbursement Deficit") shall nevertheless be reimbursed to the General Partner up to an amount equal to any remaining Reimbursement Surplus (as defined below) for any of the preceding three fiscal years, and the Reimbursement Surplus for each of such preceding years shall be correspondingly reduced (first by reducing the third preceding year, then the second and then the first). The balance of any such Reimbursement Deficit, to the extent not offset by Reimbursement Surpluses, shall be reflected in a memorandum account for the Partnership and may be recouped in any of the succeeding three fiscal years in which there is a Reimbursement Surplus as provided below. If the Management Expense Limitation for any fiscal year exceeds the amount of Management Expenses that would otherwise be reimbursable to the General Partner for such year (a "Reimbursement Surplus"), the General Partner shall be entitled to an additional reimbursement in such year of an amount equal to the lesser of such Reimbursement Surplus or the remaining balances of the Reimbursement Deficits for the three preceding fiscal years and the Reimbursement Deficits for such preceding years shall be correspondingly reduced

(first by reducing the third preceding year, then the second and then the first). If the Reimbursement Surplus is greater than the sum of the remaining balances of the Reimbursement Deficits for such preceding years, the balance of the Reimbursement Surplus shall be reflected in a memorandum account for the Partnership and applied against future Reimbursement Deficits as provided above.

(e) Subject to Section 5.7, the General Partner, in its sole discretion and without the approval of the Limited Partners (who shall have no right to vote in respect thereof), may propose and adopt (or cause the Operating Subsidiary to adopt) on behalf of the Partnership employee benefit plans, employee programs and employee practices (including plans, programs and practices involving the issuance of Partnership Securities or options to purchase Partnership Securities), or cause the Partnership to issue Partnership Securities in connection with, or pursuant to, any employee benefit plan, employee program or employee practice maintained or sponsored by the General Partner or any of its Affiliates, in each case for the benefit of employees of the General Partner or any Affiliate, or any of them, in respect of services performed, directly or indirectly, for the benefit of the Partnership. The Partnership agrees to issue and sell to the General Partner or any of its Affiliates any Partnership Securities that the General Partner or such Affiliate is obligated to provide to any employees pursuant to any such employee benefit plans, employee programs or employee practices. Expenses incurred by the General Partner in connection with any such plans, programs, and practices (including the net cost to the General Partner or such Affiliate of Partnership Securities purchased by the General Partner or such Affiliate from the Partnership to fulfill options or awards under such plans, programs, and practices) shall be reimbursed in accordance with Section 7.4(b). Any and all obligations of the General Partner or the Operating Subsidiary under any employee benefit plans, employee programs or employee practices adopted by the General Partner or the Operating Subsidiary as permitted by this Section 7.4(e) shall constitute obligations of the General Partner hereunder and shall be assumed by any successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner's General Partner Interest pursuant to Section 4.6. In any fiscal year, the aggregate number of Common Units issued pursuant to this Section 7.4(e) (treating Common Units issuable upon the exercise of options, warrants or other rights as being issued on the date of the issuance of such option, warrant or other right) shall not exceed .333% of the number of Common Units outstanding at the beginning of such fiscal year.

SECTION 7.5. *Outside Activities*.

(a) After the Closing Date, the General Partner, for so long as it is the General Partner of the Partnership, agrees that its sole business will be to act as the general partner or managing member of the Partnership, the Operating Subsidiary and its general partner, and any other partnership or limited liability company of which the Partnership is, directly or indirectly, a partner or member and to undertake activities that are ancillary or related thereto (including being a limited partner in the Partnership and the Operating Subsidiary).

(b) Except as specifically restricted by Section 7.5(a) or the Business Opportunities Agreement, each Separate Person shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member or the Operating Subsidiary or their respective Affiliates, and none of the same shall constitute a breach of this Agreement or any duty express or implied by law to any Partner

or Assignee. Neither any Group Member, any Limited Partner nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby or thereby in any business ventures of any Separate Person.

(c) Subject to the terms of Section 7.5(a), Section 7.5(b), and the Business Opportunities Agreement, but otherwise notwithstanding anything to the contrary in this Agreement, (i) the engaging in competitive activities by any Separate Person in accordance with the provisions of this Section 7.5 is hereby approved by the Partnership and all Partners, (ii) it shall be deemed not to be a breach of the General Partner's fiduciary duty or any other obligation of any type whatsoever of the General Partner for the Separate Persons to engage in such business interests and activities in preference to or to the exclusion of the Partnership, (iii) Separate Persons shall have no obligation to present business opportunities to the Partnership, and (iv) the General Partner shall have no obligation to present business opportunities to the Partnership, provided the General Partner does not engage in competitive activities or engage in business interests and activities in preference to or to the exclusion of the Partnership with respect to such business opportunities.

(d) The General Partner and any of its Affiliates may acquire Units or other Partnership Securities in addition to those acquired on the Closing Date and, except as otherwise provided in this Agreement, shall be entitled to exercise all rights of the General Partner or Limited Partner, as applicable, relating to such Units or Partnership Securities.

SECTION 7.6. *Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner.*

(a) The General Partner or its Affiliates may lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine; provided, however, that in any such case the lending party may not charge the borrowing party interest at a rate greater than the rate that would be charged the borrowing party or impose terms less favorable to the borrowing party than would be charged or imposed on the borrowing party by unrelated lenders on comparable loans made on an arm's-length basis (without reference to the lending party's financial abilities or guarantees). The borrowing party shall reimburse the lending party for any costs (other than any additional interest costs) incurred by the lending party in connection with the borrowing of such funds. For purposes of this Section 7.6(a) and Section 7.6(b), the term "Group Member" shall include any Affiliate of a Group Member that is controlled by the Group Member. No Group Member may lend funds to the General Partner or any of its Affiliates (other than another Group Member).

(b) The Partnership may lend or contribute to any Subsidiary of the Partnership, and any such Subsidiary may borrow from the Partnership, funds on terms and conditions established in the sole discretion of the General Partner; provided, however, that the Partnership may not charge the Subsidiary interest at a rate less than the rate that would be charged to the Subsidiary (without reference to the General Partner's financial abilities or guarantees) by unrelated lenders on comparable loans. The foregoing authority shall be exercised by the General Partner in its sole discretion and shall not create any right or benefit in favor of any Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any such services rendered to or for a Group Member by the

General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(c) shall be deemed satisfied as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership Group than those generally being provided to or available from unrelated third parties, or (iii) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. The provisions of Section 7.4, including the Management Expense Limitation, shall apply to the rendering of services chargeable to the Partnership described in this Section 7.6(c).

(d) The Partnership Group may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable law.

(e) Neither the General Partner nor any of its Affiliates shall sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, except pursuant to transactions that are fair and reasonable to the Partnership; provided, however, that the requirements of this Section 7.6(e) shall be deemed to be satisfied as to (i) the transactions effected pursuant to Sections 5.2 and 5.3, the Contribution Agreement, the Business Opportunities Agreement and any other transactions described in or contemplated by the Registration Statement, (ii) any transaction approved by Special Approval, (iii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iv) any transaction that, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership), is equitable to the Partnership. With respect to any contribution of assets to the Partnership in exchange for Partnership Securities, the Advisory Committee, in determining whether the appropriate number of Partnership Securities are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the Advisory Committee deems relevant under the circumstances.

(f) Without limitation of Sections 7.6(a) through 7.6(e), and notwithstanding anything to the contrary in this Agreement, the existence of the conflicts of interest described in the Registration Statement are hereby approved by all Partners.

SECTION 7.7. *Indemnification.*

(a) To the fullest extent permitted by law but subject to the limitations expressly provided in this Agreement, all Indemnitees shall be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee; provided, that in each case the Indemnitee acted in good faith and in a manner that such Indemnitee reasonably believed to be in, or (in the case of a Person other than the General Partner) not opposed to, the best interests of the Partnership and, with respect to any criminal proceeding, had no reasonable cause

to believe its conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* , or its equivalent, shall not create a presumption that the Indemnitee acted in a manner contrary to that specified above. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, it being agreed that the General Partner shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate such indemnification.

(b) To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 7.7(a) in defending any claim, demand, action, suit or proceeding shall, from time to time promptly upon the request of such Indemnitee, be advanced by the Partnership prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Partnership of any undertaking by or on behalf of the Indemnitee to repay such amount (which undertaking shall not be secured) if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.7.

(c) The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the holders of Outstanding Limited Partner Interests, as a matter of law or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns, and administrators of the Indemnitee.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of the General Partner, its Affiliates, Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expense that may be incurred by such Person in connection with the Partnership's activities or such Person's activities on behalf of the Partnership, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

(e) For purposes of this Section 7.7, the Partnership shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Partnership also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 7.7(a); and action taken or omitted by the Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose which is in, or not opposed to, the best interests of the Partnership.

(f) In no event may an Indemnitee subject the Limited Partners to personal liability by reason of the indemnification provisions set forth in this Agreement.

(g) An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

(h) The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns, and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) The rights granted under this Section 7.7 shall be deemed contract rights, and no amendment, modification or repeal of this Section 7.7 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Partnership, nor the obligations of the Partnership to indemnify any such Indemnitee under and in accordance with the provisions of this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) The Partnership may indemnify and advance expenses to any Employee to the same extent permitted under this Section 7.7 for Indemnitees. The Partnership may pay or reimburse expenses incurred by an Indemnitee or Employee in connection with his appearance as a witness or other participation in a claim, demand, action, suit or proceeding at a time when he is not a named defendant or respondent in such claim, demand, action, suit or proceeding.

(k) **IT IS EXPRESSLY ACKNOWLEDGED THAT THE INDEMNIFICATION PROVIDED IN THIS SECTION 7.7 COULD INVOLVE INDEMNIFICATION FOR NEGLIGENCE OR UNDER THEORIES OF STRICT LIABILITY.**

(l) If all or any portion of this Section 7.7 shall be invalidated on any ground by any court of competent jurisdiction, then the Partnership shall nevertheless indemnify and hold harmless any Indemnitee indemnified pursuant to this Section 7.7 as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Section 7.7 that shall not have been invalidated and, subject to this Section 7.7, to the fullest permitted by applicable law.

SECTION 7.8. *Liability of Indemnitees.*

(a) Notwithstanding anything to the contrary set forth in this Agreement, no Indemnitee shall be liable for monetary damages to the Partnership, the Limited Partners, the Assignees or any other Persons who have acquired interests in the Partnership Securities, for losses sustained or liabilities incurred as a result of any act or omission if such Indemnitee acted in good faith.

(b) Subject to its obligations and duties as General Partner set forth in Section 7.1(a), the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the General Partner shall not be responsible for any misconduct or negligence on the part of any such agent appointed by the General Partner in good faith.

(c) To the extent that, at law or in equity, an Indemnitee or Employee has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to the Partners, the General Partner and any other Indemnitee or Employee acting in connection with the Partnership's business or affairs shall not be liable to the Partnership or to any Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or otherwise modify the duties and liabilities of an Indemnitee otherwise existing at law or

in equity, are agreed by the Partners to replace such other duties and liabilities of such Indemnitee.

(d) Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability to the Partnership, the Limited Partners, the General Partner, and the Partnership's and General Partner's directors, officers and employees under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

SECTION 7.9. *Resolution of Conflicts of Interest.*

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, any Partner or any Assignee, on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, of any agreement contemplated herein, or of any duty stated or implied by law or equity, if the resolution or course of action is, or by operation of this Agreement is deemed to be, fair and reasonable to the Partnership. Notwithstanding any provision to the contrary in this Agreement (including Sections 7.5, 7.6 and this 7.9), whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership or any of its Partners, on the other, the General Partner in connection with its resolution of such conflict is required to seek Special Approval of such resolution. Further, the General Partner shall not be entitled to use its "sole discretion" (as defined in Section 7.9(b) of this Agreement) in determining whether a potential conflict of interest exists. Any conflict of interest and any resolution of such conflict of interest shall be conclusively deemed fair and reasonable to the Partnership if such conflict of interest or resolution is approved by Special Approval (as long as the material facts known to the General Partner or any of its Affiliates regarding any proposed transaction were disclosed to the Advisory Committee at the time it gave its approval) and is (i) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (ii) fair to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be particularly favorable or advantageous to the Partnership). The General Partner (including the Advisory Committee in connection with any Special Approval) shall be authorized in connection with its determination of what is "fair and reasonable" to the Partnership and in connection with its resolution of any conflict of interest to consider (A) the relative interests of any party to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interest; (B) any customary or accepted industry practices and any customary or historical dealings with a particular Person; (C) any applicable generally accepted accounting practices or principles; and (D) such additional factors as the General Partner (including the Advisory Committee) determines in its sole discretion to be relevant, reasonable or appropriate under the circumstances. Nothing contained in this Agreement, however, is intended to nor shall it be construed to require the General Partner (including the Advisory Committee) to consider the interests of any Person other than the Partnership. In the absence of bad faith by the General Partner, the resolution, action or terms so made, taken or provided by the General Partner with respect to such matter shall not constitute a breach of this Agreement or any other agreement contemplated herein or a breach of any standard of care or duty imposed herein or therein or, to the extent permitted by law, under the Delaware Act or any other law, rule or regulation.

(b) The General Partner shall be under a fiduciary duty and obligation to conduct the affairs of the Partnership in a manner that it reasonably believes to be in, or not inconsistent with, the best interests of the Partnership and the Limited Partners. The foregoing statement is intended to modify this Section 7.9(b) as to the General Partner and its Affiliates other than the members of the Advisory Committee and non-manager officers of Affiliates of the General Partner. Whenever this Agreement or any other agreement contemplated hereby provides that the General Partner or any of its Affiliates is permitted or required to make a decision (i) in its "sole discretion" or "discretion," that it deems "necessary or appropriate" or "necessary or advisable" or under a grant of similar authority or latitude, except as otherwise provided herein, the General Partner or such Affiliate shall be entitled to consider only such interests and factors as it desires and shall have no duty or obligation to give any consideration to any interest of or factors affecting, the Partnership, any Limited Partner or any Assignee, (ii) it may make such decision in its sole discretion (regardless of whether there is a reference to "sole discretion" or "discretion") unless another express standard is provided for, or (iii) in "good faith" or under another express standard, the General Partner or such Affiliate shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement, any other agreement contemplated hereby or under the Delaware Act or any other law, rule or regulation. The General Partner shall have no duty, express or implied, to sell or otherwise dispose of any asset of the Partnership other than in the ordinary course of business.

(c) Whenever a particular transaction, arrangement or resolution of a conflict of interest is required under this Agreement to be "fair and reasonable" to any Person, the fair and reasonable nature of such transaction, arrangement or resolution shall be considered in the context of all similar or related transactions.

SECTION 7.10. *Other Matters Concerning the General Partner.*

(a) The General Partner and its Affiliates may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner and its Affiliates may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, engineers and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion (including an Opinion of Counsel) of such Persons as to matters that the General Partner or Affiliate reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

(c) The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers, a duly appointed attorney or attorneys-in-fact or the duly authorized officers of the Partnership or the Operating Subsidiary, its general partner or its duly authorized officers.

(d) Any standard of care and duty imposed by this Agreement or under the Delaware Act or any applicable law, rule or regulation shall be modified, waived or limited to the extent permitted by law, as required to permit the General Partner and its Affiliates to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the

authority prescribed in this Agreement, so long as such action is reasonably believed by the General Partner to be in, or not inconsistent with, the best interests of the Partnership.

SECTION 7.11. *Purchase or Sale of Partnership Securities.*

The General Partner may cause the Partnership to purchase or otherwise acquire Partnership Securities. The General Partner or any Affiliate of the General Partner may also purchase or otherwise acquire and sell or otherwise dispose of Partnership Securities for its own account, subject to the provisions of Articles IV and X.

SECTION 7.12. *Registration Rights of the General Partner and its Affiliates.*

(a) If (i) the General Partner or any Affiliate of the General Partner (including for purposes of this Section 7.12, any Person that is an Affiliate of the General Partner at the date of this Agreement notwithstanding that it may later cease to be an Affiliate of the General Partner) holds Partnership Securities that it desires to sell and (ii) Rule 144 of the Securities Act (or any successor rule or regulation to Rule 144) or another exemption from registration is not available to enable such holder of Partnership Securities (the "Holder") to dispose of the number of Partnership Securities it desires to sell at the time it desires to do so without registration under the Securities Act, then upon the request of the General Partner or any of its Affiliates, the Partnership shall file with the Commission as promptly as practicable after receiving such request, and use all reasonable efforts to cause to become effective and remain effective for a period of not less than six months following its effective date or such shorter period as shall terminate when all Partnership Securities covered by such registration statement have been sold, a registration statement under the Securities Act registering the offering and sale of the number of Partnership Securities specified by the Holder; provided, however, that the Partnership shall not be required to effect more than three registrations pursuant to this Section 7.12(a); and provided further, that if the Advisory Committee determines in its good faith judgment that a postponement of the requested registration for up to six months would be in the best interests of the Partnership and its Partners due to a pending transaction, investigation or other event, the filing of such registration statement or the effectiveness thereof may be deferred for up to six months, but not thereafter. In connection with any registration pursuant to the immediately preceding sentence, the Partnership shall promptly prepare and file (x) such documents as may be necessary to register or qualify the securities subject to such registration under the securities laws of such states as the Holder shall reasonably request; provided, however, that no such qualification shall be required in any jurisdiction where, as a result thereof, the Partnership would become subject to general service of process or to taxation or qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such registration, and (y) such documents as may be necessary to apply for listing or to list the Partnership Securities subject to such registration on such National Securities Exchange as the Holder shall reasonably request, and do any and all other acts and things that may reasonably be necessary or advisable to enable the Holder to consummate a public sale of such Partnership Securities in such states. Except as set forth in Section 7.12(c), all costs and expenses of any such registration and offering (other than the underwriting discounts and commissions) shall be paid by the Partnership, without reimbursement by the Holder.

(b) The General Partner and its Affiliates are entitled to "piggyback" (i) on a registration by the Partnership for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan) and (ii) on a registration of Partnership

Securities requested by a Person, other than the General Partner and its Affiliates, pursuant to demand registration rights, provided that the party exercising the demand registration may, at any time, abandon or delay any such registration initiated by it. If the proposed offering upon which the General Partner or its Affiliates exercise their piggyback rights shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Person electing to exercise piggyback rights in writing that in their opinion the inclusion of all of such Person's Partnership Securities would adversely and materially affect the success of the offering, the securities that shall be included in such offering shall be allocated among the Partnership or the parties exercising demand registration rights, as applicable, and the Persons exercising piggyback registration rights in proportion to the total number of securities that the Partnership or the Persons exercising demand registration rights, as applicable, propose to register in relation to the total number of Partnership Securities that the Persons exercising piggyback registration rights propose to register.

(c) If underwriters are engaged in connection with any registration referred to in this Section 7.12, the Partnership shall provide indemnification, representations, covenants, opinions and other assurance to the underwriters in form and substance reasonably satisfactory to such underwriters. Further, in addition to and not in limitation of the Partnership's obligation under Section 7.7, the Partnership shall, to the fullest extent, permitted by law, indemnify and hold harmless the Holder, its officers, directors and each Person who controls the Holder (within the meaning of the Securities Act) and any agent thereof (collectively, "Indemnified Persons") against any losses, claims, demands, actions, causes of action, assessments, damages, liabilities (joint or several), costs and expenses (including interest, penalties and reasonable attorneys' fees and disbursements), resulting to, imposed upon, or incurred by the Indemnified Persons, directly or indirectly, under the Securities Act or otherwise (hereinafter referred to in this Section 7.12(c) as a "Claim" and in the plural as "Claims") based upon, arising out of or resulting from any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which any Partnership Securities were registered under the Securities Act or any state securities or Blue Sky laws, in any preliminary prospectus (if used prior to the effective date of such registration statement), or in any summary or final prospectus or in any amendment or supplement thereto (if used during the period the Partnership is required to keep the registration statement current), or arising out of, based upon or resulting from the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements made therein not misleading; provided, however, that the Partnership shall not be liable to any Indemnified Person to the extent that any such Claim arises out of, is based upon or results from an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, such preliminary, summary or final prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Partnership by or on behalf of such Indemnified Person specifically for use in the preparation thereof.

(d) The provisions of Section 7.12(a) and 7.12(b) shall continue to be applicable with respect to the General Partner (and any of the General Partner's Affiliates) after it ceases to be a Partner of the Partnership, during a period of two years subsequent to the effective date of such cessation and for so long thereafter as is required for the Holder to sell all of the Partnership Securities with respect to which it has requested during such two-year period inclusion in a registration statement otherwise filed or that a registration statement be filed; provided, however, that the Partnership shall not be required to file successive registration statements covering the same Partnership Securities for which registration was demanded during such two-year period. The provisions of Section 7.12(c) shall continue in effect thereafter.

(e) Any request to register Partnership Securities pursuant to this Section 7.12 shall (i) specify the Partnership Securities intended to be offered and sold by the Person making the request, (ii) express such Person's present intent to offer such shares for distribution, (iii) describe the nature or method of the proposed offer and sale of Partnership Securities, and (iv) contain the undertaking of such Person to provide all such information and materials and take all action as may be required in order to permit the Partnership to comply with all applicable requirements in connection with the registration of such Partnership Securities.

SECTION 7.13. *Reliance by Third Parties.*

Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner (and its general partner, if applicable) and any officer of the General Partner (or its general partner, if applicable) authorized by the General Partner (or its general partner, if applicable) to act on behalf of and in the name of the Partnership has full power and authority to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any authorized contracts on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner or any such officer as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner or any such officer in connection with any such dealing. In no event shall any Person dealing with the General Partner or any such officer or its representatives be obligated to ascertain that the terms of the Agreement have been complied with or to inquire into the necessity or expedience of any act or action of the General Partner or any such officer or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner (or its general partner, if applicable) or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (b) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership, and (c) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

SECTION 7.14. *Officers; Compensation; Terms.*

(a) Officers . The General Partner may designate one or more individuals to serve as officers of the Partnership. The Partnership shall have such officers as the General Partner may from time to time determine, which officers may (but need not) include a President, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents (and in case of each such Vice President, with such descriptive title, if any, as the General Partner shall deem appropriate), a Secretary, a Treasurer, a Controller and one or more Assistant Secretaries and Assistant Treasurers. Any two or more offices may be held by the same person.

(b) Compensation . No officer of the Partnership will be compensated for serving as an officer or employee of the Partnership, but such Persons may hold positions with the General Partner or one or more of its Affiliates and may be compensated thereby and such compensation may be reimbursed by the Partnership as Management Expenses or charged against any ORRI as Production Costs.

(c) Term of Office; Removal; Filling of Vacancies . Each officer of the Partnership shall hold office until his successor is chosen and qualified in his stead or until his earlier death, resignation, retirement, disqualification or removal from office. Any officer designated by the General Partner may be removed at any time by the General Partner whenever in its judgment the best interests of the Partnership will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Designation of an officer shall not of itself create contract rights. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the General Partner.

(d) Powers and Duties . The several officers of the Partnership shall perform such duties and services and exercise such further powers as may be provided by statute, the Certificate of Formation or this Agreement or as the General Partner may from time to time determine or as may be assigned to them by any competent superior officer.

(e) Limitations on Powers and Duties of Officers . Notwithstanding the foregoing especially enumerated duties, services, and powers, the several officers of the Partnership shall not have the power and authority to cause the Partnership to take any action that requires the approval of the Limited Partners pursuant to Section 7.3 unless the Limited Partners have specifically approved such action.

ARTICLE VIII.

BOOKS, RECORDS, ACCOUNTING, AND REPORTS

SECTION 8.1. *Records and Accounting.*

The General Partner shall keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business, including all books and records necessary to provide to the Limited Partners any information required to be provided pursuant to Section 3.4(a). Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including the record of the Record Holders and Assignees of Units or other Partnership Securities, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard drives, punch cards, magnetic tape, photographs, micrographics or any other information storage device; provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time. The books of the Partnership shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

SECTION 8.2. *Fiscal Year* .

The fiscal year of the Partnership shall be a fiscal year ending December 31.

SECTION 8.3. *Reports* .

(a) As soon as practicable, but in no event later than 120 days after the close of each fiscal year of the Partnership, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit as of a date selected by the General Partner in its discretion, an annual report containing financial statements of the Partnership for such fiscal year of the Partnership, presented in accordance with U.S. GAAP, including a balance sheet and statements of operations,

Partnership equity and cash flows, such statements to be audited by a firm of independent public accountants selected by the General Partner.

(b) To the extent required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, as soon as practicable, but in no event later than 90 days after the close of each Quarter except the last Quarter of each fiscal year, the General Partner shall cause to be mailed or furnished to each Record Holder of a Unit, as of a date selected by the General Partner in its discretion, a report containing unaudited financial statements of the Partnership and such other information as may be required by applicable law, regulation or rule of any National Securities Exchange on which the Units are listed for trading, or as the General Partner determines to be necessary or appropriate.

ARTICLE IX.

TAX MATTERS

SECTION 9.1. *Tax Returns and Information.*

The Partnership shall timely file all returns of the Partnership that are required for federal, state, and local income tax purposes on the basis of the accrual method and a taxable year ending on December 31. The tax information reasonably required by Record Holders for federal and state income tax reporting purposes with respect to a taxable year shall be furnished to them within 90 days of the close of the calendar year in which the Partnership's taxable year ends. The classification, realization, and recognition of income, gain, losses, and deductions and other items shall be on the accrual method of accounting for federal income tax purposes.

SECTION 9.2. *Tax Elections* .

(a) The Partnership shall make the election under Section 754 of the Code in accordance with applicable regulations thereunder, subject to the reservation of the right to seek to revoke any such election upon the General Partner's determination that such revocation is in the best interests of the Limited Partners. Notwithstanding any other provision herein contained, for the purposes of computing the adjustments under Section 743(b) of the Code, the General Partner shall be authorized (but not required) to adopt a convention whereby the price paid by a transferee of a Limited Partner Interest will be deemed to be the lowest quoted closing price of the Limited Partner Interests on any National Securities Exchange on which such Limited Partner Interests are traded during the calendar month in which such transfer is deemed to occur pursuant to Section 6.2(i) without regard to the actual price paid by such transferee.

(b) The Partnership shall elect to deduct expenses incurred in organizing the Partnership ratably over a sixty-month period as provided in Section 709 of the Code.

(c) Except as otherwise provided herein, the General Partner shall determine whether the Partnership should make any other elections permitted by the Code.

SECTION 9.3. *Tax Controversies.*

Subject to the provisions hereof, the General Partner is designated as the Tax Matters Partner (as defined in the Code) and is authorized and required to represent the Partnership (at the

Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

SECTION 9.4. *Withholding* .

Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines in its discretion to be necessary or appropriate to cause the Partnership to comply with any withholding requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required or elects to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner or Assignee (including, without limitation, by reason of Section 1446 of the Code), the amount withheld may at the discretion of the General Partner be treated by the Partnership as a distribution of cash pursuant to Section 6.3 in the amount of such withholding from such Partner.

ARTICLE X.

ADMISSION OF PARTNERS

SECTION 10.1. *Admission of Initial Limited Partners.*

Upon the issuance by the Partnership of Common Units to the limited partners of Republic and Spinnaker and to the partners of DHL as described in the Combination Agreement in connection with the Combination, each such recipient of Common Units shall have the rights of an Assignee. Upon the execution of each such party of a Transfer Application, the General Partner shall admit such parties to the Partnership as "Initial Limited Partners" in respect of the Common Units issued to them.

SECTION 10.2. *Admission of Substituted Limited Partner*.

By transfer of a Limited Partner Interest in accordance with Article IV, the transferor shall be deemed to have given the transferee the right to seek admission as a Substituted Limited Partner subject to the conditions of, and in the manner permitted under, this Agreement. A transferor of a Certificate representing a Limited Partner Interest shall, however, only have the authority to convey to a purchaser or other transferee who does not execute and deliver a Transfer Application (a) the right to negotiate such Certificate to a purchaser or other transferee and (b) the right to transfer the right to request admission as a Substituted Limited Partner to such purchaser or other transferee in respect of the transferred Limited Partner Interests. Each transferee of a Limited Partner Interest (including any nominee holder or an agent acquiring such Limited Partner Interest for the account of another Person) who executes and delivers a Transfer Application shall, by virtue of such execution and delivery, be an Assignee and be deemed to have applied to become a Substituted Limited Partner with respect to the Limited Partner Interests so transferred to such Person. Such Assignee shall become a Substituted Limited Partner (x) at such time as the General Partner consents thereto, which consent may be given or withheld in the General Partner's discretion, and (y) when any such admission is shown on the books and records of the

Partnership. If such consent is withheld, such transferee shall be an Assignee. An Assignee shall have an interest in the Partnership equivalent to that of a Limited Partner with respect to allocations and distributions, including liquidating distributions, of the Partnership. With respect to voting rights attributable to Limited Partner Interests that are held by Assignees, the General Partner shall be deemed to be the Limited Partner with respect thereto and shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, vote such Limited Partner Interests at the written direction of the Assignee who is the Record Holder of such Limited Partner Interests. If no such written direction is received, such Limited Partner Interests will not be voted. An Assignee shall have no other rights of a Limited Partner.

SECTION 10.3. *Admission of Successor General Partner.*

A successor General Partner approved pursuant to Section 11.1 or 11.2 or the transferee of or successor to all of the General Partner Interest pursuant to Section 4.6 who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately prior to the withdrawal or removal of the predecessor or transferring General Partner pursuant to Section 11.1 or 11.2 or the transfer of the General Partner Interest pursuant to Section 4.6; provided, however, that no such successor shall be admitted to the Partnership until compliance with the terms of Section 4.6 has occurred and such successor has executed and delivered such other documents or instruments as may be required to effect such admission. Any such successor shall, subject to the terms hereof, carry on the business of the members of the Partnership Group without dissolution.

SECTION 10.4. *Admission of Additional Limited Partners.*

(a) A Person (other than the General Partner, an Initial Limited Partner or a Substituted Limited Partner) who makes a Capital Contribution to the Partnership in accordance with this Agreement shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance in form satisfactory to the General Partner of all of the terms and conditions of this Agreement, including the power of attorney granted in Section 2.6, and (ii) such other documents or instruments as may be required in the discretion of the General Partner to effect such Person's admission as an Additional Limited Partner.

(b) Notwithstanding anything to the contrary in this Section 10.4, no Person shall be admitted as an Additional Limited Partner without the consent of the General Partner, which consent may be given or withheld in the General Partner's discretion. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded as such in the books and records of the Partnership, following the consent of the General Partner to such admission.

SECTION 10.5. *Amendment of Agreement and Certificate of Limited Partnership.*

To effect the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Delaware Act to amend the records of the Partnership to reflect such admission and, if necessary, to prepare as soon as practicable an amendment to this Agreement and, if required by law, the General Partner shall prepare and file an amendment to the Certificate of Limited Partnership, and the General Partner may for this purpose, among others, exercise the power of attorney granted pursuant to Section 2.6.

ARTICLE XI.

WITHDRAWAL OR REMOVAL OF PARTNERS

SECTION 11.1. *Withdrawal of the General Partner.*

(a) The General Partner shall be deemed to have withdrawn from the Partnership upon the occurrence of any one of the following events (each such event herein referred to as an "Event of Withdrawal");

(i) The General Partner voluntarily withdraws from the Partnership by giving written notice to the other Partners (and it shall be deemed that the General Partner has withdrawn pursuant to this Section 11.1(a)(i) if the General Partner voluntarily withdraws as general partner of the Partnership);

(ii) The General Partner transfers all of its rights as General Partner pursuant to Section 4.6;

(iii) The General Partner is removed pursuant to Section 11.2;

(iv) The General Partner (A) makes a general assignment for the benefit of creditors; (B) files a voluntary bankruptcy petition for relief under Chapter 7 of the United States Bankruptcy Code; (C) files a petition or answer seeking for itself a liquidation, dissolution or similar relief (but not a reorganization) under any law; (D) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the General Partner in a proceeding of the type described in clauses (A)-(C) of this Section 11.1 (a)(iv); or (E) seeks, consents to or acquiesces in the appointment of a trustee (but not a debtor-in-possession), receiver or liquidator of the General Partner or of all or any substantial part of its properties;

(v) A final and non-appealable order of relief under Chapter 7 of the United States Bankruptcy Code is entered by a court with appropriate jurisdiction pursuant to a voluntary or involuntary petition by or against the General Partner; or

(vi) (A) in the event the General Partner is a corporation, a certificate of dissolution or its equivalent is filed for the General Partner, or 90 days expire after the date of notice to the General Partner of revocation of its charter without a reinstatement of its charter, under the laws of its state of incorporation; (B) in the event the General Partner is a partnership or a limited liability company, the dissolution and commencement of winding up of the General Partner; (C) in the event the General Partner is acting in such capacity by virtue of being a trustee of a trust, the termination of the trust; (D) in the event the General Partner is a natural person, his death or adjudication of incompetency; and (E) otherwise in the event of the termination of the General Partner.

If an Event of Withdrawal specified in Section 11.1(a)(iv), (v) or (vi)(A), (B), (C) or (E) occurs, the withdrawing General Partner shall give notice to the Limited Partners within 30 days after such occurrence. The Partners hereby agree that only the Events of Withdrawal described in this Section 11.1 shall result in the withdrawal of the General Partner from the Partnership.

(b) Withdrawal of the General Partner from the Partnership upon the occurrence of an Event of Withdrawal shall not constitute a breach of this Agreement under the following circumstances: (i) at any time during the period beginning on the Closing Date and ending at 12:00 midnight, Central Standard Time, on December 31, 2010, the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners; provided that prior to the effective date of such withdrawal, the withdrawal is approved by Unitholders holding at least a majority of the Outstanding Common Units (excluding any Partnership Units held by the General Partner and its Affiliates), and the General Partner delivers to the Partnership an Opinion of Counsel ("Withdrawal Opinion of Counsel") that such withdrawal (following the selection of the successor General Partner) would not result in the loss of the limited liability of any Limited Partner or cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not previously treated as such); (ii) at any time after 12:00 midnight, Central Standard Time, on December 31, 2010, the General Partner voluntarily withdraws by giving at least 90 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice; (iii) at any time that the General Partner ceases to be the General Partner pursuant to Section 11.1(a)(ii) or is removed pursuant to Section 11.2; (iv) notwithstanding clause (i) of this sentence, at any time that the General Partner voluntarily withdraws by giving at least 90 days' advance notice of its intention to withdraw to the Limited Partners, such withdrawal to take effect on the date specified in the notice, if at the time such notice is given one Person and its Affiliates (other than the General Partner and its Affiliates) own beneficially or of record or control at least 50% of the Outstanding Common Units; or (v) at any time after the effectiveness of a Limited Partner Amendment, the General Partner voluntarily withdraws by giving at least 30 days' advance notice to the Unitholders, such withdrawal to take effect on the date specified in such notice. If the General Partner gives a notice of withdrawal pursuant to Section 11.1(a)(i), the holders of a Unit Majority, may, prior to the effective date of such withdrawal, elect a successor General Partner. If, prior to the effective date of the General Partner's withdrawal, a successor is not selected by the Unitholders as provided herein or the Partnership does not receive a Withdrawal Opinion of Counsel, the Partnership shall be dissolved in accordance with Section 12.1. Any successor General Partner elected in accordance with the terms of this Section 11.1 shall be subject to the provisions of Section 10.3.

SECTION 11.2. *Removal of the General Partner.*

The General Partner may be removed if such removal is approved by the Unitholders holding at least a Unit Majority (including Units held by the General Partner and its Affiliates). Any such action by such holders for removal of the General Partner must also provide for the election of a successor General Partner by the Unitholders holding a Unit Majority (including Units held by the General Partner and its Affiliates). Such removal shall be effective immediately following the admission of a successor General Partner pursuant to Section 10.3. The right of the holders of Outstanding Units to remove the General Partner shall not exist or be exercised unless the Partnership has received an opinion opining as to the matters covered by a Withdrawal Opinion of Counsel. Any successor General Partner elected in accordance with the terms of this Section 11.2 shall be subject to the provisions of Section 10.3.

SECTION 11.3. *Interest of Departing Partner and Successor General Partner.*

(a) In the event of (i) withdrawal of the General Partner under circumstances where such withdrawal does not violate this Agreement or (ii) removal of the General Partner by the holders of Outstanding Units where Cause does not exist, if a successor General Partner is elected in

accordance with the terms of Section 11.1 or Section 11.2, the Departing Partner shall have the option exercisable prior to the effective date of departure of such Departing Partner to require its successor to purchase its General Partner Interest and either (A) purchase all of the equity interests of the Operating Subsidiary or (B) purchase all of the assets of the Operating Subsidiary and assume all of its liabilities (collectively, the "Combined Interest") in exchange for an amount equal to the fair market value of such Combined Interest, such amount to be determined and payable as of the effective date of its departure. If the General Partner is removed by the Unitholders under circumstances where Cause exists or if the General Partner withdraws under circumstances where such withdrawal violates this Agreement, and if a successor General Partner is elected in accordance with the terms of Section 11.1 or Section 11.2, such successor shall have the option, exercisable prior to the effective date of the departure of such Departing Partner, to purchase the Combined Interest for such fair market value of such Combined Interest. In either event, the Departing Partner shall be entitled to receive all reimbursements due such Departing Partner pursuant to Section 7.4, including any employee-related liabilities (including severance liabilities), incurred in connection with the termination of any employees employed by the General Partner for the benefit of the Partnership.

For purposes of this Section 11.3, the fair market value of the Combined Interest shall be determined by agreement between the Departing Partner and its successor or, failing agreement within 30 days after the effective date of such Departing Partner's departure, by an independent investment banking firm or other independent expert selected by the Departing Partner and its successor, which, in turn, may rely on other experts, and the determination of which shall be conclusive as to such matter. If such parties cannot agree upon one independent investment banking firm or other independent expert within 45 days after the effective date of such departure, then the Departing Partner shall designate an independent investment banking firm or other independent expert, the Departing Partner's successor shall designate an independent investment banking firm or other independent expert, and such firms or experts shall mutually select a third independent investment banking firm or independent expert, which third independent investment banking firm or other independent expert shall determine the fair market value of the respective interest or assets. In making its determination, such third independent investment banking firm or other independent expert may consider the then current trading price of Units on any National Securities Exchange on which Units are then listed, the value of the Partnership's assets, including assets held by subsidiaries, the rights and obligations of the Departing Partner, and other factors it may deem relevant.

(b) If a successor General Partner is elected in accordance with the terms of Section 11.1 or Section 11.2 and the Combined Interest is not purchased in the manner set forth in Section 11.3(a), then the following shall apply:

(i) The Departing Partner (or its transferee) shall become a Limited Partner and its General Partner Interest shall be converted into Common Units having a value equal to the value of the General Partner Interest as determined pursuant to a valuation made by an investment banking firm or other independent expert selected pursuant to Section 11.3(a), without reduction in such Partnership Interests (but subject to proportionate dilution by reason of the admission of its successor), which valuation shall take into account the Percentage Interest attributable to the General Partner Interest. Any successor General Partner shall indemnify the Departing Partner (or its transferee) as to all debts and liabilities of the Partnership arising on or after the date on which the Departing Partner (or its transferee) becomes a Limited Partner. For purposes of this Agreement, conversion of the General Partner Interest to Common Units will be

characterized as if the General Partner (or its transferee) contributed its General Partner Interest to the Partnership in exchange for the newly issued Common Units.

(ii) The successor General Partner shall, at the effective date of its admission to the Partnership, contribute to the Partnership cash in the amount equal to 1/199th of the Net Agreed Value of the Partnership's assets on such date. In such event, such successor General Partner shall be entitled to a 0.5% Percentage Interest in the Partnership.

(iii) Upon such conversion of the Departing Partner's General Partner Interest and the admission of the successor General Partner, this Agreement shall be amended to reflect such conversion and to provide for the issuance of the new General Partner Interest to the successor General Partner.

(iv) The successor General Partner shall be obligated to buy, and the Departing Partner shall be obligated to sell to the successor General Partner, all of the equity interests in the Operating Subsidiary for an amount equal to the fair market value thereof, determined using the methodology provided for in the last paragraph of Section 11.3(a).

SECTION 11.4. *Withdrawal of Limited Partners.*

No Limited Partner shall have any right to withdraw from the Partnership; provided, however, that when a transferee of a Limited Partner's Limited Partner Interest becomes a Record Holder of the Limited Partner Interest so transferred, such transferring Limited Partner shall cease to be a Limited Partner with respect to the Limited Partner Interest so transferred.

ARTICLE XII.

DISSOLUTION AND LIQUIDATION

SECTION 12.1. *Dissolution* .

The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the removal or withdrawal of the General Partner, if a successor General Partner is elected pursuant to Section 11.1 or 11.2, the Partnership shall not be dissolved and such successor General Partner shall continue the business of the Partnership. The Partnership shall dissolve, and (subject to Section 12.2) its affairs shall be wound up, upon:

(a) an Event of Withdrawal of the General Partner as provided in Section 11.1(a) (other than Section 11.1(a)(ii)), unless a successor is elected and a Withdrawal Opinion of Counsel is received as provided in Section 11.1(b) or 11.2 and such successor is admitted to the Partnership pursuant to Section 10.3;

(b) the approval of the dissolution of the Partnership by the holders of a majority of the Limited Partner Interests.

(c) the entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Delaware Act; or

(d) the sale of all or substantially all of the assets and properties of the Partnership.

SECTION 12.2. *Continuation of the Business of the Partnership After Dissolution.*

Upon (a) dissolution of the Partnership following an Event of Withdrawal caused by the withdrawal or removal of the General Partner as provided in Section 11.1(a)(i) or (iii) and the failure of the Partners to select a successor to such Departing Partner pursuant to Section 11.1 or 11.2, then within 90 days thereafter, or (b) dissolution of the Partnership upon an event constituting an Event of Withdrawal as defined in Section 11.1(a)(iv), (v) or (vi), then, to the maximum extent permitted by law, within 180 days thereafter, the holders of a Unit Majority may elect to reconstitute the Partnership and continue its business on the same terms and conditions set forth in this Agreement by forming a new limited partnership on terms identical to those set forth in this Agreement and having as the successor general partner a Person approved by the holders of a Unit Majority. Unless such an election is made within the applicable time period as set forth above, the Partnership shall conduct only activities necessary to wind up its affairs. If such an election is so made, then:

(i) the reconstituted Partnership shall continue unless earlier dissolved in accordance with this Article XII;

(ii) if the successor General Partner is not the former General Partner, then the interest of the former General Partner shall be treated in the manner provided in Section 11.3; and

(iii) all necessary steps shall be taken to cancel this Agreement and the Certificate of Limited Partnership and to enter into and, as necessary, to file a new partnership agreement and certificate of limited partnership, and the successor general partner may for this purpose exercise the powers of attorney granted the General Partner pursuant to Section 2.6; provided, that the right of the holders of a Unit Majority to approve a successor General Partner and to reconstitute and to continue the business of the Partnership shall not exist and may not be exercised unless the Partnership has received an Opinion of Counsel that (x) the exercise of the right would not result in the loss of limited liability of any Limited Partner and (y) neither the Partnership, nor the reconstituted limited partnership would be treated as an association taxable as a corporation or otherwise be taxable as an entity for federal income tax purposes upon the exercise of such right to continue.

SECTION 12.3. *Liquidator* .

Upon dissolution of the Partnership, unless the Partnership is continued under an election to reconstitute and continue the Partnership pursuant to Section 12.2, the General Partner shall select one or more Persons (which may include the General Partner) to act as Liquidator. The Liquidator (if other than the General Partner) shall be entitled to receive such compensation for its services as may be approved by a Unit Majority. The Liquidator (if other than the General Partner) shall agree not to resign at any time without 15 days' prior notice and may be removed at any time, with or without cause, by notice of removal approved by a Unit Majority. Upon dissolution, removal or resignation of the Liquidator, a successor and substitute Liquidator (who shall have and succeed to all rights, powers, and duties of the original Liquidator) shall within 30 days thereafter be approved by holders of at least a majority of the Outstanding Common Units. The right to approve a successor or substitute Liquidator in the manner provided herein shall be

deemed to refer also to any such successor or substitute Liquidator approved in the manner herein provided. Except as expressly provided in this Article XII, the Liquidator approved in the manner provided herein shall have and may exercise, without further authorization or consent of any of the parties hereto, all of the powers conferred upon the General Partner under the terms of this Agreement (but subject to all of the applicable limitations, contractual and otherwise, upon the exercise of such powers, other than the limitation on sale set forth in Section 7.3(b)) to the extent necessary or desirable in the good faith judgment of the Liquidator to carry out the duties and functions of the Liquidator hereunder for and during such period of time as shall be reasonably required in the good faith judgment of the Liquidator to complete the winding up and liquidation of the Partnership as provided for herein.

SECTION 12.4. *Liquidation* .

The Liquidator shall proceed to dispose of the assets of the Partnership, discharge its liabilities, and otherwise wind up its affairs in such manner and over such period as the Liquidator determines to be in the best interest of the Partners, subject to Section 17-804 of the Delaware Act and the following:

(a) Disposition of Assets . The assets may be disposed of by public or private sale or by distribution in kind to one or more Partners on such terms as the Liquidator and such Partner or Partners may agree. If any property is distributed in kind, the Partner receiving the property shall be deemed for purposes of Section 12.4(c) to have received cash equal to its fair market value; and contemporaneously therewith, appropriate cash distributions must be made to the other Partners. The Liquidator may, in its absolute discretion, defer liquidation or distribution of the Partnership's assets for a reasonable time if it determines that an immediate sale or distribution of all or some of the Partnership's assets would be impractical or would cause undue loss to the Partners. The Liquidator may, in its absolute discretion, distribute the Partnership's assets, in whole or in part, in kind if it determines that a sale would be impractical or would cause undue loss to the Partners.

(b) Discharge of Liabilities . Liabilities of the Partnership include amounts owed to the Liquidator as compensation for serving in such capacity (subject to the terms of Section 12.3) and amounts owed to Partners otherwise than in respect of their distribution rights under Article VI. With respect to any liability that is contingent, conditional or unmatured or is otherwise not yet due and payable, the Liquidator shall either settle such claim for such amount as it thinks appropriate or establish a reserve of cash or other assets to provide for its payment. When paid, any unused portion of the reserve shall be distributed as additional liquidation proceeds.

(c) Liquidation Distributions . All property and all cash in excess of that required to discharge liabilities as provided in Section 12.4(b) shall be distributed to the Partners in accordance with, and to the extent of, the positive balances in their respective Capital Accounts, as determined after taking into account all Capital Account adjustments (other than those made by reason of distributions pursuant to this Section 12.4(c)) for the taxable year of the Partnership during which the liquidation of the Partnership occurs (with such date of occurrence being determined pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(*g*)), and such distribution shall be made by the end of such taxable year (or, if later, within 90 days after said date of such occurrence).

SECTION 12.5. *Cancellation of Certificate of Limited Partnership.*

Upon the completion of the distribution of Partnership cash and property as provided in Section 12.4 in connection with the liquidation of the Partnership, the Partnership shall be terminated and the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware shall be canceled and such other actions as may be necessary to terminate the Partnership shall be taken.

SECTION 12.6. *Return of Contributions.*

The General Partner shall not be personally liable for, and shall have no obligation to contribute or loan any monies or property to the Partnership to enable it to effectuate, the return of the Capital Contributions of the Limited Partners or Unitholders, or any portion thereof, it being expressly understood that any such return shall be made solely from Partnership assets.

SECTION 12.7. *Waiver of Partition.*

To the maximum extent permitted by law, each Partner hereby waives any right to partition of the Partnership property.

SECTION 12.8. *Capital Account Restoration.*

No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership.

ARTICLE XIII.

AMENDMENT OF PARTNERSHIP AGREEMENT; MEETINGS; RECORD DATE

SECTION 13.1. *Amendment to be Adopted Solely by the General Partner.*

Each Partner agrees that the General Partner, without the approval of any Partner or Assignee, may amend any provision of this Agreement and execute, swear to, acknowledge, deliver, file, and record whatever documents may be required in connection therewith, to reflect:

(a) a change in the name of the Partnership, the location of the principal place of business of the Partnership, the registered agent of the Partnership or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Partners in accordance with this Agreement;

(c) a change that, in the sole discretion of the General Partner, is necessary or advisable to qualify or continue the qualification of the Partnership as a limited partnership or a partnership in which the Limited Partners have limited liability under the laws of any state or to ensure that the Partnership will not be treated as an association taxable as a corporation or otherwise taxed as an entity for federal income tax purposes;

(d) a change that, in the discretion of the General Partner, (i) does not adversely affect the Limited Partners in any material respect, (ii) is necessary or advisable to (A) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal or state agency or judicial authority or contained in any federal or state

statute (including the Delaware Act) or (B) facilitate the trading of the Limited Partner Interests or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are or will be listed for trading, compliance with any of which the General Partner determines in its discretion to be in the best interests of the Partnership and the Limited Partners, (iii) is necessary or advisable in connection with action taken by the General Partner pursuant to Section 5.9, or (iv) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement;

(e) a change in the fiscal year or taxable year of the Partnership and any changes that, in the discretion of the General Partner, are necessary or advisable as a result of a change in the fiscal year or taxable year of the Partnership including, if the General Partner shall so determine, a change in the definition of "Quarter" and the dates on which distributions are to be made by the Partnership;

(f) an amendment that is necessary, in the Opinion of Counsel, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from in any manner being subjected to the provisions of the Investment Company Act of 1940, as amended, the Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;

(g) subject to the terms of Section 5.7, an amendment that, in the discretion of the General Partner, is necessary or advisable in connection with the authorization of issuance of any class or series of Partnership Securities pursuant to Section 5.6;

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

(i) an amendment effected, necessitated or contemplated by a Merger Agreement approved in accordance with Section 14.3;

(j) an amendment that, in the discretion of the General Partner, is necessary or advisable to reflect, account for and deal with appropriately the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.4;

(k) a merger or conveyance pursuant to Section 14.3(d); or

(l) any other amendments substantially similar to the foregoing.

SECTION 13.2. *Amendment Procedures.*

(a) Except as provided in Sections 13.1, 13.2(b) and 13.3, all amendments to this Agreement shall be made in accordance with the following requirements. Amendments to this Agreement may be proposed only by or with the consent of the General Partner which consent may be given or withheld in its sole discretion. A proposed amendment shall be effective upon its approval by the holders of a Unit Majority, unless a greater or different percentage is required under this

Agreement or by Delaware law or by the requirements of an applicable National Securities Exchange. Each proposed amendment that requires the approval of the holders of a specified percentage of Outstanding Units shall be set forth in a writing that contains the text of the proposed amendment. If such an amendment is proposed, the General Partner shall seek the written approval of the requisite percentage of Outstanding Units or call a meeting of the Unitholders to consider and vote on such proposed amendment. The General Partner shall notify all Record Holders upon final adoption of any such proposed amendments.

(b) Subject to Section 13.3, this Agreement may be amended with the vote or consent of holders of a Unit Majority, unless a greater or different percentage is required by Delaware law or by the requirements of an applicable National Securities Exchange. The General Partner shall not be required to call a meeting for purposes of such vote, except pursuant to Section 13.4.

SECTION 13.3. *Amendment Requirements.*

(a) Notwithstanding the provisions of Sections 13.1 and 13.2, no provision of this Agreement that establishes a percentage of Outstanding Units (including Units deemed owned by the General Partner) required to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of holders of Outstanding Units whose aggregate Outstanding Units constitute not less than the voting requirement sought to be reduced.

(b) Notwithstanding the provisions of Sections 13.1 and 13.2, no amendment to this Agreement may (i) enlarge the obligations of any Limited Partner without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 13.3(c), (ii) enlarge the obligations of, restrict in any way any action by or rights of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to, the General Partner or any of its Affiliates without its consent, which consent may be given or withheld in its sole discretion, (iii) change Section 12.1(b), or (iv) change the term of the Partnership or, except as set forth in Section 12.1(b), give any Person the right to dissolve the Partnership.

(c) Except as provided in Section 14.3, and except as otherwise provided, and without limitation of the General Partner's authority to adopt amendments to this Agreement without the approval of any Partners or Assignees as contemplated in Section 13.1, any amendment that would have a material adverse effect on the rights or preferences of any class of Partnership Interests in relation to other classes of Partnership Interests must be approved by the holders of not less than a majority of the Outstanding Partnership Interests of the class affected.

(d) Except as provided in Section 13.1, this Section 13.3 shall only be amended with the approval of the holders of at least 90% of the Outstanding Units.

SECTION 13.4. *Annual Meetings* .

(a) Beginning in 2004, an annual meeting of Limited Partners shall be held for the election of the members of the Advisory Committee, on the first Wednesday of May if not a legal holiday, and if a legal holiday then on the next business day following, at 10:00 a.m., or at such date and time as may be designated by resolution of the Board of Managers from time to time and stated in the notice of the meeting, to elect the members of the Advisory Committee by a plurality and to transact such other business as is properly brought before the meeting in accordance with this Agreement. Annual meetings of Limited Partners shall be held at such place, either within or

without the State of Delaware, as shall be designated from time to time by the Board of Managers and stated in the notice of the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each Limited Partner entitled to vote at such meeting and holding of record not less than ten (10) nor more than sixty (60) days before the date of the meeting.

(b) To be properly brought before an annual meeting, business must be either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Managers, (ii) otherwise properly brought before the meeting by or at the direction of the Board of Managers, or (iii) otherwise (A) be properly requested to be brought before the meeting by a Limited Partner of record entitled to vote in the election of the members of the Advisory Committee generally and (B) constitute a proper subject to be brought before the meeting. In order for business (other than the election of the members of the Advisory Committee) to be properly brought before the annual meeting of Limited Partners by a Limited Partner, the business must be legally proper, and written notice of such Limited Partner's intent to bring such matter before the annual meeting of Limited Partners must be delivered, either by personal delivery or by United States mail, postage prepaid, to the General Partner of the Partnership. Such notice must be received by the General Partner not later than 60 days in advance of such meeting if such meeting is to be held on a day which is within 30 days preceding the anniversary of the previous year's annual meeting, or 90 days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting. A Limited Partner's notice to the General Partner shall set forth as to each matter the Limited Partner proposes to bring before the annual meeting of Limited Partners: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the Partnership's books, of the Limited Partner proposing such business, (iii) the class and number of Limited Partnership Interests of the Partnership which are owned by such Limited Partner and (iv) any material interest of the Limited Partner in such business. No business brought by a Limited Partner shall be conducted at the annual meeting of Limited Partners except in accordance with the procedures set forth in this Section 13.4(b). The filing of a Limited Partner notice as required by this Section 13.4 (b) shall not, in and of itself, constitute the bringing of the business described therein before the annual meeting. The chairman of the meeting shall, if the facts warrant, determine that (1) the business proposed to be brought before the meeting is not a proper subject therefor and/or (2) such business was not properly brought before the meeting in accordance with the provisions hereof, and if he should so determine, he shall declare to the meeting that (1) the business proposed to be brought before the meeting is not a proper subject thereof and/or (2) such business was not properly brought before the meeting and shall not be transacted.

(c) Nominations for the election of the members of the Advisory Committee shall be made by the General Partner and may be made by any Limited Partner entitled to vote for the election of the members of the Advisory Committee and holding of record. Any Limited Partner entitled to vote for the election of the members of the Advisory Committee at a meeting (i.e., any Limited Partner of record) may nominate persons for election as a member of the Advisory Committee only if written notice of such Limited Partner's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the General Partner of the Partnership not later than 90 days in advance of such meeting. Each such notice shall set forth: (1) the name and address of the Limited Partner who intends to make the nomination of the person or persons to be nominated; (2) the name of the person or persons to be nominated; (3) a representation that the Limited Partner is a holder of record of Limited Partnership Interests of the Partnership entitled to vote at such meeting and intends to appear in person or by proxy at the

meeting to nominate the person or persons specified in the notice; (4) a description of all arrangements or understandings between the Limited Partner and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Limited Partner; (5) such other information regarding each nominee proposed by such Limited Partner as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the General Partner; and (6) the written consent of each nominee to serve as a member of the Advisory Committee if so elected. The filing of a Limited Partner notice as required by this Section 13.4(c) shall not, in and of itself, constitute the making of the nomination(s) described therein. In order for the nomination of a person to be effective, the Limited Partner who files the notice of intent to nominate such person shall also make the nomination at the meeting. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

(d) Newly created memberships on the Advisory Committee resulting from any increase in the authorized number of members of the Advisory Committee may be filled by the General Partner in accordance with the limited liability company agreement of its general partner. In the event of a vacancy on the Advisory Committee, the member of the general partner of the General Partner that held the appointment or nomination right, as applicable, with respect to such vacating member shall have the right, pursuant to the limited liability company agreement of the general partner of the General Partner, to nominate, and cause the General Partner to appoint, a replacement member of the Advisory Committee. A member of the Advisory Committee appointed to fill a newly created membership or a vacancy in accordance with the foregoing shall serve until the next annual meeting of limited partners.

(e) In addition to any other applicable requirements, for a Limited Partner proposal to be considered for inclusion in the Partnership's proxy statement for the annual meeting, the Limited Partner must have satisfied all of the conditions set forth in Rule 14a-8 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any successor rule thereto (the "Proxy Rules"), including particularly the requirement that the Limited Partner give timely written notice of the proposal to the Partnership.

SECTION 13.5. *Special Meetings.*

All acts of Limited Partners to be taken pursuant to this Agreement shall be taken in the manner provided in this Article XIII. Special meetings of the Limited Partners may be called by the General Partner or by Limited Partners owning 20% or more of the Outstanding Limited Partner Interests of the class or classes for which a meeting is proposed. Limited Partners shall call a special meeting by delivering to the General Partner one or more requests in writing stating that the signing Limited Partners wish to call a special meeting and indicating the general or specific purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from Limited Partners or within such greater time as may be reasonably necessary for the Partnership to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, the General Partner shall send a notice of the meeting to the Limited Partners either directly or indirectly through the Transfer Agent. A meeting shall be held at a time and place determined by the General Partner on a date not less than 10 days nor more than 60 days after the mailing of notice of the meeting. Limited Partners shall not vote on matters that would cause the Limited Partners to be deemed to be taking part in the management and control of the business

and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability under the Delaware Act or the law of any other state in which the Partnership is qualified to do business. A Limited Partner's request to the General Partner shall set forth as to each matter the Limited Partner proposes to bring before the special meeting of Limited Partners: (i) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (ii) the name and address, as they appear on the Partnership's books, of the Limited Partner proposing such business, (iii) the class and number of Limited Partnership Interests of the Partnership which are owned by such Limited Partner and (iv) any material interest of the Limited Partner in such business. No business brought by a Limited Partner shall be conducted at the annual meeting of Limited Partners except in accordance with the procedures set forth in this Section 13.5. Notwithstanding anything to the contrary, the Limited Partners shall only be entitled to call one special meeting every twelve (12) months.

SECTION 13.6. *Notice of a Meeting.*

Notice of a meeting called pursuant to Section 13.4 shall be given to the Record Holders of the class or classes of Limited Partner Interests for which a meeting is proposed in writing by mail or other means of written communication in accordance with Section 15.1. The notice shall be deemed to have been given at the time when deposited in the mail or sent by other means of written communication.

SECTION 13.7. *Record Date* .

For purposes of determining the Limited Partners entitled to notice of or to vote at a meeting of the Limited Partners or to give approvals without a meeting as provided in Section 13.11 the General Partner may set a Record Date that shall not be less than 10 nor more than 60 days before (a) the date of the meeting (unless such requirement conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern) or (b) in the event that approvals are sought without a meeting, the date by which Limited Partners are requested in writing by the General Partner to give such approvals.

SECTION 13.8. *Adjournment* .

When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new Record Date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 45 days. At the adjourned meeting, the Partnership may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 45 days or if a new Record Date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with this Article XIII.

SECTION 13.9. *Waiver of Notice; Approval of Meeting; Approval of Minutes.*

The transactions of any meeting of Limited Partners, however called and noticed, and whenever held, shall be as valid as if it had occurred at a meeting duly held after regular call and notice, if a quorum is present, either in person or by proxy, and if, either before or after the meeting, Limited Partners representing such quorum who were present in person or by proxy and entitled to vote, sign a written waiver of notice or an approval of the holding of the meeting or an approval of the minutes thereof. All waivers and approvals shall be filed with the Partnership

records or made a part of the minutes of the meeting. Attendance of a Limited Partner at a meeting shall constitute a waiver of notice of the meeting, except when the Limited Partner objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened; and except that attendance at a meeting is not a waiver of any right to disapprove the consideration of matters required to be included in the notice of the meeting, but not so included, if the disapproval is expressly made at the meeting.

SECTION 13.10. *Quorum* .

The holders of a majority of the Outstanding Limited Partner Interests of the class or classes for which a meeting has been called (including Limited Partner Interests deemed owned by the General Partner on behalf of Assignees) represented in person or by proxy shall constitute a quorum at a meeting of Limited Partners of such class or classes unless any such action by the Limited Partners requires approval by holders of a greater percentage of such Limited Partner Interests, in which case the quorum shall be such greater percentage. At any meeting of the Limited Partners duly called and held in accordance with this Agreement at which a quorum is present, the act of Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent a majority of the Outstanding Limited Partner Interests entitled to vote, present in person or by proxy at such meeting (not including Limited Partner Interests deemed owned by the General Partner on behalf of Assignees for which the written direction contemplated by Section 10.2 has not been received by the General Partner), shall be deemed to constitute the act of all Limited Partners, unless a greater or different percentage is required with respect to such action under the provisions of this Agreement, in which case the act of the Limited Partners holding Outstanding Limited Partner Interests that in the aggregate represent at least such greater or different percentage shall be required. Members of the Advisory Committee shall be elected by a plurality of the votes of the Outstanding Limited Interests present in person or by proxy at the meeting and entitled to vote on the election of the members of the Advisory Committee. The Limited Partners present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough Limited Partners to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of Outstanding Limited Partner Interests specified in this Agreement. In the absence of a quorum, any meeting of Limited Partners may be adjourned from time to time by the affirmative vote of holders of at least a majority of the Outstanding Limited Partner Interests entitled to vote at such meeting represented either in person or by proxy, but no other business may be transacted, except as provided in Section 13.7.

SECTION 13.11. *Conduct of a Meeting.*

The General Partner shall have full power and authority concerning the manner of conducting any meeting of the Limited Partners or solicitation of approvals in writing, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 13.4, the conduct of voting, the validity and effect of any proxies, and the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting. The General Partner shall designate a Person to serve as chairman of any meeting and shall further designate a Person to take the minutes of any meeting. All minutes shall be kept with the records of the Partnership maintained by the General Partner. The General Partner may make such other regulations consistent with applicable law and this Agreement as it may deem advisable concerning the conduct of any meeting of the Limited Partners or solicitation of approvals in writing, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of

proxies and other evidence of the right to vote, and the revocation of approvals in writing. Notwithstanding anything in this Agreement to the contrary, no business shall be conducted at a meeting except in accordance with the procedures and conditions set forth in this Article XIII, and the Proxy Rules; provided, however, that nothing in this Article XIII or the Proxy Rules shall be deemed to preclude discussion of any business properly brought before a meeting. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Article XIII, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

SECTION 13.12. *Action Without a Meeting.*

If authorized by the General Partner, any action that may be taken at a meeting of the Limited Partners may be taken without a meeting if an approval in writing setting forth the action so taken is signed by Limited Partners owning not less than the minimum percentage of the Outstanding Limited Partner Interests (including Limited Partner Interests deemed owned by the General Partner) that would be necessary to authorize or take such action at a meeting at which all the Limited Partners were present and voted (unless such provision conflicts with any rule, regulation, guideline or requirement of any National Securities Exchange on which the Limited Partner Interests are listed for trading, in which case the rule, regulation, guideline or requirement of such exchange shall govern). Prompt notice of the taking of action without a meeting shall be given to the Limited Partners who have not approved in writing. The General Partner may specify that any written ballot submitted to Limited Partners for the purpose of taking any action without a meeting shall be returned to the Partnership within the time period, which shall be not less than 20 days, specified by the General Partner. If a ballot returned to the Partnership does not vote all of the Limited Partner Interests held by the Limited Partners the Partnership shall be deemed to have failed to receive a ballot for the Limited Partner Interests that were not voted. If approval of the taking of any action by the Limited Partners is solicited by any Person other than by or on behalf of the General Partner, the written approvals shall have no force and effect unless and until (a) they are deposited with the Partnership in care of the General Partner, (b) approvals sufficient to take the action proposed are dated as of a date not more than 90 days prior to the date sufficient approvals are deposited with the Partnership, and (c) an Opinion of Counsel is delivered to the General Partner to the effect that the exercise of such right and the action proposed to be taken with respect to any particular matter (i) will not cause the Limited Partners to be deemed to be taking part in the management and control of the business and affairs of the Partnership so as to jeopardize the Limited Partners' limited liability and (ii) are otherwise permissible under the state statutes then governing the rights, duties, and liabilities of the Partnership and the Partners.

SECTION 13.13. *Voting and Other Rights.*

(a) Only those Record Holders of the Limited Partner Interests on the Record Date set pursuant to Section 13.6 (and also subject to the limitations contained in the definition of "Outstanding") shall be entitled to notice of, and to vote at, a meeting of Limited Partners or to act with respect to matters as to which the holders of the Outstanding Limited Partner Interests have the right to vote or to act. All references in this Agreement to votes of, or other acts that may be taken by, the Outstanding Limited Partner Interests shall be deemed to be references to the votes or acts of the Record Holders of such Outstanding Limited Partner Interests.

(b) With respect to Limited Partner Interests that are held for a Person's account by another Person (such as a broker, dealer, bank, trust company or clearing corporation, or an agent of any of the foregoing), in whose name such Limited Partner Interests are registered, such other Person shall, in exercising the voting rights in respect of such Limited Partner Interests on any matter, and unless the arrangement between such Persons provides otherwise, vote such Limited Partner Interests in favor of, and at the direction of, the Person who is the beneficial owner, and the Partnership shall be entitled to assume it is so acting without further inquiry. The provisions of this Section 13.12(b) (as well as all other provisions of this Agreement) are subject to the provisions of Section 4.3.

ARTICLE XIV.

MERGER

SECTION 14.1. *Authority* .

The Partnership may merge or consolidate with one or more corporations, limited liability companies, business trusts or associations, real estate investment trusts, common law trusts or unincorporated businesses, including a general partnership or limited partnership, formed under the laws of the State of Delaware or any other state of the United States of America, pursuant to a written agreement of merger or consolidation ("Merger Agreement") in accordance with this Article XIV.

SECTION 14.2. *Procedure for Merger or Consolidation.*

Merger or consolidation of the Partnership pursuant to this Article XIV requires the prior approval of the General Partner. If the General Partner shall determine, in the exercise of its discretion, to consent to the merger or consolidation, the General Partner shall approve the Merger Agreement that shall set forth:

(a) The names and jurisdictions of formation or organization of each of the business entities proposing to merge or consolidate;

(b) The name and jurisdiction of formation or organization of the business entity that is to survive the proposed merger or consolidation (the "Surviving Business Entity");

(c) The terms and conditions of the proposed merger or consolidation;

(d) The manner and basis of exchanging or converting the equity securities of each constituent business entity for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity; and (i) if any general or limited partner interests, securities or rights of any constituent business entity are not to be exchanged or converted solely for, or into, cash, property or general or limited partner interests, rights, securities or obligations of the Surviving Business Entity, the cash, property or general or limited partner interests, rights, securities or obligations of any limited partnership, corporation, trust or other entity (other than the Surviving Business Entity) that the holders of such general or limited partner interests, securities or rights are to receive in exchange for, or upon conversion of, their general or limited partner interests, securities or rights, and (ii) in the case of securities represented by certificates, upon the surrender of such certificates, which cash, property or

general or limited partner interests, rights, securities or obligations of the Surviving Business Entity or any general or limited partnership, corporation, trust or other entity (other than the Surviving Business Entity), or evidences thereof, are to be delivered;

(e) A statement of any changes in the constituent documents or the adoption of new constituent documents (the articles or certificate of incorporation, articles of trust, declaration of trust, certificate or agreement of limited partnership, operating agreement or other similar charter or governing document) of the Surviving Business Entity to be effected by such merger or consolidation;

(f) The effective time of the merger, which may be the date of the filing of the certificate of merger pursuant to Section 14.4 or a later date specified in or determinable in accordance with the Merger Agreement (provided, that if the effective time of the merger is to be later than the date of the filing of the certificate of merger, the effective time shall be fixed no later than the time of the filing of the certificate of merger and stated therein); and

(g) Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or appropriate by the General Partner.

SECTION 14.3. *Approval by Limited Partners of Merger or Consolidation.*

(a) Except as provided in Section 14.3(d), the General Partner, upon its approval of the Merger Agreement, shall direct that the Merger Agreement be submitted to a vote of Limited Partners, whether at a special meeting or by written consent, in either case in accordance with the requirements of Article XIII. A copy or a summary of the Merger Agreement shall be included in or enclosed with the notice of a special meeting or the written consent.

(b) Except as provided in Section 14.3(d), the Merger Agreement shall be approved upon receiving the affirmative vote or consent of the holders of a Unit Majority unless the Merger Agreement contains any provision that, if contained in an amendment to this Agreement, the provisions of this Agreement or the Delaware Act would require for its approval the vote or consent of a greater percentage of the Outstanding Limited Partner Interests or of any class of Limited Partners, in which case such greater percentage vote or consent shall be required for approval of the Merger Agreement.

(c) Except as provided in Section 14.3(d), after such approval by vote or consent of the Limited Partners, and at any time prior to the filing of the certificate of merger pursuant to Section 14.4, the merger or consolidation may be abandoned pursuant to provisions therefor, if any, set forth in the Merger Agreement.

(d) Notwithstanding anything else contained in this Article XIV or in this Agreement, the General Partner is permitted, in its discretion, without Limited Partner approval, (i) to merge the Partnership into, or convey all of the Partnership's assets to, another limited liability entity that shall be newly formed and shall have no assets, liabilities or operations at the time of such Merger other than those it receives from the Partnership or (ii) to convert the Partnership into another limited liability entity in accordance with Section 17-219 of the Delaware Act if (A) the General Partner has received an Opinion of Counsel that the merger, conveyance or conversion, as the case may be, would not result in the loss of the limited liability of any Limited Partner or any partner in the Partnership or cause the Partnership to be treated as an association taxable as a corporation or otherwise to be taxed as an entity for federal income tax purposes (to the extent not

previously treated as such), (B) the sole purpose of such merger, conveyance or conversion is to effect a mere change in the legal form of the Partnership into another limited liability entity, and (C) the governing instruments of the new entity provide the Limited Partners and the General Partner with the same rights and obligations as are herein contained.

SECTION 14.4. *Certificate of Merger.*

Upon the required approval by the General Partner and the Unitholders of a Merger Agreement, a certificate of merger shall be executed and filed with the Secretary of State of the State of Delaware in conformity with the requirements of the Delaware Act.

SECTION 14.5. *Effect of Merger.*

(a) At the effective time of the certificate of merger:

(i) all of the rights, privileges, and powers of each of the business entities that has merged or consolidated, and all property, real, personal, and mixed, and all debts due to any of those business entities, and all other things and causes of action belonging to each of those business entities, shall be vested in the Surviving Business Entity and after the merger or consolidation shall be the property of the Surviving Business Entity to the extent they were of each constituent business entity;

(ii) the title to any real property vested by deed or otherwise in any of those constituent business entities shall not revert and is not in any way impaired because of the merger or consolidation;

(iii) all rights of creditors and all liens on or security interests in property of any of those constituent business entities shall be preserved unimpaired; and

(iv) all debts, liabilities, and duties of those constituent business entities shall attach to the Surviving Business Entity and may be enforced against it to the same extent as if the debts, liabilities, and duties had been incurred or contracted by it.

(b) A merger or consolidation effected pursuant to this Article shall not be deemed to result in a transfer or assignment of assets or liabilities from one entity to another.

ARTICLE XV.

GENERAL PROVISIONS

SECTION 15.1. *Addresses and Notices.*

Any notice, demand, request, report or proxy materials required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written communication to the Partner or Assignee at the address described below. Any notice, payment or report to be given or made to a Partner or Assignee hereunder shall be deemed conclusively to have been given or made, and the obligation to give such notice or report or to make such payment shall be deemed conclusively to have been fully satisfied, upon sending of

such notice, payment or report to the Record Holder of such Partnership Securities at his address as shown on the records of the Transfer Agent or as otherwise shown on the records of the Partnership, regardless of any claim of any Person who may have an interest in such Partnership Securities by reason of any assignment or otherwise. An affidavit or certificate of making of any notice, payment or report in accordance with the provisions of this Section 15.1 executed by the General Partner, the Transfer Agent or the mailing organization shall be prima facie evidence of the giving or making of such notice, payment or report. If any notice, payment or report addressed to a Record Holder at the address of such Record Holder appearing on the books and records of the Transfer Agent or the Partnership is returned by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver it, such notice, payment or report and any subsequent notices, payments, and reports shall be deemed to have been duly given or made without further mailing (until such time as such Record Holder or another Person notifies the Transfer Agent or the Partnership of a change in his address) if they are available for the Partner or Assignee at the principal office of the Partnership for a period of one year from the date of the giving or making of such notice, payment or report to the other Partners and Assignees. Any notice to the Partnership shall be deemed given if received by the General Partner at the principal office of the Partnership designated pursuant to Section 2.3. The General Partner may rely and shall be protected in relying on any notice or other document from a Partner, Assignee or other Person if believed by it to be genuine.

SECTION 15.2. *Further Action* .

The parties shall execute and deliver all documents, provide all information, and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

SECTION 15.3. *Binding Effect* .

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives, and permitted assigns.

SECTION 15.4. *Integration* .

This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

SECTION 15.5. *Creditors* .

None of the provisions of this Agreement shall be for the benefit of, or shall be enforceable by, any creditor of the Partnership.

SECTION 15.6. *Waiver* .

No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach of any other covenant, duty, agreement or condition.

SECTION 15.7. *Counterparts* .

This Agreement may be executed in counterparts, all of which together shall constitute an agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto or, in the case of a Person acquiring a Unit, upon accepting the certificate evidencing such Unit or executing and delivering a Transfer Application as herein described, independently of the signature of any other party.

SECTION 15.8. *Applicable Law* .

This Agreement shall be construed in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

SECTION 15.9. *Invalidity of Provisions.*

If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not be affected thereby.

SECTION 15.10. *Consent of Partners.*

Each Partner hereby expressly consents and agrees that, whenever in this Agreement it is specified that an action may be taken upon the affirmative vote or consent of less than all of the Partners, such action may be so taken upon the concurrence of less than all of the Partners and each Partner shall be bound by the results of such action.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date and time first written above.

GENERAL PARTNER:

DORCHESTER MINERALS MANAGEMENT LP

By: Dorchester Minerals Management LLC

By: /s/ William Casey McManemin

Name: William Casey McManemin
Title: Chief Executive Officer

ORGANIZATIONAL LIMITED PARTNER:

DORCHESTER MINERALS MANAGEMENT GP LLC

By: /s/ James E. Raley

Name: James E. Raley
Title: Chief Operating Officer

LIMITED PARTNERS:

All Limited Partners now and hereafter admitted as Limited Partners of the Partnership, pursuant to powers of attorney now and hereafter executed in favor of, and granted and delivered to the General Partner.

EXHIBIT A

TO THE AGREEMENT OF LIMITED PARTNERSHIP OF
DORCHESTER MINERALS, L.P.
CERTIFICATE EVIDENCING COMMON UNITS
REPRESENTING LIMITED PARTNER INTERESTS IN
DORCHESTER MINERALS, L.P.

NUMBER

01

COMMON UNITS

0000

DORCHESTER MINERALS, L.P.

(A Limited Partnership Organized Under the Laws of the State of Delaware)

THIS RECEIPT IS TRANSFERABLE IN CANTON, MA, JERSEY CITY, NJ
AND NEW YORK CITY, NY

CUSIP 25820R105

1. EQUISERVE TRUST COMPANY NA, a national trust association organized under the laws of the United States, as depositary (Depositary) hereby Certifies that

(the "Holder") is the registered owner of Dorchester Minerals, L.P. common units.

In accordance with Section 4.1 of the Agreement of Limited Partnership of Dorchester Minerals, L.P., as amended, supplemented or restated from time to time (the "Partnership Agreement"), Dorchester Minerals, L.P., a Delaware limited partnership (the "Partnership"), hereby certifies that the Holder is the registered owner of Common Units representing limited partner interests in the Partnership (the "Common Units") transferable on the books of the Partnership, in person or by duly authorized attorney, upon surrender of this Certificate properly endorsed and accompanied by a properly executed application for transfer of the Common Units represented by this Certificate. The rights, preferences, and limitations of the Common Units are set forth in, and this Certificate and the Common Units represented hereby are issued and shall in all respects be subject to the terms and provisions of the Partnership Agreement. Copies of the Partnership Agreement are on file at, and will be furnished without charge on delivery of written request to the Partnership at the principal office of the Partnership located at 3738 Oak Lawn Avenue, Dallas, Texas. Capitalized terms used herein but not defined shall have the meanings given them in the Partnership Agreement.

The Holder, by accepting this Certificate, is deemed to have (i) requested admission as, and agreed to become, a Limited Partner and to have agreed to comply with and be bound by and to have executed the Partnership Agreement, (ii) represented and warranted that the Holder has all right, power, and authority and, if an individual, the capacity necessary to enter into the Partnership Agreement, (iii) granted the powers of attorney provided for in the Partnership Agreement, and (iv) made the waivers and given the consents and approvals contained in the Partnership Agreement.

This Certificate shall not be valid for any purpose unless it has been countersigned and registered by the Transfer Agent and Registrar.

Dated:

Countersigned and Registered by:
EquiServe LP
As Transfer Agent and Registrar

By: DORCHESTER MINERALS MANAGEMENT LP
Its General Partner
By: Dorchester Minerals Management GP LLC,
Its General Partner

Authorized Signature

William Casey McManemin
Chief Executive Officer

ABBREVIATIONS

TEN COM	as tenants in common	UNIF GIFT/TRANSFERS MIN ACT	Uniform Gifts/Transfers to CD Minors Act
TEN ENT	as tenants by the entireties	JT TEN	as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations, though not in the above list, may also be used.

Tax Shelter Information for Unitholder Certificates

You have acquired an interest in Dorchester Minerals, L.P., 3738 Oak Lawn, Suite 300, Dallas, Texas, 75219 whose taxpayer identification number is 81-0551518. The Internal Revenue Service issued Dorchester Minerals, L.P. this tax shelter registration number: 02305000012.

YOU MUST REPORT THIS REGISTRATION NUMBER TO THE INTERNAL REVENUE SERVICE, IF YOU CLAIM ANY DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN DORCHESTER MINERALS, L.P.

You must report the registration number (as well as the name and taxpayer identification number of Dorchester Minerals, L.P.) on Form 8271.

FORM 8271 MUST BE ATTACHED TO THE RETURN ON WHICH YOU CLAIM THE DEDUCTION, LOSS, CREDIT, OR OTHER TAX BENEFIT OR REPORT ANY INCOME BY REASON OF YOUR INVESTMENT IN DORCHESTER MINERALS, L.P.

If you transfer your interest in Dorchester Minerals, L.P. to another person, you are required by the Internal Revenue Service to keep a list containing that person's name, address and taxpayer identification number, the date on which you transferred the interest and the name, address, and tax shelter registration number of Dorchester Minerals, L.P. If you do not want to maintain such a list, you must: (i) send the information specified above to Dorchester Minerals Management LP, which will keep the list for this tax shelter, and (ii) give a copy of this notice to the person to whom you transferred your interest. Your failure to comply with any of the above-described responsibilities could result in the imposition of penalties under Section 6707(b) or 6708(a) of the Internal Revenue Code of 1986, as amended, unless such failure is shown to be due to reasonable cause.

ISSUANCE OF A REGISTRATION NUMBER DOES NOT INDICATE THAT THIS INVESTMENT OR THE CLAIMED TAX BENEFITS HAVE BEEN REVIEWED, EXAMINED, OR APPROVED BY THE INTERNAL REVENUE SERVICE.

FOR VALUE RECEIVED, _____hereby assigns, conveys, sells, and transfers unto

Please print or typewrite name and address of Assignee

Please insert Social Security or other identifying number of Assignee

_____Common Units representing limited partner interests evidenced by this Certificate, subject to the Partnership Agreement, and does hereby irrevocably constitute and appoint _____as its attorney-in-fact with full power of substitution to transfer the same on the books of Dorchester Minerals, L.P.

Date: _____

NOTE: The signature to any endorsement hereon must correspond with the name as written upon the face of this Certificate in every particular, without alteration, enlargement or change.

Signature

Signature

SIGNATURE(S) MUST BE GUARANTEED BY A MEMBER FIRM OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC. OR BY A COMMERCIAL BANK OR TRUST COMPANY SIGNATURE(S) GUARANTEED.

No transfer of the Common Units evidenced hereby will be registered on the books of the Partnership, unless the Certificate evidencing the Common Units to be transferred is surrendered for registration or transfer. A transferor of the Common Units shall have no duty to the transferee with respect to execution of the transfer application in order for such transferee to obtain registration of the transfer of the Common Units.

Exhibit 3.4

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF DORCHESTER MINERALS MANAGEMENT LP

FEBRUARY 1, 2003

THE PARTNERSHIP INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY JURISDICTION. NO PARTNERSHIP INTEREST MAY BE SOLD OR OFFERED FOR SALE (WITHIN THE MEANING OF ANY SECURITIES LAW) UNLESS A REGISTRATION STATEMENT UNDER ALL APPLICABLE SECURITIES LAWS WITH RESPECT TO THE INTEREST IS THEN IN EFFECT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS IS THEN APPLICABLE TO THE INTEREST. A PARTNERSHIP INTEREST ALSO MAY NOT BE TRANSFERRED OR ENCUMBERED UNLESS THE APPLICABLE PROVISIONS OF THIS AGREEMENT AND THE TRANSFER RESTRICTION AGREEMENT ATTACHED HERETO AS EXHIBIT A ARE SATISFIED.

TABLE OF CONTENTS

AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF DORCHESTER MINERALS MANAGEMENT LP

This Amended and Restated Limited Partnership Agreement of Dorchester Minerals Management LP made and entered into on the date set forth below, to be effective for all purposes as of February 1, 2003 at 12:02 a.m. Central Standard Time (the "Effective Date"), is entered into by and among Dorchester Minerals Management LLC, a Delaware limited liability company, as general partner, and SAM Partners, Ltd., a Texas limited partnership ("SAM"), Vaughn Petroleum, Ltd., a Texas limited partnership ("Vaughn"), Smith Allen Oil & Gas, Inc., a Texas corporation ("SAOG"), Preston A. Peak Limited Partnership, a Texas limited partnership ("Peak LP") and Yelar Partners, L.L.P, a Delaware limited liability company ("Raley LLP"), as limited partners. Each of SAM, Vaughn, SAOG, Peak LP and Raley LLP is a "Limited Partner" and, collectively, they are sometimes referred to as the "Limited Partners." The General Partner and each Limited Partner is a "Partner" and, collectively, they are sometimes referred to as the "Partners."

W I T N E S S E T H

WHEREAS, effective December 12, 2001, a Certificate of Limited Partnership (the "Certificate") was filed in the office of the Secretary of State of Delaware for the formation of Dorchester Minerals Management LP, a Delaware limited partnership (the "Partnership");

WHEREAS, in connection with the formation of the Partnership, its partners executed that certain Limited Partnership Agreement of Dorchester Minerals Management LP (the "Original Agreement");

WHEREAS, the parties hereto desire to amend and restate the Original Agreement as of the date hereof upon the terms and conditions set forth herein and to substitute Peak LP as a Limited Partner of the Partnerships in lieu of P.A. Peak, Inc., a Delaware corporation;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to continue the Partnership upon the following terms and conditions and to amend and restate the Original Agreement upon the terms and conditions set forth herein:

I. DEFINITIONS

Section 1.1. Definitions . The following terms shall have the following meanings when used in this Agreement:

"AAA" shall have the meaning set forth in Section 17.14 hereof.

"Act" shall mean the Delaware Revised Uniform Limited Partnership Act, as amended.

"Actual Depletion Deductions" means with respect to any Partner, such Partner's actual depletion allowance with respect to such Partner's share of production from the oil and gas properties owned by the Operating Subsidiaries and Dorchester Minerals; provided that , for purposes of this Agreement and computing a Partner's Capital Account, such Partner's Actual Depletion Deductions with respect to any single oil or gas property shall not exceed the adjusted basis of such oil or gas property allocated to such Partner (or its predecessor in interest) pursuant to Code Section 613A(c)(7)(D). If the General Partner elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k) of the Treasury Regulations, each Partner shall notify the Partnership of the amount of its Actual Depletion Deductions within ninety (90) days of the end of each Fiscal Year.

"Actual Gains or Actual Losses" means with respect to any Partner (i) the excess, if any, of such Partner's share of the total amount realized from the disposition of any oil or gas property over such Partner's remaining adjusted tax basis in such property or (ii) the excess, if any, of such Partner's remaining adjusted tax basis in such property over such Partner's share of the total amount realized from the disposition of such property. A Partner's share of the total amount realized from the disposition of oil or gas property shall be determined pursuant to Treasury Regulations Section 1.704-1(b)(4)(v).

"Affiliate" shall mean, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any officer, director, member, manager or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee, member, manager or holder of ten percent (10%) or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence.

"Affiliate Transfer" shall have the meaning assigned that term in the Transfer Restriction Agreement.

"Agreement" shall mean this Amended and Restated Limited Partnership Agreement of Dorchester Minerals Management LP.

"Book Value" shall mean with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) the initial Book Value of any asset contributed (or deemed contributed, including as a result of the constructive termination of the Partnership pursuant to Code Section 708(b)(1)(B)) to the Partnership shall be such asset's gross fair market value at the time of such contribution;

(ii) the Book Value of all Partnership assets shall be adjusted to equal their respective gross fair market values at the times specified in Treasury Regulations under Section 704(b) of the Code if the Partnership so elects; and

(iii) if the Book Value of an asset has been determined pursuant to clause (i) or (ii), such Book Value shall thereafter be adjusted in the same manner as would the asset's adjusted basis for federal income tax purposes, except that depreciation deductions shall be computed in accordance with Subparagraph (iv) of the definition of Net Profit and Net Loss and the Book

Value shall be adjusted by the Actual Depletion Deductions or Simulated Depletion Deductions, as applicable.

"Business Day" shall mean any day other than Saturday or Sunday or any other day upon which banks in Dallas, Texas are permitted or required by law to close.

"Business Opportunities Agreement" shall have the meaning set forth in Section 6.2.

"Capital Account" shall have the meaning set forth in Section 12.4 hereof.

"Certificate" shall have the meaning set forth in the recitals to this Agreement.

"Code" shall mean the Internal Revenue Code of 1986, as amended, or its successor.

"Contribution Agreement" shall mean that certain Contribution Agreement made by and among SAM, Vaughn, SAOG, P.A. Peak, Inc., a Delaware corporation, James E. Raley, Inc., a Delaware corporation, the Partnership and the General Partner, dated as of December 13, 2001.

"Covered Person" shall have the meaning set forth in Section 11.1 hereof.

"Depletable Property" means interests in oil, gas or other minerals eligible for depletion under Code Section 613 or 613A.

"Disabling Conduct" shall mean conduct that constitutes fraud, willful misconduct, bad faith or gross negligence or conduct that is outside the scope of conduct permitted in this Agreement or is in breach of this Agreement, any Governance Agreement or any other agreement between or among (i) any of the General Partner, the Partnership, Dorchester Minerals, Dorchester Operating LP and Dorchester Operating LLC and (ii) the Person whose conduct is in question or in knowing violation of applicable laws.

"Dorchester Minerals" shall mean Dorchester Minerals, L.P., a Delaware limited partnership.

"Dorchester Minerals Limited Partnership Agreement" shall mean that certain Amended And Restated Agreement Of Limited Partnership of Dorchester Minerals, L.P., dated February 1, 2003 made by and among the Partnership as general partner and the limited partners noted therein.

"Dorchester Operating LLC" shall mean Dorchester Minerals Operating LLC, a Delaware limited liability company.

"Dorchester Operating LP" shall mean Dorchester Minerals Operating LP, a Delaware limited partnership.

"Effective Date" shall have the meaning set forth in the preamble to this Agreement.

"Event of Dissolution" shall have the meaning set forth in Section 16.1 hereof.

"Familial Transfer" shall have the meaning assigned that term in the Transfer Restriction Agreement.

"Fiscal Year" shall mean the fiscal year of the Partnership as set forth in Section 15.3 hereof.

"General Partner" shall mean Dorchester Minerals Management LLC, a Delaware limited liability company, and any assignee of all or any part of its interest in the Partnership who is admitted to the Partnership as a General Partner in conformity with the provisions of this Agreement.

"Governance Agreements" shall mean this Agreement, the Limited Liability Company Agreement, the Dorchester Minerals Limited Partnership Agreement, the limited liability company agreement of Dorchester Operating LLC, the limited partnership agreement of Dorchester Operating LP, the Business Opportunities Agreement, and the Transfer Restriction Agreement.

"Gross Income" shall mean for each Fiscal Year or other period, an amount equal to the Partnership's gross income as determined for federal income tax purposes for such Fiscal Year or period but computed with the adjustments specified in Subparagraphs (i) and (iii) of the definition of Net Profit and Net Loss.

"Limited Liability Company Agreement" shall mean that certain Amended and Restated Limited Liability Company Agreement of Dorchester Minerals Management GP LLC, a Delaware limited liability company, dated as of February 1, 2003 by and among Vaughn, SAM, SAOG, Peak LP and Raley LLP.

"Limited Partner" or "Limited Partners" shall mean SAM, Vaughn, SAOG, Peak LP, Raley LLP and any assignee of all or any part of their respective interests in the Partnership who is admitted to the Partnership as a Limited Partner in conformity with the provisions of this Agreement.

"Net Cash Flow" shall have the meaning set forth in Section 13.1 hereof.

"Net Profit" and "Net Loss" shall mean for each Fiscal Year or other period, an amount equal to the Partnership's taxable income or loss for such Fiscal Year or other period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss) with the following adjustments:

(i) any income of the Partnership that is exempt from federal income tax or not otherwise taken into account in computing Net Profit or Net Loss shall be added to such taxable income or loss;

(ii) any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures under Code Section 704(b), and not otherwise taken into account in computing Net Profit or Net Loss, shall be subtracted from such taxable income or loss;

(iii) gain or loss resulting from any disposition of Partnership property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of such property rather than its adjusted tax basis;

(iv) in lieu of the depletion, depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account depreciation, amortization or other cost recovery deductions on the assets' respective Book Values for such Fiscal Year or other period determined in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g);

(v) the amount of any Gross Income allocated to the Partners pursuant to Sections 12.2(d), 12.2(e), 12.2(f), 12.2(j), 12.2(k) and 12.2(l) shall not be included as income or revenue; and

(vi) any amount allocated to the Partners pursuant to Sections 12.2(h), 12.2(i), 12.2(j), 12.2(k) and 12.2(l) shall not be included as a loss, deduction or Code Section 705(a)(2)(B) expenditure.

"Operating Subsidiaries" shall mean Dorchester Minerals Operating GP LLC and Dorchester Minerals Operating LP.

"Ownership Interest" shall mean the interest in the Partnership held by a Partner.

"Ownership Percentage" shall mean 0.1% for the General Partner, 20.48% for Vaughn, 20.48% for SAM, 19.98% for SAOG, 19.48% for Peak LP and 19.48% for Raley LLP, until adjusted in accordance with this Agreement.

"Partner" means the General Partner or a Limited Partner.

"Partner Nonrecourse Debt" shall mean any nonrecourse debt of the Company which meets the requirements of "partner nonrecourse debt" set forth in Treasury Regulations Section 1.704-2(b)(4).

"Partner Nonrecourse Debt Minimum Gain" shall mean the partner nonrecourse debt minimum gain attributable to "partner nonrecourse debt" as determined under Treasury Regulations Section 1.704-2(i)(3).

"Partner Nonrecourse Deductions" shall mean any loss, deduction, or Code Section 705(a)(2)(B) expenditure, or item thereof, that is attributable to a Partner Nonrecourse Debt, as determined by Treasury Regulations Section 1.704-2(i)(2).

"Partnership" shall mean the limited partnership formed by this Agreement.

"Partnership Minimum Gain" shall mean the amount computed under Treasury Regulations Section 1.704-2(d)(1) with respect to the Partnership's nonrecourse liabilities as determined under Treasury Regulations Section 1.752-1(a)(2).

"Partnership Nonrecourse Deductions" shall mean any loss, deduction, or Code Section 705(a)(2)(B) expenditure (or item thereof) that is attributable to nonrecourse liabilities (as defined in Treasury Regulations Section 1.752-1(a)(2)) of the Partnership and characterized as "nonrecourse deductions" pursuant to Treasury Regulations Section 1.704-2(b)(1) and Section 1.704-2(c).

"Person" shall mean an individual person, partnership, limited partnership, limited liability company, trust, corporation or other entity or organization.

"Prime Rate" means the "prime," "reference" or "base" rate of interest for commercial loans as announced by Bank of America on the first Business Day following the date upon which the event occurs requiring reference to the Prime Rate and adjusted thereafter on the first day of each rate change or, if less, the maximum rate permitted by applicable law.

"Simulated Depletion Deductions" means the simulated depletion allowance computed by the Partnership with respect to its oil and gas properties pursuant to Section 1.704-1(b)(2)(iv)(k)(2) of the Treasury Regulations. In computing such amounts, the General Partner shall have complete and absolute discretion to make any and all permissible elections.

"Simulated Gains" or "Simulated Losses" means the simulated gains or simulated losses computed by the Partnership with respect to its oil and gas properties pursuant to Section 1.704-1(b)(2)(iv)(k)(2) of the Treasury Regulations. In computing such simulated gains or losses, the General Partner shall have complete and absolute discretion to make any and all permissible elections.

"Tax Matters Partner" shall mean as defined in Section 15.7 hereof.

"Transfer Restriction Agreement" shall mean the Transfer Restriction Agreement of even date herewith by and among the Company, the Partnership, Vaughn, SAM, SAOG, Peak LP and Raley LLP, a copy of which is attached hereto as Exhibit A .

"Treasury Regulations" shall mean the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

II. NAME, PRINCIPAL OFFICE, REGISTERED OFFICES AND AGENTS, TERM, STATUS OF MEMBERS AND TAX STATUS

Section 2.1. Name of Partnership . The name of the Partnership is Dorchester Minerals Management LP.

Section 2.2. Principal Office . The location of the principal office of the Partnership where records are to be kept or made available shall be 3738 Oak Lawn Avenue, Dallas, Texas 75219. The principal office of the Partnership may be changed by the General Partner.

Section 2.3. Registered Offices and Agents . The location of the registered office of the Partnership in the State of Delaware shall be c/o The Corporation Trust Company, Corporation

Trust Center, 1209 Orange Street, The City of Wilmington, County of Newcastle, Delaware. The General Partner shall establish such other registered offices and appoint such other registered agents as it deems necessary or appropriate for the business of the Partnership. The registered offices and agents of the Partnership may be changed from time to time by the General Partner.

Section 2.4. Term . The Partnership shall have a perpetual existence unless an Event of Dissolution (as defined in Section 16.1 hereof) shall occur and the Partnership is not continued as hereinafter provided.

Section 2.5. Status of Partners . Upon the Effective Date the Partners shall constitute all of the partners of the Partnership.

Section 2.6. Tax Status . The Partnership shall be operated such that it will be classified as a "partnership" for federal and, as determined by the General Partner, state income tax purposes. No action shall be made to treat either Operating Subsidiary as a corporation for federal income tax purposes and each Operating Subsidiary will be disregarded and its assets treated as owned by the Partnership for federal income tax purposes.

III. CHARACTER OF BUSINESS

Section 3.1. Purposes of the Company . The purposes of the Company are to (i) act as the general partner of Dorchester Minerals, (ii) provide or cause to be provided certain management and administrative services to Dorchester Minerals, and (iii) own oil, gas and other mineral interests and other properties through its subsidiary Dorchester Operating LP, and conduct operations with respect thereto. The Partnership may accomplish its purposes through the agency of its own employees and independent contractors and/or the members, managers, officers, employees, agents and independent contractors of its Partners or any subsidiary of the Partnership, including, but not limited to, Dorchester Operating LLC and Dorchester Operating LP.

IV. FORMATION AND FOREIGN REGISTRATION

Section 4.1. Formation . The Partnership was formed as a Delaware limited partnership by the filing of the Certificate under and pursuant to the Act with the Secretary of State of the State of Delaware on December 12, 2001. Upon the Effective Date, the Partnership is hereby continued upon the terms set forth herein.

Section 4.2. Foreign Registration . The Partnership shall register to conduct business in the State of Texas and such other states and jurisdictions as the General Partner deems appropriate.

V. CAPITAL CONTRIBUTIONS

Section 5.1. Initial Contributions . Upon the execution of the Original Agreement, each Partner made an initial capital contribution in the amount set forth on Schedule I hereto. Contemporaneously with the execution by such Partner of this Agreement, each Partner shall make the additional contribution required of such Partner pursuant to the Contribution Agreement, which shall be credited to the Capital Account of such Partner, which the Partners agree constitutes the net fair market value of the property contributed by such Partner to the capital of the Partnership as contemplated by Section 12.4 hereof.

Section 5.2. Subsequent Contributions . All subsequent contributions require the consent of all the Partners **.** No Partner shall be required to make any subsequent contributions to the Partnership without the consent of all the Partners.

Section 5.3. Return of Contributions . A Partner is not entitled to the return of any part of its capital contributions or to be paid interest in respect of either its Capital Account or its capital contributions. An unrepaid capital contribution is not a liability of the Partnership or of any Partner. A Partner is not required to contribute or to lend any cash or property to the Partnership to enable the Partnership to return any Partner's capital contribution.

Section 5.4. Advances by Partners . If the Partnership does not have sufficient cash to pay its obligations, any Partner(s) that may agree to do so may advance all or part of the needed funds to or on behalf of the Partnership if the Consent of the General Partner is obtained. An advance described in this Section 5.4 constitutes a loan from the Partner to the Partnership, bears interest at the Prime Rate from the date of the advance until the date of repayment, and is not a capital contribution.

VI. RIGHTS, POWERS AND OBLIGATIONS OF PARTNERS

Section 6.1. Partners' Fees and Reimbursement of Expenses . Except as otherwise provided in Section 6.3 hereof, the Partners shall not be paid any fees or other compensation whatsoever for services, whether ordinary or extraordinary, foreseen or unforeseen, rendered to or for the benefit of the Partnership. However, all expenses incurred by the General Partner in connection with the performance of its duties hereunder or for and on behalf of the Partnership in connection with the business of the Partnership (including, without limitation, charges for legal, accounting, data processing, administrative, executive, tax and other services rendered by employees of the General Partner) will be paid or promptly reimbursed by the Partnership. Nothing contained in this Section 6.1 is intended to affect the Ownership Interest or Ownership Percentage of any Partner or the amount that may be payable to any Partner by reason of its interest in the Partnership.

Section 6.2. Duties of Partners/Other Activities . The relationship existing pursuant to this Agreement shall not prohibit any Partner or any Person which is a member, manager, officer, director, parent, subsidiary or Affiliate of a Partner, or any Person in which a Partner or the members, managers, officers, directors, parent, subsidiaries or Affiliates of a Partner may have an interest, from engaging in any other business, investment or profession, except to the extent restricted herein or in a separate written agreement, including but not limited to the Dorchester

Minerals Limited Partnership Agreement, the Limited Liability Company Agreement and the Amended and Restated Business Opportunities Agreement made by and among the Partnership, Dorchester Minerals, the General Partner, SAM, Vaughn, SAOG, P.A. Peak, Inc., a Delaware corporation, and James E. Raley, Inc., a Delaware corporation dated as of January 31, 2003 (the "Business Opportunities Agreement"). Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement in or to any of such businesses, professions or investments, or in or to any income or profit derived therefrom.

Section 6.3. Dealing with Related Persons . The Partnership may employ or retain a Partner or an Affiliate of a Partner to render or perform a service, may contract to buy property or services from or sell property or services to a Partner or any such Affiliate, and may otherwise deal with such Partner or any such Affiliate; provided, however, that if the Partnership employs, retains or contracts with a Partner or an Affiliate thereof, the charges made for services rendered and materials furnished by such Partner or Affiliate shall be a reasonable amount comparable to the amount that would have been charged by others in the same line of business and not so related, and such relationship and charges shall be promptly disclosed in writing to the other Partners.

Section 6.4. Liability of Partners . No Partner shall be liable, responsible, or accountable in damages or otherwise to any other Partner or the Partnership for any act performed by it within the scope of the authority conferred on it by this Agreement, or made in good faith, except such liability, if any, as it may have for Disabling Conduct.

Section 6.5. No Resignation . Except for assignments, sales or other transfers of a Partner's entire Ownership Interest made in compliance with Article XIV hereof, no Partner shall have the right to resign or withdraw from the Partnership prior to the dissolution and winding up of the Partnership, without prior written consent of the General Partner. Any Partner who resigns or withdraws from the Partnership in violation of the foregoing provision or who has resigned or withdrawn from the Partnership in a manner not expressly permitted herein, shall be liable to the Partnership and the Partners for any damages sustained by reason of such resignation or withdrawal.

VII. THE GENERAL PARTNER

Section 7.1. Powers . The business and affairs of the Partnership shall be managed by or under the direction of the General Partner, which may exercise all such powers of the Partnership and do all such lawful acts and things as are not by non-waivable provisions of the Act or by the Certificate or by this Agreement directed or required to be exercised and done by the Limited Partners. The General Partner is authorized on behalf of the Partnership, consistent with the other provisions of this Agreement:

(a) To enter into and carry out contracts and agreements related to the operation of the Partnership (including, but not limited to, contracts and agreements for the purchase and sale of assets, the incurrence of indebtedness of the Partnership or any of its Operating Subsidiaries);

(b) To bring and defend actions at law or in equity;

(c) To manage and operate all of the assets of the Partnership;

(d) To discharge, employ or retain, on behalf of the Partnership, such persons, firms, or corporations as may be necessary in the operation and management of the business of the Partnership, including, without limitation, accountants and attorneys; and

(e) To undertake any other act or action to conduct the affairs of the Partnership consistent with this Agreement.

Section 7.2. No Removal . The General Partner shall not be subject to removal by the Limited Partners.

VIII. THE LIMITED PARTNERS

Section 8.1. No Authority Vested in Limited Partners . Except for such matters, if any, as by the non-waivable provisions of the Act or by the Certificate or by this Agreement are directed or required to be exercised and done by the Limited Partners, the Limited Partners shall have no authority to act on behalf of or bind the Partnership or to vote on, approve or consent to any matter. The Limited Partners shall have no authority to remove the General Partner.

Section 8.2. No Meetings . There shall be no meetings of the Partners or the Limited Partners. The Limited Partners shall take action they are required or permitted to take solely through written consents in the manner described in Section 8.3 below.

Section 8.3. Action by Written Consent Without a Meeting . Any Limited Partner action required or permitted by applicable law, the Certificate of Limited Partnership, or this Agreement shall be taken by consent in writing, setting forth the action so taken, signed by two-thirds (2/3) of the Limited Partners on a per capita basis, unless otherwise required by law. Any such written consent does not have to be unanimous (unless the action that is approved in such written consent would require the unanimous approval of all Limited Partners). Every written consent must bear the date of signature of each Limited Partner who signs the consent. No written consent shall be effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Partnership in the manner required by this Section 8.3, a consent or consents signed by the required Limited Partners are delivered to the Partnership by delivery to its registered office, its principal place of business, or an officer or agent of the Partnership having custody of the books in which proceedings of meetings of Limited Partners are recorded. Delivery shall be by hand or certified or registered mail, return receipt requested or confirmed telefax communication. Delivery to the Partnership's principal place of business shall be addressed to the General Partner of the Partnership. Prompt notice of the taking of any action by Limited Partners without a meeting by less than unanimous written consent shall be given to those Limited Partners who did not consent in writing to the action.

IX. NOTICES

Section 9.1. Methods of Giving Notice . Whenever any notice is required to be given to any Partner or Manager under the provisions of any applicable law, the Certificate of Limited Partnership or this Agreement, it shall be given in writing and delivered personally or delivered by facsimile communication ("telefax") (or, with the approval of all such Partners, via telephone or electronic mail) to such Partners at such address (and at such member facsimile) as appears on the books of the Partnership, and such notice shall be deemed to be given at the time the recipient actually receives the notice in the case of personal delivery, when the sender receives electronic confirmation of delivery with respect to any notice given by facsimile communication, when the sender actually speaks to the recipient in the case of telephonic notice or when the recipient reads the message in the case of electronic mail.

Section 9.2. Waiver of Notice . Whenever any notice is required to be given to any Partner under the provisions of any applicable law, the Certificate of Limited Partnership or this Agreement, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

X. OFFICERS

Section 10.1. Officers . The General Partner may designate one or more individuals to serve as officers of the Partnership. The Partnership shall have such officers as the General Partner may from time to time determine, which officers may (but need not) include a President, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer, one or more Vice Presidents (and in case of each such Vice President, with such descriptive title, if any, as the General Partner shall deem appropriate), a Secretary, a Treasurer, a Controller and one or more Assistant Secretaries and Assistant Treasurers. Any two or more offices may be held by the same person.

Section 10.2. Salaries . No person shall receive any compensation in such person's capacity as an elected officer. However, the General Partner may authorize the Partnership to pay reasonable and customary compensation to any such officer for services provided as an employee of the Partnership or of an Operating Subsidiary, subject to the limitations in Section 6.3 relating to transactions with Affiliates.

Section 10.3. Term, Removal and Vacancies . Each officer of the Partnership shall hold office until his successor is chosen and qualified or until his death, resignation, or removal. Any officer may resign at any time upon giving written notice to the Partnership. Any officer may be removed by the General Partner with or without cause, but such removal shall be without prejudice to the contract or other legal rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights. Any vacancy occurring in any office of the Partnership by death, resignation, removal or otherwise shall be filled by the General Partner.

XI. INDEMNIFICATION

Section 11.1. Right to Indemnification . Subject to the limitations and conditions set forth in this Article XI, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Partner or officer of the Partnership or while a Partner or officer of the Partnership is or was serving at the request of the Partnership as a partner, director, officer, manager, member, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (a "Covered Person"), shall be indemnified by the Partnership to the fullest extent permitted by the Act, as the same exists or may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Partnership to provide broader indemnification rights than said law permitted the Partnership to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Section 11.1 shall continue as to a Person who has ceased to serve in the capacity that initially entitled such Person to indemnity under this Section. Such actions covered by such indemnification shall include those brought by a Partner or the Partnership. The rights granted pursuant to this Article XI shall be deemed contract rights, and no amendment, modification or repeal of this Article XI shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. **IT IS EXPRESSLY ACKNOWLEDGED THAT THE INDEMNIFICATION PROVIDED IN THIS ARTICLE XI COULD INVOLVE INDEMNIFICATION FOR NEGLIGENCE OR UNDER THEORIES OF STRICT LIABILITY** ; provided, however , that notwithstanding the foregoing or any other provision of this Agreement, the Partnership shall not provide indemnification to any Person in respect of any Disabling Conduct. The negative disposition of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the Covered Person acted in a manner contrary to the standard set forth in this Section.

Section 11.2. Advance of Expenses . The right to indemnification conferred in this Article XI shall include the right to be paid or reimbursed by the Partnership the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 11.1 or 11.3 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however , that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding shall be made only upon the delivery to the Partnership of a written affirmation by such Person of his good faith belief that he has met the standard of conduct necessary for indemnification under Section 11.1 or 11.3 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under Section 11.1 or 11.3.

Section 11.3. Indemnification of Employees and Agents . The Partnership may indemnify and advance expenses to any employee or agent of the Partnership to the same extent permitted under Section 11.1 for Covered Persons. In addition, the Partnership may (by action of the General Partner) indemnify and advance expenses to any Person whether or not he is an employee or agent of the Partnership but who is or was serving at the request of the Partnership as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person, to the same extent permitted under Section 11.1 for Covered Persons.

Section 11.4. Appearance as a Witness . Notwithstanding any other provision of this Article XI the Partnership may pay or reimburse expenses incurred by a Partner, officer, employee or agent in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

Section 11.5. Non-Exclusivity of Rights . The right to indemnification and the advancement and payment of expenses conferred in this Article XI shall not be exclusive of any other right a Person indemnified pursuant to this Article XI may have or may acquire under any law (common or statutory), any provision of the Certificate or this Agreement, action of the General Partner or otherwise.

Section 11.6. Insurance . The Partnership may purchase and maintain insurance, to the extent and in such amounts as the General Partner shall, in its sole discretion, deem reasonable, to protect itself, the Partnership, Dorchester Operating LP and/or Dorchester Operating LLC, and/or any Covered Persons or other Persons indemnifiable under the provisions of this Article XI against any expense, liability or loss, whether or not the Partnership would have the power to indemnify such Person against such expenses, liability or loss under this Article XI.

Section 11.7. Partner Notification . To the extent required by law, any indemnification of or advance of expenses to a Person in accordance with this Article XI shall be reported in writing to the Limited Partners within the thirty (30)-day period immediately following the date of the indemnification or advance.

Section 11.8. No Personal Liability . In no event may any Covered Person subject the Limited Partners to personal liability by reason of any indemnification of a Covered Person under this Agreement or otherwise.

Section 11.9. Interest in Transaction . A Covered Person shall not be denied indemnification in whole or in part under this Article XI because the Covered Person had an interest in the transaction with respect to which the indemnification applies if the transaction is otherwise permitted by the terms of the Governance Agreements.

Section 11.10. Successors and Assigns . The provisions of this Article XI are for the benefit of the Covered Persons and their heirs, successors, assigns, administrators and personal representatives and shall not be deemed to be for the benefit of any other Persons. The

provisions of this Section 11.10 shall not be amended in any way that would diminish the rights of Covered Persons under this Article XI without the consent of all Partners.

Section 11.11. Savings Clause . If all or any portion of this Article XI shall be invalidated on any ground by any court of competent jurisdiction, then the Partnership shall nevertheless indemnify and hold harmless any Person indemnified pursuant to this Article XI as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Article XI that shall not have been invalidated and, subject to this Article XI, to the fullest extent permitted by applicable law.

Section 11.12. Exculpation . The following exculpatory provisions shall apply to this Agreement:

(a) General . Notwithstanding any other terms of this Agreement, whether express or implied, or obligation or duty at law or in equity, no Covered Person nor any officer, employee, representative or agent of the Partnership or its Affiliates shall be liable to the Partnership or any Partner for any act or omission (in relation to the Partnership, this Agreement, any related document or any transaction or investment contemplated hereby or thereby) taken or omitted in good faith by such Person and in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Partnership and is within the scope of authority granted to such Person by this Agreement or the other Governance Agreements except in the following circumstances: (i) such act or omission constitutes Disabling Conduct or (ii) with respect to liability that may arise under any other agreement, such act or omission constitutes a breach of that agreement.

(b) Reliance . A Covered Person or other officer, employee, representative or agent of the Partnership may rely and shall incur no liability in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, paper, document, signature or writing reasonably believed by it to be genuine, and may rely on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge and may rely on an opinion of counsel selected by such Covered Person or other officer, employee, representative or agent of the Partnership with respect to legal matters unless such Covered Person acts in bad faith.

XII. ALLOCATIONS

Section 12.1. Consent to Allocations . Each Partner as a condition of becoming a Partner expressly consents to the following allocations as set forth in this Article XII.

Section 12.2. Distributive Shares for Tax Purposes . There shall be allocated to each Partner for federal income tax purposes a separate distributive share of all Partnership income, gain, loss, deduction and credit as follows:

(a) Except as otherwise provided in this Article XII, Net Profit, if any, of the Partnership (and each item thereof) for each Fiscal Year or other period shall be allocated among the Partners pro rata in accordance with their Ownership Percentages.

(b) Except as otherwise provided in this Article XII, Net Loss, if any, of the Partnership (and each item thereof) for each Fiscal Year or other period shall be allocated to the Partners pro rata in accordance with their Ownership Percentages.

(c) The provisions of this Agreement relating to the allocation of Gross Income, Net Profit and Net Loss are intended to comply with the Treasury Regulations under Section 704(b) of the Code and shall be interpreted and applied in a manner consistent with such Treasury Regulations.

(d) Notwithstanding any other provision of this Agreement to the contrary, if in any Fiscal Year or other period there is a net decrease in the amount of the Partnership Minimum Gain, then each Partner shall first be allocated items of Gross Income for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in such minimum gain during such year (as determined under Treasury Regulations Section 1.704-2(g)(2)); provided, however, if there is insufficient Gross Income in a year to make the allocation specified above for all Partners for such year, the Gross Income shall be allocated among the Partners in proportion to the respective amounts they would have been allocated above had there been an unlimited amount of Gross Income for such year.

(e) Notwithstanding any other provision of this Agreement to the contrary other than Section 12.2(d), if in any year there is a net decrease in the amount of the Partner Nonrecourse Debt Minimum Gain, then each Partner shall first be allocated items of Gross Income for such year (and, if necessary, subsequent years) in an amount equal to such Partner's share of the net decrease in such minimum gain during such year (as determined under Treasury Regulations Section 1.704-2(i)(4)); provided, however, if there is insufficient Gross Income in a Fiscal Year to make the allocation specified above for all Partners for such year, the Gross Income shall be allocated among the Partners in proportion to the respective amounts they would have been allocated had there been an unlimited amount of Gross Income for such Fiscal Year.

(f) Notwithstanding any other provision of this Agreement to the contrary (except Sections 12.2(d) and 12.2(e) which shall be applied first), if in any Fiscal Year or other period a Partner unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Gross Income shall first be allocated to Partners with negative Capital Account balances (adjusted in accordance with Section 12.4(e)), in proportion to such negative balances, until such balances are increased to zero.

(g) Notwithstanding the provisions of Section 12.2(b), Net Loss (or items thereof) shall not be allocated to a Partner if such allocation would cause or increase a negative balance in such Partner's Capital Account (adjusted in accordance with Section

12.4(e)) and shall be reallocated to the other Partners, subject to the limitations of this Section 12.2(g).

(h) Any Partner Nonrecourse Deductions shall be allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such deductions are attributable.

(i) Partnership Nonrecourse Deductions shall be allocated to the Partners pro rata in accordance with their Ownership Percentages.

(j) In the event that any Gross Income, Net Loss (or items thereof) or deductions are allocated pursuant to Sections 12.2(d) through 12.2(i), subsequent Gross Income, Net Profit or Net Loss (or items thereof) will first be allocated (subject to Sections 12.2(d) through 12.2(i)) to the Partners in a manner which will result in each Partner having a Capital Account balance equal to that which would have resulted had the original allocation of Gross Income, Net Loss (or items thereof) or deductions pursuant to Sections 12.2(d) through 12.2 (i) not occurred; provided, however, no allocations pursuant to this Section 12.2(j), which are intended to offset allocations pursuant to Section 12.2(h) and Section 12.2(i), shall be made prior to the Fiscal Year during which there is a net decrease in Partner Nonrecourse Debt Minimum Gain or Partnership Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Partner Nonrecourse Debt Minimum Gain or Partnership Minimum Gain, and no such allocation pursuant to this Section 12.2(j) shall be made to the extent that the General Partner reasonably determines that it is likely to duplicate a subsequent mandatory allocation pursuant to Section 12.2(d) or Section 12.2(e).

(k) Unless the General Partner elects to adjust Capital Accounts to reflect Actual Depletion Deductions pursuant to Section 1.704-1 (b)(2)(iv)(k)(3) of the Treasury Regulations, the portion of the total amount realized by the Partnership upon the taxable disposition of a Depletable Property that represents recovery of its simulated adjusted tax basis therein will be allocated to the Partners in the same proportion as the aggregate adjusted tax basis of such property was allocated to such Partners (or their predecessors in interest). If the General Partner elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, the portion of the total amount realized by the Partnership upon a taxable disposition of such property that equals the Partners' aggregate remaining adjusted basis therein will be allocated to the Partners in proportion to their respective remaining adjusted tax bases in such property. Any amount realized in excess of the above amounts shall be allocated among the Partners in accordance with their Ownership Percentages.

(l) Notwithstanding the other provisions of this Section 12.2, the Net Profits or Net Losses (and, if necessary, Gross Income and items thereof) of the Partnership for the taxable year of liquidation of the Partnership shall be allocated (and such allocations shall be taken into account in determining the final liquidating distributions of the Partnership), to the extent possible, in a manner such that the Capital Accounts of the Partners immediately prior to the final liquidating distributions stand in the ratio of their

Ownership Percentages, so that the distribution of positive Capital Account balances pursuant to Section 16.2 will, to the maximum extent possible, be in the same amounts if the distribution had been made pursuant to Ownership Percentages without regard to Section 16.2.

(m) If a Partnership interest is transferred, the Gross Income, Net Profit or Net Loss allocable to the holder of such Partnership interest for the then Fiscal Year shall be allocated proportionately between the assignor and the assignee based on the number of calendar days during such Fiscal Year for which each party was the owner of the transferred Partnership interest, or upon some alternative reasonable method.

Section 12.3. Code Section 704(c) . In accordance with Code Section 704(c) and the Treasury Regulations thereunder, depletion, depreciation, amortization, income, gain and loss, as determined for tax purposes, with respect to any property whose Book Value differs from its adjusted basis for federal income tax purposes shall, for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its Book Value. The Partnership shall utilize such method to eliminate book-tax disparities attributable to a contributed property or adjusted property as shall be determined by the General Partner. Allocations pursuant to this Section 12.3 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Profit, Net Loss, other items, or distributions pursuant to any provision of this Agreement.

Section 12.4. Capital Accounts . A separate capital account ("Capital Account") shall be maintained for each Partner, as follows:

(a) There shall be credited to each Partner's Capital Account the amount of any cash actually contributed by such Partner to the capital of the Partnership (or deemed contributed pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(c)), the fair market value of any property contributed by such Partner to the capital of the Partnership (net of any liabilities secured by such property that the Partnership is considered to assume or to take subject to under Code Section 752), such Partner's share of the Gross Income and Net Profit (and all items thereof) of the Partnership and such Partner's share of Simulated Gain or, if the General Partner elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, such Partner's Actual Gains. There shall be charged against each Partner's Capital Account the amount of all cash distributed to such Partner by the Partnership (or deemed distributed pursuant to Treasury Regulations Section 1.704-1(b) (2) (iv) (c)), the fair market value of any property distributed to such Partner by the Partnership (net of any liability secured by such property that the Partner is considered to assume or take subject to under Code Section 752), such Partner's share of the Net Loss (and all items thereof) of the Partnership and either such Partner's distributive share of Simulated Losses and Simulated Depletion Deductions or, if the General Partner elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, such Partner's Actual Losses and Actual Depletion Deductions.

(b) If the Partnership at any time distributes any of its assets in-kind to any Partner, the Capital Account of each Partner shall be adjusted to account for that Partner's allocable share (as determined under this Article XII) of the Net Profit or Net Loss that would have been realized by the Partnership had it sold the assets that were distributed at their respective fair market values immediately prior to their distribution, but only to the extent not previously reflected in the Partners' Capital Accounts.

(c) Any adjustments to the tax basis (or Book Value) of Partnership property under Code Sections 732, 734 or 743 will be reflected as adjustments to the Capital Accounts of the Partners, only in the manner and to the extent provided in Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

(d) Upon the decision of the General Partner, the Capital Accounts of the Partners shall be adjusted to reflect a revaluation of Partnership property to its fair market value on the date of adjustment upon the occurrence of any of the following events:

(i) An increase in any new or existing Partner's Ownership Interest resulting from the contribution of money or property by such Partner to the Partnership,

(ii) Any reduction in a Partner's Ownership Interest resulting from a distribution to such Partner in redemption of all or part of its Ownership Interest, unless such distribution is pro rata to all Partners in accordance with their respective Ownership Interests, and

(iii) Whenever otherwise allowed under Treasury Regulations Section 1.704-1(b)(2)(iv)(f).

The adjustments to Capital Accounts shall reflect the manner in which the unrealized Net Profit or Net Loss inherent in the property would be allocated if there were a disposition of the Partnership's property at its fair market value on the date of adjustment.

(e) For purposes of Sections 12.2(d) through 12.2(i) a Partner's Capital Account shall be reduced by the net adjustments, allocations and distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) which, as of the end of the Partnership's taxable year are reasonably expected to be made to such Partner, and shall be increased by the sum of (i) any amount which the Partner is required to restore to the Partnership upon liquidation of its Ownership Interest in the Partnership (or which is so treated pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c)) pursuant to the terms of this Agreement or under state law, (ii) the Partner's share (as determined under Treasury Regulations Section 1.704-2(g)(1)) of Partnership Minimum Gain, (iii) the Partner's share (as determined under Treasury Regulations Section 1.704-2(i)(5)) of Partner Nonrecourse Debt Minimum Gain and (iv) the Partner's share (as determined under Section 752 of the Code) of any recourse indebtedness of the Partnership to the extent that such indebtedness could not be repaid out of the Partnership's assets if all of the Partnership's assets were sold at their respective Book Values as of the end of the

Fiscal Year or other period and the proceeds from the sales were used to pay the Partnership's liabilities. For the purposes of clause (iv) above, the amounts computed pursuant to clause (i) above for each Partner shall be considered to be proceeds from the sale of the assets of the Partnership to the extent such amounts would be available to satisfy (directly or indirectly) the indebtedness specified in clause (iv).

(f) For purposes of computing the Partners' Capital Accounts, Simulated Depletion Deductions and Simulated Losses shall be allocated among the Partners in the same proportions as they (or their predecessors in interest) were allocated the basis of Partnership oil and gas properties pursuant to Code Section 613A(c)(7)(D), the Treasury Regulations thereunder, and Section 1.704-1(b)(4)(v) of the Treasury Regulations. Simulated Gains shall be allocated among the Partners in accordance with their Ownership Percentages, subject however to Section 12.2(l). In accordance with Code Section 613A(c)(7)(D) and the Treasury Regulations thereunder and Section 1.704-1(b)(4)(v) of the Treasury Regulations, the adjusted basis of all oil and gas properties shall be shared by the Partners in proportion to the Ownership Percentages; provided, however, that in the case of the Partnership's share of the basis of oil and gas properties contributed or deemed to be contributed by the Partners to Dorchester Minerals at the time of its formation, the adjusted basis of such oil and gas properties shall be allocated among the Partners in amounts equal to their respective shares of such basis in the properties so contributed.

(g) It is the intention of the Partners that the Capital Accounts of the Partnership be maintained strictly in accordance with the Capital Account maintenance requirements of Treasury Regulations Section 1.704-1(b). The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulations and any amendment or successor provision thereto. The Partners agree to make any appropriate modifications if events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b).

(h) A deficit in a Partner's Capital Account shall not be considered an asset of the Partnership, and no Partner shall be obligated to restore or otherwise be responsible for a deficit or negative balance in such Partner's Capital Account.

Section 12.5. Compliance with the Code . It is intended that the tax allocations in this Article XII effect an allocation for federal income tax purposes in a manner consistent with Sections 704 and 706 of the Code and comply with any limitations or restrictions therein. The General Partner shall have complete discretion to make the allocations pursuant to this Article XII and the allocations and adjustments to Capital Accounts in any manner consistent with Sections 704 and 706 of the Code.

XIII. DISTRIBUTIONS

Section 13.1. "Net Cash Flow" Defined . The term "Net Cash Flow" for any fiscal period shall mean all Partnership cash revenues resulting from the Partnership's business plus the proceeds of sale (principal and interest), refinancing, condemnation, insurance, or otherwise of any Partnership assets less the amount of all expenses, reserves (for expenses reasonably anticipated to be paid within ninety (90) days) and obligations of the Partnership (including, without limitation, expenses and obligations to which the assets of the Partnership are subject even if the expense or obligation was not originally incurred by the Partnership or assumed by the Partnership) which have been paid, which are currently due and payable or in the case of reserves, which have been established.

Section 13.2. Distribution of Net Cash Flow . Except as provided in Article XVI, Net Cash Flow, if any, shall be distributed to the Partners pro rata in accordance with their Ownership Percentages at such time or times as determined by the General Partner provided, however, that no less frequently than quarterly, all Net Cash Flow shall be distributed in accordance with Ownership Percentages regardless of any action by the General Partner.

Section 13.3. Amount Withheld . Notwithstanding any other provision of this Agreement to the contrary, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any withholding or other payment requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Partnership is required to pay to any governmental authority any amount resulting from either the allocation of income or gain or a distribution to any Partner (including, without limitation, by reason of Sections 1441, 1442, 1445 or 1446 of the Code), the amount so paid shall be treated as a distribution of cash to the Partner and any future distributions to which such Partner is entitled shall be reduced to the extent of any amount treated as a distribution pursuant to this Section 13.3. The Capital Account of the Partner for which amounts are paid over to a governmental authority pursuant to this Section 13.3 shall be decreased by such amount paid over to the governmental authority. A Partner who has had amounts paid over to a governmental authority pursuant to this Section 13.3 shall be entitled to receive any refund of any such tax, penalty, interest or other amount received by the Partnership on account of amounts paid on behalf of the Partner pursuant to this Section 13.3; provided, however, that the amount due such Partner shall be reduced by any expenses of the Partnership incurred in connection with the payment or refund of such tax, penalty, interest or other amount. The Partnership shall have no duty or obligation to seek to obtain or collect any refund or expend any amount to reduce the amount of any withholding, penalty, interest or other amount otherwise payable to any governmental authority; however, upon request by a Partner, the Partnership shall take reasonable steps to cooperate with the Partner on a refund request provided that the Partnership is reimbursed by the Partner for the Partnership's costs and expenses arising from such cooperation. If at any time a Partner's interest in the Partnership is transferred or assigned, the proposed assignee shall certify to non-foreign status prior to the transfer or assignment of the interest. Such certifications shall be made on a form to be provided by the General Partner. Each Partner shall notify the Partnership if it becomes either a "Foreign Person", as defined in Code Section 1445, or a "Foreign Partner", as defined in Code Section 1446, within thirty (30) calendar days of such change.

XIV. TRANSFER OF INTERESTS

Section 14.1. Transfer Restriction Agreement . Each Partner as of the date of this Agreement is also a party to the Transfer Restriction Agreement. As a condition to being admitted as a Partner, any other Person must become a party to the Transfer Restriction Agreement, in accordance with the procedures set forth therein. The Transfer Restriction Agreement, a copy of which is attached hereto as Exhibit A , is incorporated by reference in this Agreement as if fully set forth herein and forms a part of this Agreement.

Section 14.2. Transfers of Interests and Admission of New Partners . No Partner may assign, sell or otherwise transfer by operation of law or otherwise, any of its right, title or interest or any portion thereof in the Partnership unless such Partner shall first comply with the provisions of the Transfer Restriction Agreement applicable to the proposed assignment, sale or transfer. In the event an Affiliate Transfer or a Familial Transfer results in the entirety of a Partner's Ownership Interest in the Partnership being transferred, then such transferee shall (subject to such transferee's joining in this Agreement as provided below) be substituted for that Partner automatically upon such transfer without the consent of the Partners, and shall have all the rights of such Partner under this Agreement. In the event of an Affiliate Transfer or a Familial Transfer of the entirety of a Partner's Ownership Interest divided between or among more than one transferee, only one such transferee may become a substituted Partner and the remainder of such transferees shall be treated as and have the rights of assignees under the Act. The transferor shall designate in a written notice to the Partnership and to each other Partner which such transferee shall become the substituted Partner, and such designated transferee shall (subject to such transferee's joining in this Agreement as provided below) be substituted for the transferor Partner automatically upon such transfer without the consent of the Partners with respect to the Ownership Interest transferred to such transferee, and shall have all the rights of such transferring Partner under this Agreement. In the event of an Affiliate Transfer or a Familial Transfer of less than the entirety of a Partner's Ownership Interest, such transferee shall not be a substituted Partner; but the transferring Partner shall remain a Partner and retain all rights as a Partner under this Agreement. Any other transferee of a Partner's Ownership Interest in the Partnership shall be admitted to the Partnership as a substituted Partner only if (i) the assignment, sale or other transfer pursuant to which the transferee acquired such Ownership Interest was effected in accordance with the Transfer Restriction Agreement and (ii) "Holder Consent" (as defined in the Transfer Restriction Agreement) of such assignment sale or other transfer has been obtained. If such a transferee is not admitted as a substituted Partner under this Article XIV, it shall have none of the powers of a Partner hereunder but shall, subject to the further provisions hereof, have only such rights of an assignee under the Act as are consistent with this Agreement. Such assignee shall have no voting rights or consent rights (and shall have no power to elect officers) or any other power to participate in the management of the Partnership, but shall be subject to the provisions of the Transfer Restriction Agreement including, without limitation, the obligations under Articles II, IV and V thereof, but shall not be entitled to exercise the rights of a party thereto, including, without limitation, under Article III or VI thereof. In the event of any permitted transfer of an interest in the Partnership pursuant to this Article XIV and the Transfer Restriction Agreement, the interest so transferred shall remain subject to all terms and provisions of this Agreement and the Transfer Restriction Agreement, and the transferee shall be deemed, by accepting the interest so transferred, to have assumed all the liabilities and unperformed obligations, under this Agreement, the Transfer Restriction

Agreement or otherwise, which are appurtenant to the interest so transferred; shall hold such interest subject to all unperformed obligations of the transferor Partner hereunder and under the Transfer Restriction Agreement; and shall agree in writing to the foregoing if requested by the General Partner and shall join in and be bound by the terms of this Agreement. No assignment shall relieve the assignor from its obligations prior to this Agreement or the Transfer Restriction Agreement, except that if the transferee is admitted as a Partner, the assignor shall be relieved of obligations hereunder and under the Transfer Restriction Agreement accruing after the admission of the transferee as a Partner.

Section 14.3. Securities Laws Restrictions . Notwithstanding any other provision of this Article XIV, no transfer of an interest in the Partnership may be made if the transfer would violate federal or state securities laws.

XV. BOOKS OF ACCOUNT AND PARTNERSHIP RECORDS

Section 15.1. Books of Account . At all times during the continuance of the Partnership, the General Partner shall keep or cause to be kept, full and true books of account in which shall be entered fully and accurately all transactions of the Partnership.

Section 15.2. Inspection . All of the books of account of the Partnership, together with an executed copy of this Agreement and any amendments hereto, shall at all times be maintained at the principal office of the Partnership and shall be open to the inspection and examination of the Partners or their representatives. Any Partner may, at any time and from time to time, at its own expense, cause an audit of the books of the Partnership to be made by a certified public accountant or other person designated by such Partner.

Section 15.3. Fiscal Year and Accounting Method . The fiscal year of the Partnership shall end on December 31 in each year, and the books of the Partnership shall be kept on a cash method of accounting by the General Partner.

Section 15.4. Financial Reports . For each Fiscal Year during the term hereof, the General Partner shall deliver to all the Partners as soon as reasonably practicable after the expiration of such Fiscal Year, an unaudited financial report of the Partnership, including a balance sheet, profit and loss statement, and a statement showing distributions to the Partners and the allocation among the Partners of taxable income, gains, losses, deductions and credits of the Partnership. In addition, the General Partner shall cause to be delivered to all the Partners monthly unaudited statements of profit and loss prepared on a cash basis, such statements to reflect profit and loss on both a monthly and year-to-date basis. Each such monthly statement shall be so delivered within sixty (60) days after the end of the month to which the statement pertains. An accounting of all items of receipt, income, profit, cost, expense and loss shall also be prepared made by the General Partner upon the dissolution of the Partnership.

Section 15.5. Tax Returns . The Partnership shall cause all income tax returns to be prepared or reviewed in compliance with this Agreement (in particular the tax allocations in Article XII hereof) by such firm of independent certified public accountants as shall be selected by the General Partner, shall cause such tax returns to be timely filed with the appropriate authorities and shall cause copies thereof and all related matters needed by any Partner for the

preparation of its tax returns to be promptly delivered to all Partners. Copies of such tax returns shall be kept at the principal office of the Partnership and shall be available for inspection by any Partner during normal business hours. The income tax documentation to be generated hereunder shall include any additional information reasonably requested by a Partner for the preparation of its return.

Section 15.6. Tax Elections .

(a) In the event of a transfer of all or part of an interest of a Partner authorized by this Agreement, the Partnership shall, upon the request of the transferee, elect pursuant to Section 754 of the Code to adjust the basis of Partnership property, and any basis adjustment relating to such transfer, whether made under Section 754 of the Code or otherwise, shall be allocated solely to the transferee; provided, however, that each transferee shall pay the additional bookkeeping and accounting costs which result from the basis adjustment pertaining to such transferee. Each of the Partners shall supply to the Partnership upon request the information necessary properly to give effect to such election.

(b) All other federal income tax elections required or permitted to be made by the Partnership shall be made in such manner as may be agreed upon by the General Partner. No Partner shall take any action or refuse to take any action which would cause the Partnership to forfeit the benefits of any tax election previously made or agreed to be made.

Section 15.7. Tax Matters Partner . The General Partner is hereby designated as the "Tax Matters Partner" of the Partnership within the meaning of Section 6231(a)(7) of the Code and shall have the power to manage and control, on behalf of the Partnership, any administrative proceeding at the Partnership level with the Internal Revenue Service relating to the determination of any item of Partnership income, gain, loss, deduction, or credit for federal income-tax purposes. The Tax Matters Partner shall comply with all statutory provisions of the Code applicable to a "tax matters partner" and shall, without limitation, within thirty (30) calendar days of the receipt of any notice from the Internal Revenue Service in any administrative proceeding at the Partnership level relating to the determination of any Partnership item of income, gain, loss, deduction, or credit, mail a copy of such notice to each Partner.

Section 15.8. Bank Accounts . The funds of the Partnership shall be deposited in the name of the Partnership in such bank accounts and with such signatories as shall be selected by the General Partner. All deposits, including security deposits, funds required to be escrowed and other funds not currently distributable or needed in the operation of the Partnership business shall, to the extent permitted by law, be deposited in such interest-bearing bank accounts or invested in such financial instruments (including, without limitation, hedge contracts and commodity contracts) as shall be approved by the General Partner.

XVI. DISSOLUTION, WINDING UP AND DISTRIBUTION

Section 16.1. Events of Dissolution . Each of the following shall be an "Event of Dissolution," and unless the Partnership and its business is continued pursuant to Section 16.5 hereof, the Partnership shall be dissolved upon the withdrawal of the General Partner or the occurrence of any other event that results in the General Partner ceasing to be a General Partner, without the subsequent election of a successor general partner, which successor is hereby authorized to continue the business of the Partnership.

The Limited Partners shall have no right to dissolve the Partnership or to vote on or consent to any such dissolution.

Section 16.2. Dissolution and Winding Up . Notwithstanding any other provision of this Agreement, upon the dissolution of the Partnership, the General Partner (which term, for purposes of this Section and Section 16.4 shall include the respective trustee, receiver or successor, if any, of either or both thereof) shall have the responsibility for expeditiously dissolving and liquidating the Partnership. The General Partner shall promptly proceed to wind up the affairs of the Partnership and, after payment (or making provision for payment) of liabilities owing to creditors, shall set up such reserves as they deem reasonably necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Partnership. Said reserves may be paid over to a bank or an attorney-at-law, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations. After paying such liabilities and setting up such reserves, the General Partner shall cause the remaining net assets of the Partnership to be paid or distributed to the Partners or their assigns in accordance with the positive Capital Account balances of the Partners. At the expiration of such period as the General Partner may deem advisable, any remaining reserves shall be paid or distributed to the Partners or their assigns in the same manner as the preceding sentence. No Partner shall receive any additional compensation for any services performed pursuant to this Article XVI.

Section 16.3. Final Statement . Upon the dissolution of the Partnership, a final certified statement of its assets and liabilities shall be prepared by the Partnership's certified public accountants and furnished to the Partners within ninety (90) days after such dissolution.

Section 16.4. Distribution In-Kind . If all the Partners agree that it shall be impractical to liquidate part or all the assets of the Partnership, then assets which they agree are not suitable for liquidation may be distributed to the Partners in-kind, subject to the order of priority set forth in Section 16.2 hereof and, further, subject to such conditions relating to the management and disposition of the assets distributed as the General Partner deems reasonable and equitable. If Partnership assets are to be distributed in-kind, then prior to any such distribution, the Capital Accounts of the Partners shall be adjusted to reflect the manner in which the unrealized taxable income, gain, loss and deduction inherent in such property (to the extent that such items have not been previously reflected in the Capital Accounts) would be allocated among the Partners if there were a taxable disposition of such property on the date of its distribution for its then fair market value determined mutually by the Partners.

Section 16.5. Continuation of Partnership . If dissolution occurs due to an "event of withdrawal" (as defined in Section 17-402(a) of the Act) with respect to the General Partner, the

Limited Partners hereby agree to continue the Partnership and elect a new General Partner by limited partner consent pursuant to Section 8.3 hereof and the Partnership automatically shall be reconstituted and the Limited Partners and the successor General Partner shall, and hereby agree to, carry on the business of the Partnership.

Section 16.6. Deemed Distribution and Recontribution . Notwithstanding any other provision of this Article XVI, in the event the Partnership is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Event of Dissolution has occurred, the assets of the Partnership shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have contributed its assets in-kind to a new limited partnership, which shall be deemed to have assumed and taken all Partnership assets subject to all Partnership liabilities. Immediately thereafter, the Partnership shall be deemed to have liquidated and distributed the interests in the new limited partnership in-kind to the Partners.

XVII. MISCELLANEOUS

Section 17.1. Execution in Counterparts . This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

Section 17.2. Address and Notice . The address of each Partner for all purposes shall be as follows:

If to Vaughn:
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Benny D. Duncan
Telecopy No.: (214) 522-7433

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to SAM:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: H. C. Allen, Jr.
Telecopy No.: (214) 559-0301

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to SAOG:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: William Casey McManemin
Telecopy No.: (214) 559-0301

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to Peak LP:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: Preston A. Peak
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
L OCKE L IDDELL & S APP LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201-6776
Telecopy No.: (214) 740-8800

If to Raley LLP:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: James E. Raley
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
L OCKE L IDDELL & S APP LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201-6776
Telecopy No.: (214) 740-8800

or such other address or addresses of which any Partner shall have given the other Partners notice. Any notice shall be in accordance with Section 10.1.

Section 17.3. Partition . The Partners hereby agree that no Partner shall have the right while this Agreement remains in effect to have the assets of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have any Partnership asset partitioned, and each Partner hereby waives any such right. It is the intention of the Partners that during the term of this Agreement, the rights of the Partners as among themselves shall be governed by the terms of this Agreement.

Section 17.4. Further Assurances . Each Partner hereby covenants and agrees to execute and deliver such instruments as may be reasonably requested by any other Partner to convey any interest or to take any other action required or permitted under this Agreement.

Section 17.5. Titles and Captions . All article, section, or subsection titles or captions contained in this Agreement or the table of contents hereof are for convenience only and shall not be deemed part of the context of this Agreement.

Section 17.6. Number and Gender of Pronouns . All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Person or Persons may require.

Section 17.7. Entire Agreement . This Agreement contains the entire understanding between and among the Partners and supersedes any prior understandings and agreements between and among them respecting the subject matter of this Agreement.

Section 17.8. Amendment . This Agreement may be amended or modified only by a written document executed by all the Partners.

Section 17.9. Exhibits and Schedules . All exhibits and schedules referred to herein are attached hereto and made a part hereof for all purposes.

Section 17.10. Agreement Binding . This Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the Partners.

Section 17.11. Waiver . No failure by any Partner to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Any Partner by the issuance of written notice may, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation or covenant of any other Partner. No waiver shall affect or alter the remainder of this Agreement but each and every covenant, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 17.12. Remedies . The rights and remedies of the Partners set forth in this Agreement shall not be mutually exclusive or exclusive of any right, power or privilege provided

by law or in equity or otherwise and the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof or of any legal, equitable or other right. Each of the Partners confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to, or shall limit or affect any rights at law or by statute or otherwise of any Partner aggrieved as against another Partner for a breach or threatened breach of any provision hereof, it being the intention of this section to make clear the agreement of the Partners that the respective rights and obligations of the Partners hereunder shall be enforceable in equity as well as at law or otherwise.

Section 17.13. GOVERNING LAW . THIS AGREEMENT SHALL BE CONSTRUED, ENFORCED, AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO ITS CHOICE OF LAW PRINCIPLES).

Section 17.14. DISPUTE RESOLUTION .

(a) NEGOTIATION . THE PARTNERS SHALL ATTEMPT TO RESOLVE ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TERMINATION, BREACH, OR VALIDITY OF THIS AGREEMENT, PROMPTLY BY GOOD FAITH NEGOTIATION AMONG EXECUTIVES WHO HAVE AUTHORITY TO RESOLVE THE CONTROVERSY. ANY PARTNER MAY GIVE THE OTHER PARTNERS WRITTEN NOTICE OF ANY DISPUTE NOT RESOLVED IN THE NORMAL COURSE OF BUSINESS. WITHIN 10 DAYS AFTER DELIVERY OF THE NOTICE, THE RECEIVING PARTNER SHALL SUBMIT TO THE OTHERS A WRITTEN RESPONSE. THE NOTICE AND THE RESPONSE SHALL INCLUDE (A) A STATEMENT OF THE PARTNER'S CONCERNS AND PERSPECTIVES ON THE ISSUES IN DISPUTE, (B) A SUMMARY OF SUPPORTING FACTS AND CIRCUMSTANCES AND (C) THE IDENTITY OF THE EXECUTIVE WHO WILL REPRESENT THAT PARTNER AND OF ANY OTHER PERSON WHO WILL ACCOMPANY THE EXECUTIVE. WITHIN 15 DAYS AFTER DELIVERY OF THE ORIGINAL NOTICE, THE EXECUTIVES OF THE PARTNERS SHALL MEET AT A MUTUALLY ACCEPTABLE TIME AND PLACE, AND THEREAFTER AS OFTEN AS THEY REASONABLY DEEM NECESSARY, TO ATTEMPT TO RESOLVE THE DISPUTE. ALL NEGOTIATIONS PURSUANT TO THIS CLAUSE AND CLAUSE (B) BELOW ARE CONFIDENTIAL AND SHALL BE TREATED AS COMPROMISE AND SETTLEMENT NEGOTIATIONS FOR PURPOSES OF APPLICABLE RULES OF EVIDENCE.

(b) MEDIATION . IF A DISPUTE HAS NOT BEEN RESOLVED BY DISCUSSION BETWEEN OR AMONG THE PARTNERS WITHIN 20 DAYS OF THE DISPUTING PARTNERS' NOTICE, ANY MEMBER MAY BY NOTICE TO THE OTHER PARTNERS WITH WHOM SUCH DISPUTE EXISTS REQUIRE MEDIATION OF THE DISPUTE, WHICH NOTICE SHALL IDENTIFY THE NAMES OF NO FEWER THAN THREE (3) POTENTIAL MEDIATORS. EACH PARTNER AMONG WHOM THE DISPUTE EXISTS WILL IN GOOD FAITH ATTEMPT TO AGREE UPON A MEDIATOR AND AGREES TO PARTICIPATE IN MEDIATION

OF THE DISPUTE IN GOOD FAITH. IF THE PARTIES ARE UNABLE TO AGREE UPON A MEDIATOR WITHIN FIFTEEN (15) DAYS AFTER SUCH NOTICE, THE PARTNERS AGREE TO PROCEED TO MEDIATION UNDER THE COMMERCIAL MEDIATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION IN EFFECT ON THE DATE OF THIS AGREEMENT. IF SUCH DISPUTE SHALL NOT HAVE BEEN RESOLVED BY MEDIATION WITHIN THE TIME PERIOD SPECIFIED N SUBSECTION (C) BELOW, ARBITRATION MAY BE INITIATED PURSUANT TO SUBSECTION (C) BELOW. ALL EXPENSES OF THE MEDIATOR SHALL BE EQUALLY SHARED BY THE PARTNERS AMONG WHOM THE DISPUTE EXISTS.

(c) BINDING ARBITRATION .

(i) ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION, OR VALIDITY OF THE AGREEMENT WHICH HAS NOT BEEN RESOLVED BY MEDIATION WITHIN 30 DAYS OF THE INITIATION OF SUCH PROCEDURE, OR WHICH HAS NOT BEEN RESOLVED PRIOR TO THE TERMINATION OF MEDIATION, SHALL BE RESOLVED BY ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) IN EFFECT ON THE DATE OF THIS AGREEMENT. IF A PARTY TO A DISPUTE FAILS TO PARTICIPATE IN MEDIATION, THE OTHERS MAY INITIATE ARBITRATION BEFORE EXPIRATION OF THE ABOVE PERIOD. IF THE AMOUNT OF THE CLAIM ASSERTED BY ANY PARTY IN THE ARBITRATION EXCEEDS $1,000,000, THE PARTNERS AGREE THAT THE AMERICAN ARBITRATION ASSOCIATION OPTIONAL PROCEDURES FOR LARGE, COMPLEX COMMERCIAL DISPUTES WILL BE APPLIED TO THE DISPUTE.

(ii) THE AAA SHALL SUGGEST A PANEL OF ARBITRATORS, EACH OF WHOM SHALL BE KNOWLEDGEABLE WITH RESPECT TO THE SUBJECT MATTER OF THE DISPUTE. ARBITRATION SHALL BE BEFORE A SOLE ARBITRATOR IF THE DISPUTING PARTNERS AGREE ON THE SELECTION OF A SOLE ARBITRATOR. IF NOT, ARBITRATION SHALL BE BEFORE THREE INDEPENDENT AND IMPARTIAL ARBITRATORS, ALL OF WHOM SHALL BE APPOINTED BY THE AAA IN ACCORDANCE WITH ITS RULES.

(iii) THE PLACE OF ARBITRATION SHALL BE DALLAS, TEXAS.

(iv) THE ARBITRATOR(S) ARE NOT EMPOWERED TO AWARD DAMAGES IN EXCESS OF COMPENSATORY DAMAGES.

(v) THE AWARD RENDERED BY THE ARBITRATORS SHALL BE IN WRITING AND SHALL INCLUDE A STATEMENT OF THE

FACTUAL BASES AND THE LEGAL CONCLUSIONS RELIED UPON BY THE ARBITRATORS IN MAKING SUCH AWARD. THE ARBITRATORS SHALL DECIDE THE DISPUTE IN COMPLIANCE WITH THE APPLICABLE SUBSTANTIVE LAW AND CONSISTENT WITH THE PROVISIONS OF THE AGREEMENT, INCLUDING LIMITS ON DAMAGES. THE AWARD RENDERED BY THE ARBITRATOR(S) SHALL BE FINAL AND BINDING, AND JUDGMENT UPON THE AWARD MAY BE ENTERED BY ANY COURT HAVING JURISDICTION THEREOF.

(vi) ALL MATTERS RELATING TO THE ENFORCEABILITY OF THIS ARBITRATION AGREEMENT AND ANY AWARD RENDERED PURSUANT TO THIS AGREEMENT SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 1-16. THE ARBITRATOR(S) SHALL APPLY THE SUBSTANTIVE LAW OF THE STATE OF DELAWARE, EXCLUSIVE OF ANY CONFLICT OF LAW RULES.

(vii) EACH PARTNER IS REQUIRED TO CONTINUE TO PERFORM ITS OBLIGATIONS UNDER THIS CONTRACT PENDING FINAL RESOLUTION OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS CONTRACT, UNLESS TO DO SO WOULD BE IMPOSSIBLE OR IMPRACTICABLE UNDER THE CIRCUMSTANCES.

(viii) NOTHING IN THIS SECTION 17.14 SHALL LIMIT THE PARTNERS' RIGHTS TO OBTAIN PROVISIONAL, ANCILLARY OR EQUITABLE RELIEF FROM A COURT OF COMPETENT JURISDICTION.

(d) EXPENSES . EACH PARTY SHALL PAY ITS OWN EXPENSES OF ARBITRATION AND THE EXPENSES OF THE ARBITRATORS SHALL BE EQUALLY SHARED; PROVIDED, HOWEVER, IF IN THE OPINION OF THE ARBITRATORS ANY CLAIM BY EITHER PARTY HEREUNDER OR ANY DEFENSE OR OBJECTION THERETO BY THE OTHER PARTY WAS UNREASONABLE AND NOT MADE IN GOOD FAITH, THE ARBITRATORS MAY ASSESS, AS PART OF THE AWARD, ALL OR ANY PART OF THE ARBITRATION EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) OF THE OTHER PARTY AND OF THE ARBITRATORS AGAINST THE PARTY RAISING SUCH UNREASONABLE CLAIM, DEFENSE, OR OBJECTION. NOTHING HEREIN SET FORTH SHALL PREVENT THE PARTIES FROM SETTLING ANY DISPUTE BY MUTUAL AGREEMENT AT ANY TIME.

Section 17.15. WAIVER . EACH PARTNER WAIVES ANY RIGHT THAT THE PARTNER MAY HAVE TO COMMENCE ANY ACTION IN ANY COURT WITH RESPECT TO ANY DISPUTE AMONG THE PARTNERS RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RIGHTS OR OBLIGATIONS OF ANY PARTNER HEREUNDER, OTHER THAN AN ACTION BROUGHT TO ENFORCE THE ARBITRATION PROVISIONS OF SECTION 17.14 HEREOF. THE PARTNERS AGREE THAT ANY SUCH ACTION SHALL BE BROUGHT (AND VENUE FOR ANY SUCH ACTION SHALL BE APPROPRIATE) IN DALLAS, TEXAS.

Section 17.16. U.S. Dollars . Any reference in this Agreement to “dollars,” “funds” or “sums” or any amounts denoted with a “$” shall be references to United States dollars.

[Following are the signature pages.]

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement on the 31st day of January, 2002.

GENERAL PARTNER:

DORCHESTER MINERALS MANAGEMENT GP LLC

By: /s/ J AMES E. R ALEY

Name: **James E. Raley**
Title: **Chief Operating Officer**

LIMITED PARTNERS:

SAM PARTNERS, LTD.

By: Sam Partners Management, Inc., its general partner

By: /s/ H.C. A LLEN , J R .

H. C. Allen, Jr., Secretary

VAUGHN PETROLEUM, LTD.

By: VPL (GP), LLC, its general partner

By: /s/ R OBERT C. V AUGHN

Name: **Robert C. Vaughn**
Title: **Manager**

SMITH ALLEN OIL & GAS, INC.

By: /s/ W ILLIAM C ASEY M C M ANEMIN

William Casey McManemin, Vice President

PRESTON A. PEAK LIMITED PARTNERSHIP, a Texas limited partnership

By: Peak GP LLC,
a Texas limited liability company, its
General Partner

By: /s/ PRESTON A. PEAK

Preston A. Peak, its manager

YELAR PARTNERS L.L.P.,
a Delaware limited liability partnership

By: YELAR LLC, a Texas limited liability company, its managing partner

By: /s/ JAMES E. RALEY

James E. Raley, Manager

And joined in for the limited purpose of agreeing to the substitution of Peak LP as a Limited Partner of the Partnership in lieu of P.A. Peak, Inc.:

P. A. Peak, Inc.,
a Delaware corporation

By: /s/ PRESTON A. PEAK

Preston A. Peak, President

EXHIBIT A

Transfer Restriction Agreement

SCHEDULE I

Capital Contributions under Original Agreement

GENERAL PARTNER:	
DORCHESTER MINERALS MANAGEMENT GP LLC	$1.99
LIMITED PARTNERS:	
VAUGHN	$576.13
SAM	576.13
SAOG	561.81
PEAK LP	136.97
RALEY GP	136.87
	$1,990.00

SCHEDULE II

Additional Capital Contributions Pursuant to
Contribution Agreement

PROPERTY CONTRIBUTED	FAIR MARKET VALUE
GENERAL PARTNER:	
DORCHESTER MINERALS MANAGEMENT GP LLC	
LIMITED PARTNERS:	
VAUGHN	
SAM	
SAOG	
PEAK LP	
RALEY GP	

EXHIBIT 3.6

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF DORCHESTER MINERALS MANAGEMENT GP LLC

FEBRUARY 1, 2003

THE MEMBERSHIP INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY JURISDICTION. NO MEMBERSHIP INTEREST MAY BE SOLD OR OFFERED FOR SALE (WITHIN THE MEANING OF ANY SECURITIES LAW) UNLESS A REGISTRATION STATEMENT UNDER ALL APPLICABLE SECURITIES LAWS WITH RESPECT TO THE INTEREST IS THEN IN EFFECT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS IS THEN APPLICABLE TO THE INTEREST. A MEMBERSHIP INTEREST ALSO MAY NOT BE TRANSFERRED OR ENCUMBERED UNLESS THE APPLICABLE PROVISIONS OF THIS AGREEMENT AND THE TRANSFER RESTRICTION AGREEMENT ATTACHED HERETO AS EXHIBIT A ARE SATISFIED.

TABLE OF CONTENTS

AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT
OF DORCHESTER MINERALS MANAGEMENT GP LLC

This Amended and Restated Limited Liability Company Agreement of Dorchester Minerals Management GP LLC effective as of 12:02 a.m. on February 1, 2003 (the "Effective Date"), is entered into by and among SAM Partners, Ltd., a Texas limited partnership, Vaughn Petroleum, Ltd., a Texas limited partnership, Smith Allen Oil & Gas, Inc., a Texas corporation, Preston A. Peak Limited Partnership, a Texas limited partnership, and Yelar Partners L.L.P., a Delaware limited liability partnership.

W I T N E S S E T H

WHEREAS, effective December 12, 2001, a Certificate of Formation (the "Certificate") was filed in the office of the Secretary of State of Delaware for the formation of Dorchester Minerals Management GP LLC, a Delaware limited liability company (the "Company");

WHEREAS, in connection with the formation of the Company, its members executed that certain Limited Liability Company Agreement of Dorchester Minerals Management GP LLC dated December 12, 2001; (the "Original Agreement");

WHEREAS, the parties hereto desire to amend and restate the Original Agreement as of the date hereof upon the terms and conditions set forth herein and to substitute P.A. Peak Holdings LP, a Delaware limited partnership, as a Member of the Company in lieu of P.A. Peak, Inc., a Delaware corporation;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree to continue the Company upon the following terms and conditions and to amend and restate the Original Agreement upon the terms and conditions set forth herein:

I. DEFINITIONS

Section 1.1. Definitions . The following terms shall have the following meanings when used in this Agreement:

"AAA" shall have the meaning set forth in Section 18.14 hereof.

"Act" shall mean the Delaware Limited Liability Company Act, as amended.

"Actual Depletion Deductions" means with respect to any Member, such Member's actual depletion allowance with respect to such Member's share of production from the oil and gas properties owned by Dorchester Operating LP and Dorchester Minerals; provided that , for purposes of this Agreement and computing a Member's Capital Account, such Member's Actual Depletion Deductions with respect to any single oil or gas property shall not exceed the adjusted

basis of such oil or gas property allocated to such Member (or its predecessor in interest) pursuant to Code Section 613A(c)(7)(D). Each Member shall notify the Company of the amount of its Actual Depletion Deductions within ninety (90) days of the end of each Fiscal Year.

"Actual Gains or Actual Losses" means with respect to any Member (i) the excess, if any, of such Member's share of the total amount realized from the disposition of any oil or gas property over such Member's remaining adjusted tax basis in such property or (ii) the excess, if any, of such Member's remaining adjusted tax basis in such property over such Member's share of the total amount realized from the disposition of such property. A Member's share of the total amount realized from the disposition of oil or gas property shall be determined pursuant to Treasury Regulations Section 1.704-1(b)(4)(v).

"Affiliate" shall mean, with respect to any Person, (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting interests of such Person, (iii) any officer, director, member, manager or general partner of such Person, or (iv) any Person who is an officer, director, general partner, trustee, member, manager or holder of ten percent (10%) or more of the voting interests of any Person described in clauses (i) through (iii) of this sentence.

"Agreement" shall mean this Amended and Restated Limited Liability Company Agreement of Dorchester Minerals Management GP LLC.

"Appointed Managers" shall have the meaning set forth in Section 8.2 hereof.

"Appointing Member" shall have the meaning set forth in Section 8.3 hereof.

"Appointment Right" shall have the meaning set forth in Section 8.2 hereof.

"Board of Managers" shall mean the Board of Managers for the Company as established and operated pursuant to this Agreement.

"Book Value" shall mean with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(i) the initial Book Value of any asset contributed (or deemed contributed, including as a result of the constructive termination of the Company pursuant to Code Section 708(b)(1)(B)) to the Company shall be such asset's gross fair market value at the time of such contribution;

(ii) the Book Value of all Company assets shall be adjusted to equal their respective gross fair market values at the times specified in Treasury Regulations under Section 704(b) of the Code if the Company so elects; and

(iii) if the Book Value of an asset has been determined pursuant to clause (i) or (ii), such Book Value shall thereafter be adjusted in the same manner as would the asset's adjusted basis for federal income tax purposes, except that depreciation deductions shall be computed in accordance with Subparagraph (iv) of the definition of Net Profit and Net Loss and the Book

Value shall be adjusted by the Actual Depletion Deductions or Simulated Depletion Deductions, as applicable.

"Business Day" shall mean any day other than Saturday or Sunday or any other day upon which banks in Dallas, Texas are permitted or required by law to close.

"Business Opportunities Agreement" shall have the meaning set forth in Section 6.2.

"Capital Account" shall have the meaning set forth in Section 13.4 hereof.

"Certificate" shall have the meaning set forth in the recitals to this Agreement.

"Change in Control" shall mean for each Member that the Person or Persons who are in the original Member Control Group of such Member shall no longer directly, or indirectly through one or more entities, possess collectively both the exclusive power to vote or control the voting of, and the exclusive power to dispose or control the disposition of, at least a majority of the equity ownership of the Member.

"Code" shall mean the Internal Revenue Code of 1986, as amended, or its successor.

"Company" shall mean the limited liability company formed by this Agreement.

"Company Minimum Gain" shall mean the amount computed under Treasury Regulations Section 1.704-2(d)(1) with respect to the Company's nonrecourse liabilities as determined under Treasury Regulations Section 1.752-1(a)(2).

"Company Nonrecourse Deductions" shall mean any loss, deduction, or Code Section 705(a)(2)(B) expenditure (or item thereof) that is attributable to nonrecourse liabilities (as defined in Treasury Regulations Section 1.752-1(a)(2)) of the Company and characterized as "nonrecourse deductions" pursuant to Treasury Regulations Section 1.704-2(b)(1) and Section 1.704-2(c).

"Contribution Agreement" shall mean that certain Contribution Agreement made by and among SAM, Vaughn, SAOG, P.A. Peak, Inc., a Delaware corporation, James E. Raley, Inc., a Delaware corporation, the Partnership and the Company, dated as of December 12, 2001.

"Covered Person" shall have the meaning set forth in Section 12.1 hereof.

"Depletable Property" means interests in oil, gas or other minerals eligible for depletion under Code Section 613 or 613A.

"Disabling Conduct" shall mean conduct that constitutes fraud, willful misconduct, bad faith or gross negligence or conduct that is outside the scope of conduct permitted in this Agreement or is in breach of this Agreement, any Governance Agreement or any other agreement between or among (i) any of the Company, the Partnership, Dorchester Minerals, Dorchester Operating LP and Dorchester Operating LLC and (ii) the Person whose conduct is in question or in knowing violation of applicable laws.

"Dorchester Minerals" shall mean Dorchester Minerals, L.P., a Delaware limited partnership.

"Dorchester Minerals Limited Partnership Agreement" shall mean that certain Amended And Restated Agreement Of Limited Partnership of Dorchester Minerals, L.P., dated February 1, 2003 made by and among the Partnership as general partner and the limited partners noted therein.

"Dorchester Operating LLC" shall mean Dorchester Minerals Operating GP LLC, a Delaware limited liability company.

"Dorchester Operating LP" shall mean Dorchester Minerals Operating LP, a Delaware limited partnership.

"Effective Date" shall have the meaning set forth in the preamble to this Agreement.

"Event of Dissolution" shall have the meaning set forth in Section 17.1 hereof.

"Familial Transfer" shall have the meaning assigned that term in the Transfer Restriction Agreement.

"Fiscal Year" shall mean the fiscal year of the Company as set forth in Section 16.3 hereof.

"Governance Agreements" shall mean this Agreement, the Limited Partnership Agreement, the Dorchester Minerals Limited Partnership Agreement, the limited liability company agreement of Dorchester Operating LLC, the limited partnership agreement of Dorchester Operating LP, the Business Opportunities Agreement, and the Transfer Restriction Agreement.

"Gross Income" shall mean for each Fiscal Year or other period, an amount equal to the Company's gross income as determined for federal income tax purposes for such Fiscal Year or period but computed with the adjustments specified in Subparagraphs (i) and (iii) of the definition of Net Profit and Net Loss.

"Independent Managers" shall have the meaning set forth in Section 8.2 hereof.

"Limited Partnership Agreement" shall mean that certain Amended and Restated Limited Partnership Agreement of Dorchester Minerals Management LP, a Delaware limited partnership, dated as of February 1, 2003 by and among the Company, as General Partner, and the Limited Partners noted therein.

"Managers" shall mean the Appointed Managers and the Independent Managers, and "Manager" shall mean either an Appointed Manager or an Independent Manager.

"Market Rules" shall have the meaning set forth in Section 8.2.

"Member" or "Members" shall mean SAM, Vaughn, SAOG, Peak LP, Raley GP and any assignee of all or any part of their respective interests in the Company who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"Member Consent" shall have the meaning assigned to it in Section 6.6 hereof.

"Member Control Group" shall mean (i) for Peak LP: Preston A Peak and his daughter Margaret Peak; (ii) for Raley GP: James E. Raley and his children, Scott E. Raley, Lesley Carver and Jennifer Crowder; (iii) for Vaughn: David C. Vaughn, Jack C. Vaughn, Jr., Robert C. Vaughn and Benny D. Duncan; (iv) for SAM: Frederick M. Smith, II, Allison Vose Smith and Charles W. Russell, as Trustees of the 2000 Allison Vose Smith Exempt Trust and beneficiaries named therein; Jeannette Smith Wilson and Charles W. Russell, as Trustees of the 2000 Jeannette Smith Wilson Exempt Trust and beneficiaries named therein; Christopher A. Smith and Charles W. Russell, as Trustees of the 2000 Christopher A. Smith Exempt Trust and beneficiaries named therein; Courtnay Smith Perevalova and Charles W. Russell, as Trustees of the 2000 Courtnay Smith Perevalova Exempt Trust and beneficiaries named therein; Juliette Smith Aston and Charles W. Russell, as Trustees of the 2000 Juliette Smith Aston Exempt Trust and beneficiaries named therein; H.C. Allen, Jr. and his daughters, Lisa Kay Chambless and Ann Michelle Peterson; and William Casey McManemin; and (v) for SAOG: Frederick M. Smith, II; H.C. Allen, Jr. and William Casey McManemin.

"Member Nonrecourse Debt" shall mean any nonrecourse debt of the Company which meets the requirements of "partner nonrecourse debt" set forth in Treasury Regulations Section 1.704-2(b)(4).

"Member Nonrecourse Debt Minimum Gain" shall mean the partner nonrecourse debt minimum gain attributable to "partner nonrecourse debt" as determined under Treasury Regulations Section 1.704-2(i)(3).

"Member Nonrecourse Deductions" shall mean any loss, deduction, or Code Section 705(a)(2)(B) expenditure, or item thereof, that is attributable to a Member Nonrecourse Debt, as determined by Treasury Regulations Section 1.704-2(i)(2).

"Net Cash Flow" shall have the meaning set forth in Section 14.1 hereof.

"Net Profit" and "Net Loss" shall mean for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such Fiscal Year or other period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss with the following adjustments:

(i) any income of the Company that is exempt from federal income tax or not otherwise taken into account in computing Net Profit or Net Loss shall be added to such taxable income or loss;

(ii) any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures under Code Section 704(b), and not otherwise taken into account in computing Net Profit or Net Loss, shall be subtracted from such taxable income or loss;

(iii) gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Book Value of such property rather than its adjusted tax basis;

(iv) in lieu of the depletion, depreciation, amortization and other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account depreciation, amortization or other cost recovery deductions on the assets' respective Book Values for such Fiscal Year or other period determined in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g);

(v) the amount of any Gross Income allocated to the Members pursuant to Sections 13.2(d), 13.2(e), 13.2(f), 13.2(j) and 13.2(k) shall not be included as income or revenue; and

(vi) any amount allocated to the Members pursuant to Sections 13.2(h), 13.2(i). 13.2(j) and 13.2(k) shall not be included as a loss, deduction or Code Section 705(a)(2)(B) expenditure.

"Ownership Interest" shall mean the interest in the Company held by a Member.

"Ownership Percentage" shall mean 20.5% for Vaughn, 20.5% for SAM, 20.0% for SAOG, 19.5% for Peak LP and 19.5% for Raley GP, until adjusted in accordance with this Agreement.

"Partnership" shall have the meaning set forth in Section 3.1 hereof.

"Peak LP" means Preston A. Peak Limited Partnership, a Delaware limited partnership, and (for purposes of the definition of "Member Control Group", of Section 8.2 and of Section 9.8) any assignee of all or any part of the interests in the Company originally held by Peak LP who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"Peak LP/Raley GP Appointment Right" shall have the meaning set forth in Section 8.2 hereof.

"Person" shall mean an individual person, partnership, limited partnership, limited liability company, trust, corporation or other entity or organization.

"Prime Rate" means the "prime," "reference" or "base" rate of interest for commercial loans as announced by Bank of America on the first Business Day following the date upon which the event occurs requiring reference to the Prime Rate and adjusted thereafter on the first day of each rate change or, if less, the maximum rate permitted by applicable law.

"Proportionate Share" means a Member's share of an item or obligation equal to the Ownership Percentage of the Member divided by the aggregate Ownership Percentages owned by all Members entitled or obligated to share in the item or obligation.

"Raley GP" means Yelar Partners L.L.P., a Delaware limited liability partnership, and (for purposes of the definition of "Member Control Group", of Section 8.2 and of Section 9.8) any assignee of all or any part of the interests in the Company originally held by Raley GP who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"SAM" means SAM Partners, Ltd., a Texas limited partnership, and (for purposes of the definition of "Member Control Group" and of Section 8.2) any assignee of all or any part of the interests in the Company originally held by SAM who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"SAOG" means Smith Allen Oil & Gas, Inc., a Texas corporation, and (for purposes of the definition of "Member Control Group" and of Section 8.2) any assignee of all or any part of the interests in the Company originally held by SAOG who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"SAM/SAOG Appointment Right" shall have the meaning set forth in Section 8.2 hereof.

"Simulated Depletion Deductions" means the simulated depletion allowance computed by the Company with respect to its oil and gas properties pursuant to Section 1.704-1(b)(2)(iv)(k)(2) of the Treasury Regulations. In computing such amounts, the Board of Managers shall have complete and absolute discretion to make any and all permissible elections.

"Simulated Gains" or "Simulated Losses" means the simulated gains or simulated losses computed by the Company with respect to its oil and gas properties pursuant to Section 1.704-1(b)(2)(iv)(k)(2) of the Treasury Regulations. In computing such simulated gains or losses, the Board of Managers shall have complete and absolute discretion to make any and all permissible elections.

"Tax Matters Partner" shall have the meaning set forth in Section 16.7 hereof.

"Transfer Restriction Agreement" shall mean the Transfer Restriction Agreement of even date herewith by and among the Company, the Partnership, Vaughn, SAM, SAOG, Peak LP and Raley GP, a copy of which is attached hereto as Exhibit A .

"Treasury Regulations" shall mean the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Vaughn" means Vaughn Petroleum, Ltd., a Texas limited partnership, and (for purposes of the definition of "Member Control Group" and of Section 8.2) any assignee of all or any part of the interests in the Company originally held by Vaughn who is admitted to the Company as a Member in conformity with the provisions of this Agreement.

"Vaughn Appointment Right" shall have the meaning set forth in Section 8.2 hereof.

II. NAME, PRINCIPAL OFFICE, REGISTERED OFFICES AND AGENTS, TERM, STATUS OF MEMBERS AND TAX STATUS

Section 2.1. Name of Company . The name of the Company is Dorchester Minerals Management GP LLC.

Section 2.2. Principal Office . The location of the principal office of the Company where records are to be kept or made available shall be 3738 Oak Lawn Avenue, Dallas, Texas 75219. The principal office of the Company may be changed by the Board of Managers.

Section 2.3. Registered Offices and Agents . The location of the registered office of the Company in the State of Delaware shall be c/o The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, The City of Wilmington, County of Newcastle, Delaware. The Board of Managers shall establish such other registered offices and appoint such other registered agents as it deems necessary or appropriate for the business of the Company. The registered offices and agents of the Company may be changed from time to time by the Board of Managers.

Section 2.4. Term . The Company shall have perpetual existence unless an Event of Dissolution (as defined in Section 17.1 hereof) shall occur prior to such time and the Company is not continued as hereinafter provided.

Section 2.5. Status of Members . Upon the Effective Date the Members shall constitute all of the members of the Company.

Section 2.6. Tax Status . The Company shall be operated such that it will be classified as a “partnership” for federal and, as determined by the Board of Managers, state income tax purposes. No action shall be made to treat the Partnership, Dorchester Operating LP or Dorchester Operating LLC as a corporation for federal income tax purposes and Dorchester Operating LP and Dorchester Operating LLC will be disregarded and their assets treated as owned by the Partnership for federal income tax purposes.

III. CHARACTER OF BUSINESS

Section 3.1. Purposes of the Company . The purposes of the Company are to act as the general partner of Dorchester Minerals Management LP, a Delaware limited partnership (the “Partnership”) which shall (i) act as the general partner of Dorchester Minerals, (ii) provide or cause to be provided certain management and administrative services to Dorchester Minerals, and (iii) own oil, gas and other mineral interests and other properties via Dorchester Operating LP, and conduct operations with respect thereto. The Company may accomplish its purposes through the agency of its own employees and independent contractors and/or the employees and independent contractors of its Members or any subsidiary of the Company or the Partnership including, but not limited to, Dorchester Operating LLC and Dorchester Operating LP.

IV. FORMATION, FOREIGN REGISTRATION AND NO PARTNERSHIP

Section 4.1. Formation . The Company was formed as a Delaware limited liability company by the filing of the Certificate under and pursuant to the Act with the Secretary of State

of the State of Delaware on December 12, 2001. Upon the Effective Date, the Company is hereby continued upon the terms set forth herein.

Section 4.2. Foreign Registration . The Company shall register to conduct business in such states and jurisdictions as the Board of Managers deems appropriate.

Section 4.3. No Partnership . The Members intend that the Company not be a partnership (including, without limitation, a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member with regard to the activities of the Company for any purposes other than federal and, if applicable, state tax purposes, and this Agreement may not be construed to suggest otherwise.

V. CAPITAL CONTRIBUTIONS

Section 5.1. Initial Contributions . Upon the execution of the Original Agreement, each Member made an initial capital contribution in the amount set forth on Schedule I hereto. Contemporaneously with the execution by such Member of this Agreement, each Member shall make the additional contribution required of such Member pursuant to the Contribution Agreement, which shall be credited to the Capital Account of such Member.

Section 5.2. Subsequent Contributions . All subsequent contributions require the consent of all the Members. No Member shall be required to make any subsequent contributions to the Company without the consent of all the Members.

Section 5.3. Return of Contributions . A Member is not entitled to the return of any part of its capital contributions or to be paid interest in respect of either its Capital Account or its capital contributions. An unrepaid capital contribution is not a liability of the Company or of any Member. A Member is not required to contribute or to lend any cash or property to the Company to enable the Company to return any Member's capital contribution.

Section 5.4. Advances by Members . If the Company does not have sufficient cash to pay its obligations, any Member(s) that may agree to do so may advance all or part of the needed funds to or on behalf of the Company if Member Consent is obtained. An advance described in this Section 5.4 constitutes a loan from the Member to the Company, bears interest at the Prime Rate from the date of the advance until the date of repayment, and is not a capital contribution.

VI. RIGHTS, POWERS AND OBLIGATIONS OF MEMBERS

Section 6.1. Members' Fees and Reimbursement of Expenses . Except as otherwise provided in Section 6.3 hereof, the Members shall not be paid any fees or other compensation whatsoever for services, whether ordinary or extraordinary, foreseen or unforeseen, rendered to or for the benefit of the Company. However, all expenses incurred by a Member for and on behalf of the Company in connection with the business of the Company hereunder (including, without limitation, charges for legal, accounting, data processing, administrative, executive, tax and other services rendered by employees of any Member) will be paid or promptly reimbursed by the Company; provided , however , that any salary or compensation expense incurred by a Member and attributable to the provision by the Member of the services of its officers in connection with the business of the Company hereunder shall not be reimbursed to such Member

but the actual out-of-pocket expenses incurred by the Member (other than salary or compensation expense) with respect to such provision of the services of its officers hereunder shall be reimbursed by the Company. Nothing contained in this Section 6.1 is intended to affect the Ownership Interest or Ownership Percentage of any Member or the amount that may be payable to any Member by reason of its interest in the Company.

Section 6.2. Duties of Members/Other Activities . The relationship existing pursuant to this Agreement shall not prohibit any Manager, any Member or any Person which is a member, manager, officer, director, parent, subsidiary or Affiliate of a Member or Manager, or any Person in which a Member, a Manager or the members, managers, officers, directors, parent, subsidiaries or Affiliates of a Member or Manager may have an interest, from engaging in any other business, investment or profession, except to the extent restricted herein or in a separate written agreement, including but not limited to the Dorchester Minerals Limited Partnership Agreement, the Limited Partnership Agreement and the Amended and Business Opportunities Agreement made by and among the Company, Dorchester Minerals and the Partnership dated as of January 31, 2003 (the "Business Opportunities Agreement"). Neither the Company nor any of the Members shall have any rights by virtue of this Agreement in or to any of such businesses, professions or investments, or in or to any income or profit derived therefrom.

Section 6.3. Dealing with Related Persons . Subject to the provisions of Section 6.6 and Section 9.11 hereof, the Company may employ or retain a Manager, a Member or an Affiliate of a Member or Manager to render or perform a service, may contract to buy property or services from or sell property or services to a Member, a Manager or any such Affiliate, and may otherwise deal with such Member, Manager or any such Affiliate; provided, however, that if the Company employs, retains or contracts with a Member, Manager or an Affiliate thereof, the charges made for services rendered and materials furnished by such Member, Manager or Affiliate shall be a reasonable amount comparable to the amount that would have been charged by others in the same line of business and not so related, and such relationship and charges shall be promptly disclosed in writing to the other Members.

Section 6.4. Liability of Members . No Member shall be liable, responsible, or accountable in damages or otherwise to any other Member or the Company for any act performed by it within the scope of the authority conferred on it by this Agreement, or made in good faith, except such liability, if any, as it may have for Disabling Conduct.

Section 6.5. No Resignation . Except for assignments, sales or other transfers of a Member's entire Ownership Interest made in compliance with Article XV hereof, no Member shall have the right to resign or withdraw from the Company prior to the dissolution and winding up of the Company, without prior written Member Consent. Any Member who resigns or withdraws from the Company in violation of the foregoing provision or who has resigned or withdrawn from the Company in a manner not expressly permitted herein, shall be liable to the Company and the Members for any damages sustained by reason of such resignation or withdrawal.

Section 6.6. Power, Voting and Consent . Notwithstanding the fact that the Company is to be managed by its Board of Managers pursuant to Section 8.1 hereof, the Members shall have the right and obligation to make decisions with respect to the matters specified in this Section 6.6

and with respect to any other matter that is expressly designated herein as a matter within the control of the Members or submitted by the Managers to the Members for a vote. The Members hereby delegate to the Board of Managers all other decisions relating to the Company. Decisions by the Board of Managers shall be made in the manner provided in Article IX. Affirmative decisions by the Members shall require approval by a majority of the Members on a per capita basis; provided, however, that an affirmative decision with respect to any of the following matters shall require approval by two-thirds (2/3) of the Members on a per capita basis (as applicable, a "Member Consent") and the Managers and officers shall not take, or, to the extent within their control, permit the occurrence of, action with respect to any such matter without Member Consent:

(a) The issuance of any equity security of the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC or the issuance of any rights, warrants, options, convertible securities or indebtedness, exchangeable securities or indebtedness or other rights, exercisable for or convertible or exchangeable into any such equity security of the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC;

(b) The resignation or withdrawal of any Person as a Member of the Company or as a partner of the Partnership;

(c) Except as expressly authorized herein, the direct or indirect redemption, purchase or other acquisition by the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC of any membership interest or other equity security of the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC;

(d) Any amendment of this Agreement, the Limited Partnership Agreement, the limited partnership agreement of Dorchester Operating LP or the limited liability agreement of Dorchester Operating LLC or any amendment to the Transfer Restriction Agreement, the Business Opportunities Agreement or any other agreement between the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC and any Member or any Affiliate of any Member;

(e) Any merger, combination, consolidation, restructuring, reorganization, recapitalization, or any other major transaction involving the structure, ownership or voting of the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC;

(f) The sale, lease, pledge or other disposition of assets of the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC, other than in the ordinary course of business;

(g) Any acquisition by the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC of (i) the equity ownership or all or a substantial portion of the assets of any other entity, or (ii) any other assets other than in the ordinary course of business, or (iii) any other assets that are not consistent with its business;

(h) The filing by the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC of a petition under federal bankruptcy laws or any other insolvency law, or the admission in writing by the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC of its insolvency or general inability to pay its debts as they become due;

(i) An election to dissolve the Company, the Partnership, Dorchester Operating LP or Dorchester Operating LLC;

(j) Any borrowing from a Member pursuant to Section 5.4; and

(k) Any action or decision that is inconsistent with the purposes of the Company as set forth in Section 3 hereof or of the purposes of the Partnership, Dorchester Operating LP or Dorchester Operating LLC as set forth in their respective Governance Agreements.

In the event that a Member transfers his entire Ownership Interest to one or more other Persons, and: (i) no such transferee is admitted as a Member; or (ii) all such transferees were already Members or are wholly owned subsidiaries of Members and/or are Persons wholly owning one or more Members; then the total number of voting Members for purpose of any such per capita vote shall be reduced accordingly.

No Member has the authority to bind the Company unless the Member is expressly granted such authority by the Board of Managers by a vote pursuant to Section 9.7.

Section 6.7. Succession Plan . Prior to the date that less than three of the Persons who are Members as of the Effective Date continue to own Ownership Interests, the Members shall establish a succession plan that provides for officers or other Persons actually directing and in charge of the management of the Company's business to become Members, either directly or indirectly through ownership, in whole or in part, of a Member.

VII. MEETINGS OF THE MEMBERS

Section 7.1. Annual Meeting . Beginning in 2004, an annual meeting of the Members shall be held on March 1 of each year (or the next succeeding business day, if March 1 is not a business day) or at such other time and date as may be determined by Member Consent. The annual meeting shall be held at the Company's principal office or such other location agreed to by all the Members. At such meeting the Members entitled to vote thereat (i) shall cause the Partnership to nominate the Persons for election by the limited partners of Dorchester Minerals as Independent Managers that are the members of the Advisory Committee as provided in Section 8.2 of this Agreement, (ii) may elect additional Independent Managers, pursuant to Section 8.2 hereof, as are required by Market Rules or if any Appointment Right is lost by any Members as to any Independent Manager pursuant to Section 8.4 hereof, and (iii) may transact such other business as properly may be brought before the meeting and that is within the scope of the permitted decisions specified in Section 6.6 hereof.

Section 7.2. Special Meetings . Special meetings of the Members may be called by the Chairman of the Board of Managers, the Board of Managers or any two Members.

Section 7.3. Notice of Annual or Special Meeting . Written or printed notice stating the location, day and hour of the meeting and, in case of a special meeting, the general purpose or purposes for which the meeting is called, shall be delivered in accordance with Article X not less than ten (10) days before the date of the meeting, either personally or by telefax communication (which shall be deemed given at the time the sender receives confirmation of delivery), by or at the direction of the Chairman of the Board of Managers, the Secretary, or the Member calling the meeting, to each Member.

Section 7.4. Business at Special Meeting . The business transacted at any special meeting of the Members shall be limited to such business that is within the scope of the permitted decisions specified in Section 6.6 hereof and that is stated in the notice thereof, and no unrelated business shall be conducted at such special meeting beyond the general scope identified in the notice unless all Members, whether such Member is present or not, agree in writing to consider and vote upon additional unrelated business.

Section 7.5. Quorum of Members . Unless otherwise provided by applicable law, the Certificate of Formation or this Agreement, the presence of a majority of the Members on a per capita basis and represented in person or by proxy, shall constitute a quorum at a meeting of the Members. The Members present at a duly organized meeting may continue to transact business until adjournment, and the subsequent withdrawal of any Member or the refusal of any Member to vote shall not affect the presence of a quorum at the meeting.

Section 7.6. Proxies . At any meeting of the Members, each Member having the right to vote shall be entitled to vote either in person or by proxy executed in writing by the Member or by his duly authorized attorney- in- fact. Proxies shall be valid until revoked or superseded by a subsequently dated proxy. Each proxy shall be revocable whether or not coupled with an interest, unless made irrevocable by law.

Section 7.7. Action by Written Consent Without a Meeting and Telephonic Meetings . Any action required or permitted by applicable law, the Certificate of Formation, or this Agreement to be taken at a meeting of the Members may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, is signed by Members having not less than the minimum number of votes that would be necessary to take such action at a meeting at which Members entitled to vote on the action were present and voting. Any such written consent does not have to be unanimous (unless the action that is approved in such written consent would require the unanimous approval of all Members at a meeting at which all of the Members were present). Every written consent must bear the date of signature of each Member who signs the consent. No written consent shall be effective to take the action that is the subject of the consent unless, within sixty (60) days after the date of the earliest dated consent delivered to the Company in the manner required by this Section 7.7, a consent or consents signed by Members having not less than the minimum number of votes that would be necessary to take the action that is the subject of the consent are delivered to the Company by delivery to its registered office, its principal place of business, or an officer or agent of the Company having custody of the books in which proceedings of meetings of Members are recorded. Delivery shall be by hand or certified or registered mail, return receipt requested or confirmed telefax communication. Delivery to the Company’s principal place of business shall be addressed to the Chief Executive Officer of the Company. Prompt notice of the taking of any

action by Members without a meeting by less than unanimous written consent shall be given by the Company to those Members who did not consent in writing to the action. With prior Member Consent, Members may participate in and hold a meeting of the Members by conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a Person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

VIII. BOARD OF MANAGERS

Section 8.1. Powers . The business and affairs of the Company shall be managed by or under the direction of its Board of Managers, which may exercise all such powers of the Company and do all such lawful acts and things as are not by non-waivable provisions of the Act or by the Certificate of Formation or by this Agreement directed or required to be exercised and done by the Members. No individual Manager has the authority to bind the Company unless the Manager is granted such authority by the Board of Managers.

Section 8.2. Number of Managers . The Board of Managers shall consist of (a) five (5) Managers, with each Member appointing one such Manager (collectively, the "Appointed Managers"); and (b) three independent managers (other than the Appointed Managers) or such other, greater number of independent managers (other than the Appointed Managers) as required by the rules and regulations of the market quotation system or securities exchange, as the case may be, on which units of Dorchester Minerals are or are intended to be listed (the "Market Rules"), which independent managers shall meet the requirements for members of the "Advisory Committee" as defined in the Dorchester Minerals Limited Partnership Agreement. The independent managers in clause (b) of the preceding sentence are referred to herein as the "Independent Managers." No two or more Members may designate the same individual as a Manager to serve on the Board of Managers. The initial Appointed Manager for each Appointing Member shall be as follows:

A PPOINTING M EMBER	A PPOINTED M ANAGER
SAM	H.C. Allen, Jr.
Vaughn	Robert C. Vaughn
SAOG	William Casey McManemin
Peak LP	Preston A. Peak
Raley GP	James E. Raley

Peak LP and Raley GP shall collectively have the right to appoint one (1) Independent Manager to serve as a member of the Advisory Committee until the 2004 annual meeting of limited partners of Dorchester Minerals (the "Peak LP/Raley GP Appointment Right"). Vaughn shall have the right to appoint one (1) Independent Manager to serve as a member of the Advisory Committee until the 2004 annual meeting of limited partners of Dorchester Minerals (the

"Vaughn Appointment Right"). SAM and SAOG shall collectively have the right to appoint one (1) Independent Manager to serve as a member of the Advisory Committee until the 2004 annual meeting of limited partners of Dorchester Minerals (the "SAM/SAOG Appointment Right"). (Such rights are referred to herein collectively as the "Appointment Rights.") Beginning with the annual meeting of limited partners of Dorchester Minerals in 2004, each of the Appointment Rights shall be the right to cause the Partnership to nominate one (1) Person for election, in accordance with the Dorchester Minerals Limited Partnership Agreement, by the limited partners of Dorchester Minerals as an Independent Manager that is a member of the Advisory Committee. Each person so elected by the limited partners of Dorchester Minerals shall, as a result of such election, be an Independent Manager of the Company. Such nominations shall be made by the holders of the Appointment Rights at the annual meeting of Members as provided by Section 7.1. If any additional Independent Managers are required by the Market Rules or if any such Appointment Right is lost by any Members as to any Independent Managers pursuant to Section 8.4, such Independent Managers shall be elected or nominated, as applicable, by a vote of the majority of the Members. Each such Independent Manager shall meet the requirements for independent directors set forth in the Market Rules.

Section 8.3. Election and Term .

(a) Each Appointed Manager shall serve until the earlier of his death, resignation or removal from office which may be with or without cause by the Member that appointed such Manager (the "Appointing Member"). In the event of a vacancy on the Board of Managers (other than a vacancy which must be filled with an Independent Manager), then the Appointing Member that appointed the Appointed Manager whose failure to continue to serve as a Manager has created the vacancy shall fill such vacancy by delivery of written notice to the Company and each other Member designating a replacement Manager to fill such vacancy (or, if such appointment right has been lost pursuant to Section 8.4, such vacancy shall be filled by majority vote of the Members specified in Section 8.4). Upon receipt of such written notice by the Company, the replacement Appointed Manager shall be appointed as a Manager hereunder, unless objected to in writing on a reasonable basis by all of the Appointed Managers other than the Manager who is being replaced pursuant to this Section 8.3(a) and any Manager whose Appointing Member, or an Affiliate thereof, has the appointment right with respect to such replacement.

(b) Each appointed Independent Manager that is a member of the Advisory Committee shall hold office until the 2004 annual meeting of limited partners of Dorchester Minerals, unless such appointed Independent Manager shall sooner cease to serve as a result of his death, resignation or removal. Beginning with the 2004 annual meeting of limited partners of Dorchester Minerals, each Person elected by the limited partners of Dorchester Minerals as an Independent Manager that is a member of the Advisory Committee shall hold office until the next annual meeting of limited partners of Dorchester Minerals in accordance with the Dorchester Minerals Limited Partnership Agreement. Any Independent Manager elected by the Members pursuant to Section 7.1 that is not required to be elected by the limited partners of Dorchester Minerals as a member of the Advisory Committee shall serve until the next annual meeting of Members, unless such Independent Manager shall sooner cease to serve as a result of his death, resignation or removal. In the event of a vacancy on the Board of Managers which must be filled with an Independent Manager that is a member of the Advisory Committee, such

vacancy shall be filled by written notice to the Company and each Member given by the Member or Members having the Appointment Right with respect to the Independent Manager whose death, resignation or removal necessitated the appointment of a replacement Independent Manager (or, if such Appointment Right has been lost pursuant to Section 8.4, such vacancy shall be filled by majority vote of the Members specified in Section 8.4). Upon receipt of such written notice by the Company, the replacement Independent Manager shall be appointed as an Independent Manager hereunder, unless objected to in writing on a reasonable basis by all of the Appointed Managers other than any Manager whose Appointing Member, or an Affiliate thereof, has or shares the Appointment Right with respect to the replacement Independent Manager.

(c) Managers need not be residents of the State of Delaware or Members of the Company.

Section 8.4. Loss of Appointment Right . If at any time after the Effective Date a Change in Control of any Member occurs, then such Member shall lose all appointment and removal rights stated in Sections 8.2 and 8.3 unless and until the other Members unanimously consent to the continuation of such Member's appointment and removal rights following such Change in Control. In the event that a Member loses appointment and removal rights in accordance with this Section 8.4, then the remainder of the Members shall exercise such Member's appointment and removal rights by majority vote; provided, that no Manager appointed pursuant to such rights may concurrently be serving as either an Appointed Manager or an Independent Manager. Notwithstanding the foregoing, if either of the Members sharing a particular Appointment Right (but not both) experience a Change in Control, such Appointment Right shall be solely vested in the Member, if any, which did not experience a Change in Control. In the event that both of the Members sharing a particular Appointment Right lose their appointment and removal rights in accordance with this Section 8.4, such Appointment Right shall immediately expire. A Change in Control of a Member shall not affect the right of that Member to vote on all matters on which Members are entitled to vote by law or under this Agreement or on any other matter presented to a vote of the Members, including without limitation, any vote that could in any way adversely affect such Member's interest in the capital or profits of the Company or of the Partnership.

Section 8.5. Resignation and Removal . Any Manager may resign at any time upon giving written notice to the Company. Any Appointed Manager or any Independent Manager appointed pursuant to an Appointment Right may be removed only by his Appointing Member, or the Member or Members having the Appointment Right with respect to such Independent Manager (as applicable), in accordance with Section 8.3. Any other Independent Manager may be removed at any time with or without cause by the vote of two-thirds (2/3) of the Members.

Section 8.6. Compensation of Managers . The Managers may be paid their expenses of attendance at each meeting of the Board of Managers; however, Appointed Managers shall not receive any compensation for serving as a Manager or as a member of any committee of the Board of Managers. The Independent Managers shall be compensated in such amounts as shall be established by the Appointed Managers. This provision shall not preclude any Manager from serving the Company in any other capacity and receiving compensation therefor. In addition to the foregoing, all expenses incurred by a Manager in the performance of its duties hereunder or for and on behalf of the Company in connection with the business of the Company (including,

without limitation, charges for legal, accounting, data processing, administrative, executive, tax and other services rendered by employees of any Manager) will be paid or promptly reimbursed by the Company; provided , however , that any salary or compensation expense incurred by a Manager and attributable to the provision by the Manager of the services of its officers in connection with the business of the Company hereunder shall not be reimbursed to such Manager but the actual out-of-pocket expenses incurred by the Manager (other than salary or compensation expense) with respect to such provision of the services or its officers hereunder shall be reimbursed by the Company.

Section 8.7. Chairman of the Board of Managers . The Board may, but shall not be required to, from time to time, by majority vote designate one Manager to serve as Chairman of the Board of Managers; provided, however, that any such Chairman of the Board of Managers shall not, in such capacity, be an officer of the Company. The Chairman of the Board of Managers shall preside at all meetings of the Board of Managers and shall have such other powers and duties as usually pertain to such position or as may be delegated to him by the Board of Managers. The Chairman of the Board of Managers shall serve as such until the earlier of his death, resignation or removal from office by the Board of Managers.

IX. MEETINGS OF THE BOARD OF MANAGERS

Section 9.1. Annual Meeting . An annual meeting of the Board of Managers shall be held immediately following the annual meeting of the Members, and no notice of such meeting shall be necessary in order legally to constitute the meeting, provided a quorum shall be present.

Section 9.2. Regular Meetings . The Board of Managers shall schedule regular meetings of the Board of Managers at quarterly intervals, or such other regular intervals as the Board of Managers shall determine to be appropriate.

Section 9.3. Special Meetings . Upon not less than twenty-four (24) hours' prior written notice, special meetings of the Board of Managers may be called by any two Managers, the Chairman of the Board or the Chief Executive Officer, but notice need not be given to any Manager who shall, either before or after the meeting, submit a signed waiver of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to such Manager.

Section 9.4. Location of and Business at Regular or Special Meeting . Meetings of the Board of Managers shall be held at the principal office of the Company, or at such other place or places as shall be agreed upon by the Board of Managers. Neither the business to be transacted at, nor the purpose of, any regular meeting of the Board of Managers need be specified. The business to be transacted at, and the general purpose of any special meeting shall be identified in the notice or waiver of notice of such meeting, and no unrelated business shall be conducted by the Board of Managers at such special meeting beyond the general scope of the business and purpose identified in the notice and waiver.

Section 9.5. Quorum of Managers . Five Managers, at least four of whom shall be Appointed Managers, shall constitute a quorum for the transaction of business by the Board of Managers.

Section 9.6. Votes . Each Manager on the Board of Managers shall have one vote. Managers shall not have the authority to permit voting by proxy.

Section 9.7. Act of Managers Meeting . The act of a majority of the total number of Managers, at a meeting at which a quorum is present, shall be the act of the Board of Managers, unless the act of a greater number is required by law, the Certificate of Formation or this Agreement. Tie votes do not constitute a majority. Notwithstanding the foregoing, the following actions shall require the consent of two-thirds (2/3) of the Appointed Managers or two-thirds (2/3) of the Operating Committee, in addition to any vote of the Advisory Committee that may be required under Section 9.11:

(a) The issuance of any equity security of Dorchester Minerals or the issuance of any rights, warrants, options, convertible securities or indebtedness, exchangeable securities or indebtedness or other rights, exercisable for or convertible or exchangeable securities into any such equity security of the Dorchester Minerals;

(b) The direct or indirect redemption, purchase or other acquisition of any membership interest or other equity security of Dorchester Minerals;

(c) Any amendment of or proposal to amend the Dorchester Minerals Limited Partnership Agreement or any amendment to the Business Opportunities Agreement or any other agreement between Dorchester Minerals and any Member or Manager or any Affiliate of any Member or Manager;

(d) Any merger, combination, consolidation, restructuring reorganization, recapitalization or any other major transaction involving the structure, ownership or voting of Dorchester Minerals;

(e) The sale, lease or other disposition of all or substantially all of the assets of Dorchester Minerals, other than in the ordinary course of business;

(f) Any acquisition by Dorchester Minerals of (i) the equity ownership or all or a substantial portion of the assets of any other entity, (ii) any other assets other than in the ordinary course of business, or (iii) any other assets that are not consistent with its business;

(g) The filing by Dorchester Minerals of a petition under federal bankruptcy laws or any other insolvency law, or the admission in writing by Dorchester Minerals of its insolvency or general inability to pay its debts as they become due;

(h) Any election to dissolve Dorchester Minerals;

(i) Any transaction between Dorchester Minerals and a Member or Manager or an Affiliate of a Member or Manager (and any other agreement for the benefit of a Member, a Manager or an Affiliate of a Member or Manager) other than immaterial transactions undertaken in the ordinary course of Dorchester Minerals' business;

(j) Any action or decision that is inconsistent with the purposes of Dorchester Minerals as set forth in the Dorchester Minerals Limited Partnership Agreement;

(k) Any removal of an officer of the Company, the Partnership, Dorchester Operating LLC or Dorchester Operating LP; and

(l) The submission to a vote of the Members of any other matter which does not under Section 6.6 already require the approval of the Members.

Section 9.8. Act of Managers as to Former Properties and Operations of Dorchester Hugoton, Ltd . For a period of two (2) years after the Effective Date, any of the following actions which involve properties or operations which were owned or conducted by Dorchester Hugoton, Ltd., must be approved by one of the Appointed Managers appointed by either Peak LP or Raley GP, or either of their respective successors or assigns, in addition to any other vote or approval which may be required under this Agreement:

(a) Material changes in personnel;

(b) Significant sales or transfers of assets or interests in assets;

(c) Changes in marketing strategy;

(d) Changes in lessee/lessor relationships, including but not limited to, termination, extension or amendment of leases; and

(e) Outsourcing of significant operations or functions.

Section 9.9. Action by Unanimous Written Consent Without a Meeting and Telephonic Meetings . Any action required or permitted to be taken at a meeting of the Board of Managers or committee thereof under the provisions of any applicable law, the Certificate of Formation or this Agreement may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all members of the Board of Managers or committee thereof. Such consent shall have the same force and effect as a unanimous vote of the Board of Managers or committee thereof. Managers may participate in and hold a meeting of the Board of Managers by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Section 9.10. Interested Managers . No contract or transaction between the Company and one or more of its Managers or officers, or between the Company and any other corporation, partnership, association, or other organization in which one (1) or more of its Managers or officers are members, managers, shareholders, partners, officers or directors or have a financial interest, shall be void or voidable solely for this reason, or solely because the Manager or officer is present at or participates in the meeting of the Board of Managers or committee thereof that authorizes the contract or transaction by the vote otherwise required for such authorization hereunder, or solely because his or its or their votes are counted for such purpose, if:

(i) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Managers or the committee, and the Board of Managers or the committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Managers or committee members, even though the disinterested Managers or committee members be less than a quorum;

(ii) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the Members; or

(iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved or ratified by the Board of Managers, a committee thereof or the Members.

Interested Managers may be counted in determining the presence of a quorum at a meeting of the Board of Managers or committee thereof that authorizes the contract or transaction.

Section 9.11. The Advisory Committee .

(a) Designation . The Board of Managers, by resolution adopted by a majority of the full Board of Managers, which shall include not less than four of the Appointed Managers, shall designate an advisory committee (the "Advisory Committee"), which shall have the authority assigned to it in Sections 9.11(b) and (c) below and such other authority as may be delegated to it by the Board of Managers, subject to the limitations imposed by applicable law, the Certificate and this Agreement.

(b) Audit Committee Function . The Advisory Committee will function as the audit committee for Dorchester Minerals to the extent required by Market Rules.

(c) Transactions with Affiliates . The Advisory Committee will act as the "Advisory Committee" as contemplated in the Dorchester Minerals Limited Partnership Agreement. The Advisory Committee will also review (i) any and all transactions between the Company, the Partnership, Dorchester Operating LLC or Dorchester Operating LP, on the one hand, and a Member or Affiliate (other than Dorchester Minerals) thereof, on the other hand, and (ii) any compensation or benefits paid by the Company, the Partnership, Dorchester Operating LLC, Dorchester Operating LP or Dorchester Minerals to any executive officer of any of such companies, and all such matters described in this sentence shall be subject to approval by the Advisory Committee.

(d) Membership . The Advisory Committee shall be composed of the Independent Managers. The designation of the Advisory Committee and the delegation thereto of authority shall not operate to relieve the Board of Managers, or any member thereof, of any responsibility imposed upon it or him by law.

(e) Required Vote . Any and all matters decided upon by the Advisory Committee shall require the majority approval of the members of the Advisory Committee.

Section 9.12. Operating Committee .

(a) Designation . The Board of Mangers, by resolution adopted by a majority of the full Board of Managers, may designate a committee to be known as the Operating Committee, which, to the extent provided in such resolution or in this Agreement, shall have and may exercise all the authority of the Board of Managers, subject to the limitations imposed by applicable law, the Certificate and this Agreement.

(b) Membership . The Operating Committee shall be composed of the Appointed Managers. The designation of the Operating Committee and the delegation thereto of authority shall not operate to relieve the Board of Managers, or any member thereof, of any responsibility imposed upon it or him by law.

(c) Required Vote Any and all matters decided upon by the Operating Committee shall require the approval of a majority of the total number of members of the Operating Committee, at a meeting at which a quorum is present, unless the act of a greater number is required by law, the Certificate of Formation or this Agreement. Tie votes do not constitute a majority.

Section 9.13. Other Committees . The Board of Managers, by resolution adopted by a majority of the full Board of Managers, which majority shall include not less than four of the Appointed Managers, may designate one or more other committees from among its members, each of which, to the extent provided in such resolution or in this Agreement, shall have and may exercise all the authority of the Board of Managers, subject to the limitations imposed by applicable law, the Certificate and this Agreement.

Section 9.14. Procedure, Meetings, Quorum of Committees . Regular meetings of the Operating Committee or any other committee of the Board of Managers, of which no notice shall be necessary, may be held at such times and places as shall be fixed by resolution adopted by a majority of the members thereof. Special meetings of the Operating Committee or any other committee of the Board shall be called at the request of the Board, the Chairman of the Board, or any two (2) members of such committee. Four-fifths of the Operating Committee, and a majority of any other committee of the Board, shall constitute a quorum for the transaction of business at any meeting. The Operating Committee or any other committee of the Board shall keep regular minutes of its proceedings and report the same to the Board of Managers when required.

X. NOTICES

Section 10.1. Methods of Giving Notice . Whenever any notice is required to be given to any Member or Manager under the provisions of any applicable law, the Certificate of Formation or this Agreement, it shall be given in writing and delivered personally or delivered by facsimile communication (“telefax”) to such Member or Manager at such address (and at such member

facsimile) as appears on the books of the Company; provided, however, notice of special meetings of the Managers may also be given by telephone, and, with the approval of all such Members or Managers, any other notice may be given by telephone or electronic mail. Any such notice shall be deemed to be given at the time the recipient actually receives the notice in the case of personal delivery, when the sender receives electronic confirmation of delivery with respect to any notice given by facsimile communication, when the sender actually speaks to the recipient in the case of telephonic notice or when the recipient reads the message in the case of electronic mail.

Section 10.2. Waiver of Notice . Whenever any notice is required to be given to any Member or Manager under the provisions of any applicable law, the Certificate of Formation or this Agreement, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 10.3. Attendance as Waiver . Attendance of a Member or Manager at a meeting shall constitute a waiver of notice of such meeting, except where a Member or Manager attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business on the ground that the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in any written waiver unless required by any applicable law, the Certificate of Formation or this Agreement.

XI. OFFICERS

Section 11.1. Officers . The Managers shall elect the officers of the Company as provided in this Agreement. The officers of the Company shall consist of a Chief Executive Officer (who initially shall be William Casey McManemin), a Chief Financial Officer (who initially shall be H.C. Allen, Jr.), a Chief Operating Officer (who initially shall be James E. Raley) and a Secretary (who initially shall be H. C. Allen, Jr.) to serve at the pleasure of the Managers and who shall hold their offices for such terms and shall exercise such power and perform such duties as shall be determined from time to time by the Board of Managers or the Operating Committee.

Section 11.2. Election and Qualification . The Managers, at each annual meeting, shall choose the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Secretary. The Managers may, from time to time, choose such other officers as they may deem necessary or appropriate.

Section 11.3. Salaries . No person shall receive any compensation in such person’s capacity as an elected officer of the Company.

Section 11.4. Term, Removal and Vacancies . Each officer of the Company shall hold office until his successor is chosen and qualified or until his death, resignation, or removal. Any officer may resign at any time upon giving written notice to the Company. Any officer may be removed by the Board of Managers or the Operating Committee with or without cause, upon the requisite approval under Section 9.8, if any, but such removal shall be without prejudice to the contract or other legal rights, if any, of the person so removed. Election or appointment of an

officer shall not of itself create contract rights. Any vacancy occurring in any office of the Company by death, resignation, removal or otherwise shall be filled by the Board of Managers.

Section 11.5. Chief Executive Officer . The Chief Executive Officer shall have general powers of oversight, supervision and management of the business and affairs of the Company, and shall see that all orders and resolutions of the Board of Managers and/or the Operating Committee are carried into effect. The Chief Executive Officer shall have such other powers and duties as usually pertain to such office or as may be delegated by the Board of Managers or the Operating Committee. The other officers shall report to the Chief Executive Officer. The Chief Executive Officer shall execute bonds, mortgages, debt instruments, contracts, licenses, leases, agreements, legal pleadings (upon the advice of counsel), governmental filings, and other documentation, except where the signing and execution thereof shall be expressly delegated by the Board of Managers or the Operating Committee to some other officer or agent of the Company.

Section 11.6. Chief Operating Officer . The Chief Operating Officer shall, in the absence or disability of the Chief Executive Officer, perform the duties and exercise the powers of the Chief Executive Officer. The Chief Operating Officer shall have charge of the operations of the Company and shall have such other powers and duties as usually pertain to such office or as the Board of Managers or the Operating Committee shall prescribe or as the Chief Executive Officer shall delegate.

Section 11.7. Chief Financial Officer . The Chief Financial Officer shall have the charge of the funds and the financial condition of the Company and shall have such other powers and duties as usually pertain to such office or as the Board of Managers or the Operating Committee shall prescribe or as the Chief Executive Officer shall delegate.

XII. INDEMNIFICATION

Section 12.1. Right to Indemnification . Subject to the limitations and conditions set forth in this Article XII, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a Member, Manager or officer of the Company or while a Member, Manager or officer of the Company is or was serving at the request of the Company as a partner, director, officer, manager, member, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise (a "Covered Person"), shall be indemnified by the Company to the fullest extent permitted by the Act, as the same exists or may be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Section 12.1 shall continue as

to a Person who has ceased to serve in the capacity that initially entitled such Person to indemnity under this Section. Such actions covered by such indemnification shall include those brought by a Member or the Company. The rights granted pursuant to this Article XII shall be deemed contract rights, and no amendment, modification or repeal of this Article XII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. **IT IS EXPRESSLY ACKNOWLEDGED THAT THE INDEMNIFICATION PROVIDED IN THIS ARTICLE XII COULD INVOLVE INDEMNIFICATION FOR NEGLIGENCE OR UNDER THEORIES OF STRICT LIABILITY** ; provided, however , that notwithstanding the foregoing or any other provision of this Agreement, the Company shall not provide indemnification to any Person in respect of any Disabling Conduct. The negative disposition of any Proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the Covered Person acted in a manner contrary to the standard set forth in this Section.

Section 12.2. Advance of Expenses . The right to indemnification conferred in this Article XII shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 12.1 or 12.3 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however , that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding shall be made only upon the delivery to the Company of a written affirmation by such Person of his good faith belief that he has met the standard of conduct necessary for indemnification under Section 12.1 or 12.3 and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under Section 12.1 or 12.3.

Section 12.3. Indemnification of Employees and Agents . The Company may indemnify and advance expenses to any employee or agent of the Company to the same extent permitted under Section 12.1 for Covered Persons. In addition, the Company may (by a resolution of the Members) indemnify and advance expenses to any Person whether or not he is an employee or agent of the Company but who is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in such a capacity or arising out of his status as such a Person, to the same extent permitted under Section 12.1 for Covered Persons.

Section 12.4. Appearance as a Witness . Notwithstanding any other provision of this Article XII the Company may pay or reimburse expenses incurred by a Member, Manager, officer, employee or agent in connection with his appearance as a witness or other participation in a Proceeding at a time when he is not a named defendant or respondent in the Proceeding.

Section 12.5. Non-Exclusivity of Rights . The right to indemnification and the advancement and payment of expenses conferred in this Article XII shall not be exclusive of any other right a Person indemnified pursuant to this Article XII may have or may acquire under any

law (common or statutory), any provision of the Certificate or this Agreement, a vote of Members or Managers or otherwise.

Section 12.6. Insurance . The Company may purchase and maintain insurance, to the extent and in such amounts as the Board of Managers shall, in its sole discretion, deem reasonable, to protect itself, the Partnership, Dorchester Operating LP and/or Dorchester Operating LLC, and/or any Covered Persons or other Persons indemnifiable under the provisions of this Article XII. against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expenses, liability or loss under this Article XII.

Section 12.7. Member Notification . To the extent required by law, any indemnification of or advance of expenses to a Person in accordance with this Article XII shall be reported in writing to the Members within the thirty (30)-day period immediately following the date of the indemnification or advance.

Section 12.8. No Personal Liability . In no event may any Covered Person subject the Members to personal liability by reason of any indemnification of an Covered Person under this Agreement or otherwise.

Section 12.9. Interest in Transaction . A Covered Person shall not be denied indemnification in whole or in part under this Article XII because the Covered Person had an interest in the transaction with respect to which the indemnification applies if the transaction is otherwise permitted by the terms of the Governance Agreements.

Section 12.10. Successors and Assigns . The provisions of this Article XII are for the benefit of the Covered Persons and their heirs, successors, assigns, administrators and personal representatives and shall not be deemed to be for the benefit of any other Persons. The provisions of this Section 12.10 shall not be amended in any way that would diminish the rights of Covered Persons under this Article XII without the consent of all Members.

Section 12.11. Savings Clause . If all or any portion of this Article XII shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any Person indemnified pursuant to this Article XII as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Article XII that shall not have been invalidated and, subject to this Article XII, to the fullest extent permitted by applicable law.

Section 12.12. Exculpation . The following exculpatory provisions shall apply to this Agreement:

(a) General . Notwithstanding any other terms of this Agreement, whether express or implied, or obligation or duty at law or in equity, no Covered Person nor any officer, employee, representative or agent of the Company or its Affiliates shall be liable to the Company or any Member for any act or omission (in relation to the Company, this Agreement, any related document or any transaction or investment contemplated hereby

or thereby) taken or omitted in good faith by such Person and in the reasonable belief that such act or omission is in or is not contrary to the best interests of the Company and is within the scope of authority granted to such Person by this Agreement or the other Governance Agreements except in the following circumstances: (i) such act or omission constitutes Disabling Conduct or (ii) with respect to liability that may arise under any other agreement, such act or omission constitutes a breach of that agreement.

(b) Reliance . A Covered Person or other officer, employee, representative or agent of the Company may rely and shall incur no liability in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, paper, document, signature or writing reasonably believed by it to be genuine, and may rely on a certificate signed by an officer of any Person in order to ascertain any fact with respect to such Person or within such Person's knowledge and may rely on an opinion of counsel selected by such Covered Person or other officer, employee, representative or agent of the Company with respect to legal matters unless such Covered Person acts in bad faith.

XIII. ALLOCATIONS

Section 13.1. Consent to Allocations . Each Member as a condition of becoming a Member expressly consents to the following allocations as set forth in this Article XIII.

Section 13.2. Distributive Shares for Tax Purposes . There shall be allocated to each Member for federal income tax purposes a separate distributive share of all Company income, gain, loss, deduction and credit as follows:

(a) Except as otherwise provided in this Article XIII, Net Profit, if any, of the Company (and each item thereof) for each Fiscal Year or other period shall be allocated among the Members pro rata in accordance with their Ownership Percentages.

(b) Except as otherwise provided in this Article XIII, Net Loss, if any, of the Company (and each item thereof) for each Fiscal Year or other period shall be allocated to the Members pro rata in accordance with their Ownership Percentages.

(c) The provisions of this Agreement relating to the allocation of Gross Income, Net Profit and Net Loss are intended to comply with the Treasury Regulations under Section 704(b) of the Code and shall be interpreted and applied in a manner consistent with such Treasury Regulations.

(d) Notwithstanding any other provision of this Agreement to the contrary, if in any Fiscal Year or other period there is a net decrease in the amount of the Company Minimum Gain, then each Member shall first be allocated items of Gross Income for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in such minimum gain during such year (as determined under Treasury Regulations Section 1.704-2(g)(2)); provided, however, if there is insufficient Gross Income in a year to make the allocation specified above for all Members for such year, the Gross Income shall be allocated among the Members in proportion to the

respective amounts they would have been allocated above had there been an unlimited amount of Gross Income for such year.

(e) Notwithstanding any other provision of this Agreement to the contrary other than Section 13.2(d), if in any year there is a net decrease in the amount of the Member Nonrecourse Debt Minimum Gain, then each Member shall first be allocated items of Gross Income for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in such minimum gain during such year (as determined under Treasury Regulations Section 1.704-2(i)(4)); provided, however, if there is insufficient Gross Income in a Fiscal Year to make the allocation specified above for all Members for such year, the Gross Income shall be allocated among the Members in proportion to the respective amounts they would have been allocated had there been an unlimited amount of Gross Income for such Fiscal Year.

(f) Notwithstanding any other provision of this Agreement to the contrary (except Sections 13.2(d) and 13.2(e) which shall be applied first), if in any Fiscal Year or other period a Member unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Gross Income shall first be allocated to Members with negative Capital Account balances (adjusted in accordance with Section 13.4(e)), in proportion to such negative balances, until such balances are increased to zero.

(g) Notwithstanding the provisions of Section 13.2(b), Net Loss (or items thereof) shall not be allocated to a Member if such allocation would cause or increase a negative balance in such Member's Capital Account (adjusted in accordance with Section 13.4(e)) and shall be reallocated to the other Members, subject to the limitations of this Section 13.2(g).

(h) Any Member Nonrecourse Deductions shall be allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such deductions are attributable.

(i) Company Nonrecourse Deductions shall be allocated to the Members pro rata in accordance with their Ownership Percentages.

(j) In the event that any Gross Income, Net Loss (or items thereof) or deductions are allocated pursuant to Sections 13.2(d) through 13.2(i), subsequent Gross Income, Net Profit or Net Loss (or items thereof) will first be allocated (subject to Sections 13.2(d) through 13.2(i)) to the Members in a manner which will result in each Member having a Capital Account balance equal to that which would have resulted had the original allocation of Gross Income, Net Loss (or items thereof) or deductions pursuant to Sections 13.2(d) through 13.2 (i) not occurred; provided, however, no allocations pursuant to this Section 13.2(j), which are intended to offset allocations pursuant to Section 13.2(h) and Section 13.2(i), shall be made prior to the Fiscal Year during which there is a net decrease in Member Nonrecourse Debt Minimum Gain or Company Minimum Gain, and then only to the extent necessary to avoid any potential economic distortions caused by such net decrease in Member Nonrecourse Debt

Minimum Gain or Company Minimum Gain, and no such allocation pursuant to this Section 13.2(j) shall be made to the extent that the Board of Managers reasonably determines that it is likely to duplicate a subsequent mandatory allocation pursuant to Section 13.2(d) or Section 13.2(e).

(k) Unless the Board of Managers elects to adjust Capital Accounts to reflect Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, the portion of the total amount realized by the Company upon the taxable disposition of a Depletable Property that represents recovery of its simulated adjusted tax basis therein will be allocated to the Members in the same proportion as the aggregate adjusted tax basis of such property was allocated to such Members (or their predecessors in interest). If the Board of Managers elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, the portion of the total amount realized by the Company upon a taxable disposition of such property that equals the Members' aggregate remaining adjusted basis therein will be allocated to the Members in proportion to their respective remaining adjusted tax bases in such property. Any amount realized in excess of the above amounts shall be allocated among the Members in accordance with their Ownership Percentages.

(l) If an interest in the Company is transferred, the Gross Income, Net Profit or Net Loss allocable to the holder of such Company interest for the then Fiscal Year shall be allocated proportionately between the assignor and the assignee based on the number of calendar days during such Fiscal Year for which each party was the owner of the transferred interest in the Company or upon some other reasonable method.

Section 13.3. Code Section 704(c) . In accordance with Code Section 704(c) and the Treasury Regulations thereunder, depletion, depreciation, amortization, income, gain and loss, as determined for tax purposes, with respect to any property whose Book Value differs from its adjusted basis for federal income tax purposes shall, for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Book Value. The Company shall utilize such method to eliminate book-tax disparities attributable to a contributed property or adjusted property as shall be determined by the Board of Managers. Allocations pursuant to this Section 13.3 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Net Profit, Net Loss, other items, or distributions pursuant to any provision of this Agreement.

Section 13.4. Capital Accounts . A separate capital account ("Capital Account") shall be maintained for each Member, as follows:

(a) There shall be credited to each Member's Capital Account the amount of any cash actually contributed by such Member to the capital of the Company (or deemed contributed pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(c)), the fair market value of any property contributed by such Member to the capital of the Company (net of any liabilities secured by such property that the Company is considered to assume or to take subject to under Code Section 752), such Member's share of the Gross Income and Net Profit (and all items thereof) of the Company and such Member's share of

Simulated Gain or, if the Board of Managers elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, such Member's Actual Gains. There shall be charged against each Member's Capital Account the amount of all cash distributed to such Member by the Company (or deemed distributed pursuant to Treasury Regulations Section 1.704-1(b) (2) (iv) (c)), the fair market value of any property distributed to such Member by the Company (net of any liability secured by such property that the Member is considered to assume or take subject to under Code Section 752), such Member's share of the Net Loss (and all items thereof) of the Company and either such Member's distributive share of Simulated Losses and Simulated Depletion Deductions or, if the Board of Managers elects to use Actual Depletion Deductions pursuant to Section 1.704-1(b)(2)(iv)(k)(3) of the Treasury Regulations, such Member's Actual Losses and Actual Depletion Deductions.

(b) If the Company at any time distributes any of its assets in-kind to any Member, the Capital Account of each Member shall be adjusted to account for that Member's allocable share (as determined under this Article XIII) of the Net Profit or Net Loss that would have been realized by the Company had it sold the assets that were distributed at their respective fair market values immediately prior to their distribution, but only to the extent not previously reflected in the Members' Capital Accounts.

(c) Any adjustments to the tax basis (or Book Value) of Company property under Code Sections 732, 734 or 743 will be reflected as adjustments to the Capital Accounts of the Members, only in the manner and to the extent provided in Treasury Regulations Section 1.704-1(b)(2)(iv)(m).

(d) Upon the decision of the Board of Managers, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property to its fair market value on the date of adjustment upon the occurrence of any of the following events:

(i) An increase in any new or existing Member's Ownership Interest resulting from the contribution of money or property by such Member to the Company,

(ii) Any reduction in a Member's Ownership Interest resulting from a distribution to such Member in redemption of all or part of its Ownership Interest, unless such distribution is pro rata to all Members in accordance with their respective Ownership Interests, and

(iii) Whenever otherwise allowed under Treasury Regulations Section 1.704-1(b)(2)(iv)(f).

The adjustments to Capital Accounts shall reflect the manner in which the unrealized Net Profit or Net Loss inherent in the property would be allocated if there were a disposition of the Company's property at its fair market value on the date of adjustment.

(e) For purposes of Sections 13.2(d) through 13.2(i) a Member's Capital Account shall be reduced by the net adjustments, allocations and distributions described

in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) which, as of the end of the Company's taxable year are reasonably expected to be made to such Member, and shall be increased by the sum of (i) any amount which the Member is required to restore to the Company upon liquidation of its Ownership Interest in the Company (or which is so treated pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c)) pursuant to the terms of this Agreement or under state law, (ii) the Member's share (as determined under Treasury Regulations Section 1.704-2(g)(1)) of Company Minimum Gain, (iii) the Member's share (as determined under Treasury Regulations Section 1.704-2(i)(5)) of Member Nonrecourse Debt Minimum Gain and (iv) the Member's share (as determined under Section 752 of the Code) of any recourse indebtedness of the Company to the extent that such indebtedness could not be repaid out of the Company's assets if all of the Company's assets were sold at their respective Book Values as of the end of the Fiscal Year or other period and the proceeds from the sales were used to pay the Company's liabilities. For the purposes of clause (iv) above, the amounts computed pursuant to clause (i) above for each Member shall be considered to be proceeds from the sale of the assets of the Company to the extent such amounts would be available to satisfy (directly or indirectly) the indebtedness specified in clause (iv).

(f) For purposes of computing the Members' Capital Accounts, Simulated Depletion Deductions, and Simulated Losses shall be allocated among the Members in the same proportions as they (or their predecessors in interest) were allocated the basis of Partnership oil and gas properties pursuant to Code Section 613A(c)(7)(D), the Treasury Regulations thereunder, and Section 1.704-1(b)(4)(v) of the Treasury Regulations. Simulated Gains shall be allocated among the Partners in accordance with their Ownership Percentages. In accordance with Code Section 613A(c)(7)(D) and the Treasury Regulations thereunder and Section 1.704-1(b)(4)(v) of the Treasury Regulations, the adjusted basis of all oil and gas properties shall be shared by the Members in proportion to the Ownership Percentages.

(g) It is the intention of the Members that the Capital Accounts of the Company be maintained strictly in accordance with the Capital Account maintenance requirements of Treasury Regulations Section 1.704-1(b). The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulations and any amendment or successor provision thereto. The Members agree to make any appropriate modifications if events might otherwise cause this Agreement not to comply with Treasury Regulations Section 1.704-1(b).

(h) A deficit in a Member's Capital Account shall not be considered an asset of the Company, and no Member shall be obligated to restore or otherwise be responsible for a deficit or negative balance in such Member's Capital Account.

Section 13.5. Compliance with the Code . It is intended that the tax allocations in this Article XII effect an allocation for federal income tax purposes in a manner consistent with Sections 704 and 706 of the Code and comply with any limitations or restrictions therein. The Board of Managers shall have complete discretion to make the allocations pursuant to this

Article XII and the allocations and adjustments to Capital Accounts in any manner consistent with Sections 704 and 706 of the Code.

XIV. DISTRIBUTIONS

Section 14.1. "Net Cash Flow" Defined . The term "Net Cash Flow" for any fiscal period shall mean all Company cash revenues resulting from the Company's business less the amount of all expenses, reserves and obligations of the Company (including, without limitation, expenses and obligations to which the assets of the Company are subject even if the expense or obligation was not originally incurred by the Company or assumed by the Company) plus the proceeds of sale (principal and interest), refinancing, condemnation, insurance, or otherwise, less the amount of all expenses and obligations of the Company relating thereto (including, without limitation, expenses and obligations to which the assets of the Company are subject even if the expense or obligation was not originally incurred by the Company or assumed by the Company).

Section 14.2. Distribution of Net Cash Flow . Except as provided in Article XVII, and subject to the last sentence of Section 8.4, Net Cash Flow, if any, shall be distributed to the Members pro rata in accordance with their Ownership Percentages at such time or times as determined by the Board of Managers.

Section 14.3. Amount Withheld . Notwithstanding any other provision of this Agreement to the contrary, the Board of Managers is authorized to take any action that it determines to be necessary or appropriate to cause the Company to comply with any withholding or other payment requirements established under the Code or any other federal, state or local law including, without limitation, pursuant to Sections 1441, 1442, 1445 and 1446 of the Code. To the extent that the Company is required to pay to any governmental authority any amount resulting from either the allocation of income or gain or a distribution to any Member (including, without limitation, by reason of Sections 1441, 1442, 1445 or 1446 of the Code), the amount so paid shall be treated as a distribution of cash to the Member and any future distributions to which such Member is entitled shall be reduced to the extent of any amount treated as a distribution pursuant to this Section 14.3. The Capital Account of the Member for which amounts are paid over to a governmental authority pursuant to this Section 14.3 shall be decreased by such amount paid over to the governmental authority. A Member who has had amounts paid over to a governmental authority pursuant to this Section 14.3 shall be entitled to receive any refund of any such tax, penalty, interest or other amount received by the Company on account of amounts paid on behalf of the Member pursuant to this Section 14.3; provided, however, that the amount due such Member shall be reduced by any expenses of the Company incurred in connection with the payment or refund of such tax, penalty, interest or other amount. The Company shall have no duty or obligation to seek to obtain or collect any refund or expend any amount to reduce the amount of any withholding, penalty, interest or other amount otherwise payable to any governmental authority; however, upon request by a Member, the Company shall take reasonable steps to cooperate with the Member on a refund request provided that the Company is reimbursed by the Member for the Company's costs and expenses arising from such cooperation. If at any time a Member's interest in the Company is transferred or assigned, the proposed assignee shall certify to non-foreign status prior to the transfer or assignment of the interest. Such certifications shall be made on a form to be provided by the Board of Managers. Each Member shall notify the Company if it becomes either a "Foreign Person", as defined in Code

Section 1445, or a "Foreign Partner", as defined in Code Section 1446, within thirty (30) calendar days of such change.

XV. TRANSFER OF INTERESTS

Section 15.1. Transfer Restriction Agreement . Each Member as of the date of this Agreement is also a party to the Transfer Restriction Agreement. As a condition to being admitted as a Member, any other Person must become a party to the Transfer Restriction Agreement, in accordance with the procedures set forth therein. The Transfer Restriction Agreement, a copy of which is attached hereto as Exhibit A , is incorporated by reference in this Agreement as if fully set forth herein and forms a part of this Agreement.

Section 15.2. Transfers of Interests and Admission of New Members . No Member may assign, sell or otherwise transfer by operation of law or otherwise, any of its right, title or interest or any portion thereof in the Company unless such Member shall first comply with the provisions of the Transfer Restriction Agreement applicable to the proposed assignment, sale or transfer. In the event an Affiliate Transfer or a Familial Transfer results in the entirety of a Member's Ownership Interest in the Company being transferred, then (subject to such transferee's joining in this Agreement as provided below) such transferee shall be substituted for that Member automatically upon such transfer without the consent of the Members, and shall have all the rights of such Member under this Agreement. In the event of an Affiliate Transfer or a Familial Transfer of the entirety of a Member's Ownership Interest divided between or among more than one transferee, only one such transferee may become a substituted Member and the remainder of such transferees shall be treated as and have the rights of assignees under the Act. The transferor shall designate in a written notice to the Company and to each other Member which such transferee shall become the substituted Member, and such designated transferee shall (subject to such transferee's joining in this Agreement as provided below) be substituted for the transferor Member automatically upon such transfer without the consent of the Members with respect to the Ownership Interest transferred to such transferee, and shall have all the rights of such transferring Member under this Agreement. In the event of an Affiliate Transfer or a Familial Transfer of less than the entirety of a Member's Ownership Interest, such transferee shall not be a substituted Member; but the transferring Member shall remain a Member and retain all rights as a Member under this Agreement. Any other transferee of a Member's Ownership Interest in the Company shall be admitted to the Company as a substituted Member only if (i) the assignment, sale or other transfer pursuant to which the transferee acquired such Ownership Interest was effected in accordance with the Transfer Restriction Agreement and (ii) "Holder Consent" (as defined in the Transfer Restriction Agreement) of such assignment sale or other transfer has been obtained. If such a transferee is not admitted as a substituted Member under this Article XV, it shall have none of the powers of a Member hereunder but shall, subject to the further provisions hereof, have only such rights of an assignee under the Act as are consistent with this Agreement. Such assignee shall have no voting rights or consent rights (and shall have no power to elect Managers) or any other power to participate in the management of the Company, but shall be subject to the provisions of the Transfer Restriction Agreement including, without limitation, the obligations under Articles II, IV and V thereof, but shall not be entitled to exercise the rights of a party thereto, including, without limitation, under Article III or VI thereof. In the event of any permitted transfer of an interest in the Company pursuant to this Article XV and the Transfer Restriction Agreement, the interest so transferred shall remain

subject to all terms and provisions of this Agreement and the Transfer Restriction Agreement, and the transferee shall be deemed, by accepting the interest so transferred, to have assumed all the liabilities and unperformed obligations, under this Agreement, the Transfer Restriction Agreement or otherwise, which are appurtenant to the interest so transferred; shall hold such interest subject to all unperformed obligations of the transferor Member hereunder and under the Transfer Restriction Agreement; and shall agree in writing to the foregoing if requested by the Board of Managers or the Members and shall join in and be bound by the terms of this Agreement. No assignment shall relieve the assignor from its obligations prior to this Agreement or the Transfer Restriction Agreement, except that if the transferee is admitted as a Member, the assignor shall be relieved of obligations hereunder and under the Transfer Restriction Agreement accruing after the admission of the transferee as a Member.

Section 15.3. Securities Laws Restrictions . Notwithstanding any other provision of this Article XV, no transfer of an interest in the Company may be made if the transfer would violate federal or state securities laws.

XVI. BOOKS OF ACCOUNT AND COMPANY RECORDS

Section 16.1. Books of Account . At all times during the continuance of the Company, the Managers shall keep or cause to be kept, full and true books of account in which shall be entered fully and accurately all transactions of the Company.

Section 16.2. Inspection . All of the books of account of the Company, together with an executed copy of this Agreement and any amendments hereto, shall at all times be maintained at the principal office of the Company and shall be open to the inspection and examination of the Members or their representatives. Any Member may, at any time and from time to time, at its own expense, cause an audit of the books of the Company to be made by a certified public accountant or other person designated by such Member.

Section 16.3. Fiscal Year and Accounting Method . The fiscal year of the Company shall end on December 31 in each year, and the books of the Company shall be kept on a cash method of accounting by the Board of Managers.

Section 16.4. Financial Reports . For each Fiscal Year during the term hereof, the Board of Managers shall deliver to all the Members, as soon as reasonably practicable after the expiration of such Fiscal Year, an unaudited financial report of the Company, including a balance sheet, profit and loss statement, and a statement showing distributions to the Members and the allocation among the Members of taxable income, gains, losses, deductions and credits of the Company. In addition, the Board of Managers shall cause to be delivered to all the Members monthly unaudited statements of profit and loss prepared on a cash basis, such statements to reflect profit and loss on both a monthly and year-to-date basis. Each such monthly statement shall be so delivered within sixty (60) days after the end of the month to which the statement pertains. An accounting of all items of receipt, income, profit, cost, expense and loss shall also be prepared made by the Board of Managers upon the dissolution of the Company.

Section 16.5. Tax Returns . The Company shall cause all income tax returns to be prepared or reviewed in compliance with this Agreement (in particular the tax allocations in Article XIII hereof) by such firm of independent certified public accountants as shall be selected by the Board of Managers, shall cause such tax returns to be timely filed with the appropriate authorities and shall cause copies thereof and all related matters needed by any Member for the preparation of its tax returns to be promptly delivered to all Members. Copies of such tax returns shall be kept at the principal office of the Company and shall be available for inspection by any Member during normal business hours. The income tax documentation to be generated hereunder shall include any additional information reasonably requested by a Member for the preparation of its return.

Section 16.6. Tax Elections .

(a) In the event of a transfer of all or part of an interest of a Member authorized by this Agreement, the Company shall, upon the request of the transferee, elect pursuant to Section 754 of the Code to adjust the basis of Company property, and any basis adjustment relating to such transfer, whether made under Section 754 of the Code or otherwise, shall be allocated solely to the transferee; provided, however, that each transferee shall pay the additional bookkeeping and accounting costs which result from the basis adjustment pertaining to such transferee. Each of the Members shall supply to the Company upon request the information necessary properly to give effect to such election.

(b) All other federal income tax elections required or permitted to be made by the Company shall be made in such manner as may be agreed upon by the Board of Managers. No Member shall take any action or refuse to take any action which would cause the Company to forfeit the benefits of any tax election previously made or agreed to be made.

Section 16.7. Tax Matters Partner . SAM is hereby designated as the "Tax Matters Partner" of the Company within the meaning of Section 6231(a)(7) of the Code and shall have the power to manage and control, on behalf of the Company, any administrative proceeding at the Company level with the Internal Revenue Service relating to the determination of any item of Company income, gain, loss, deduction, or credit for federal income-tax purposes. The Tax Matters Partner shall comply with all statutory provisions of the Code applicable to a "tax matters partner" and shall, without limitation, within thirty (30) calendar days of the receipt of any notice from the Internal Revenue Service in any administrative proceeding at the Company level relating to the determination of any Company item of income, gain, loss, deduction, or credit, mail a copy of such notice to each Member.

Section 16.8. Bank Accounts . The funds of the Company shall be deposited in the name of the Company in such bank accounts and with such signatories as shall be selected by the Board of Managers. All deposits, including security deposits, funds required to be escrowed and other funds not currently distributable or needed in the operation of the Company business shall, to the extent permitted by law, be deposited in such interest-bearing bank accounts or invested in such financial instruments (including, without limitation, hedge contracts and commodity contracts) as shall be approved by the Board of Managers.

XVII. DISSOLUTION, WINDING UP AND DISTRIBUTION

Section 17.1. Events of Dissolution . Each of the following shall be an "Event of Dissolution," and unless the Company and its business is continued pursuant to Section 17.5 hereof, the Company shall be dissolved:

(a) upon the approval by Member Consent of an election to dissolve the Company;

(b) at any time there are no Members, unless the business of the Company is continued pursuant to Section 18-801(4) of the Act; or

(c) upon the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

The death, retirement, resignation, expulsion, bankruptcy or dissolution of any Member or the occurrence of any other event that terminates the continued membership of any Member shall not cause the Company to be dissolved or its affairs to be wound up.

Section 17.2. Dissolution and Winding Up . Notwithstanding any other provision of this Agreement, upon the dissolution of the Company, the Board of Managers (which term, for purposes of this Section and Section 17.4 shall include the respective trustee, receiver or successor, if any, of either or both thereof) shall have the responsibility for expeditiously dissolving and liquidating the Company. They shall promptly proceed to wind up the affairs of the Company and, after payment (or making provision for payment) of liabilities owing to creditors, shall set up such reserves as they deem reasonably necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Company. Said reserves may be paid over to a bank or an attorney-at-law, to be held in escrow for the purpose of paying any such contingent or unforeseen liabilities or obligations. After paying such liabilities and setting up such reserves, the Board shall cause the remaining net assets of the Company to be paid or distributed to the Members or their assigns in accordance with the positive Capital Account balances of the Members. At the expiration of such period as the Board of Managers may deem advisable, any remaining reserves shall be paid or distributed to the Members or their assigns in the same manner as the preceding sentence. No Member shall receive any additional compensation for any services performed pursuant to this Article XVII.

Section 17.3. Final Statement . Upon the dissolution of the Company, a final certified statement of its assets and liabilities shall be prepared by the Company's certified public accountants and furnished to the Members within ninety (90) days after such dissolution.

Section 17.4. Distribution In-Kind . If all the Members agree that it shall be impractical to liquidate part or all the assets of the Company, then assets which they agree are not suitable for liquidation may be distributed to the Members in-kind, subject to the order of priority set forth in Section 17.2 hereof and, further, subject to such conditions relating to the management and disposition of the assets distributed as the Board of Managers deems reasonable and equitable. If Company assets are to be distributed in-kind, then prior to any such distribution, the Capital Accounts of the Members shall be adjusted to reflect the manner in which the unrealized taxable income, gain, loss and deduction inherent in such property (to the extent that such items

have not been previously reflected in the Capital Accounts) would be allocated among the Members if there were a taxable disposition of such property on the date of its distribution for its then fair market value determined mutually by the Members.

Section 17.5. Deemed Distribution and Recontribution . Notwithstanding any other provision of this Article XVII, in the event the Company is liquidated within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g) but no Event of Dissolution has occurred, the assets of the Company shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, the Company shall be deemed to have contributed its assets in-kind to a new limited liability company, which shall be deemed to have assumed and taken all Company assets subject to all Company liabilities. Immediately thereafter, the Company shall be deemed to have liquidated and distributed the interests in the new limited liability company in-kind to the Members.

XVIII. MISCELLANEOUS

Section 18.1. Execution in Counterparts . This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

Section 18.2. Address and Notice . The address of each Member for all purposes shall be as follows:

If to Vaughn:
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Robert C. Vaughn
Telecopy No.: (214) 522-7433

With copies to:
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Benny D. Duncan
Telecopy No.: (214) 522-7433

With additional copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Telecopy No.: (214) 969-1751

If to SAM:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: H. C. Allen, Jr.
Telecopy No.: (214) 559-0301

With copies to:

Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Telecopy No.: (214) 969-1751

If to SAOG:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: William Casey McManemin
Telecopy No.: (214) 559-0301

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to Peak LP:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: Preston A. Peak
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Telecopy No.: (214) 740-8800

If to Raley GP:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: James E. Raley
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
Locke Liddell & Sapp LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Telecopy No.: (214) 740-8800

or such other address or addresses of which any Member shall have given the other Members notice. Any notice shall be in accordance with Section 10.1.

Section 18.3. Partition . The Members hereby agree that no Member shall have the right while this Agreement remains in effect to have the assets of the Company partitioned, or to file a complaint or institute any proceeding at law or in equity to have any Company asset partitioned, and each Member hereby waives any such right. It is the intention of the Members that during the term of this Agreement, the rights of the Members as among themselves shall be governed by the terms of this Agreement.

Section 18.4. Further Assurances . Each Member hereby covenants and agrees to execute and deliver such instruments as may be reasonably requested by any other Member to convey any interest or to take any other action required or permitted under this Agreement.

Section 18.5. Titles and Captions . All article, section, or subsection titles or captions contained in this Agreement or the table of contents hereof are for convenience only and shall not be deemed part of the context of this Agreement.

Section 18.6. Number and Gender of Pronouns . All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Person or Persons may require.

Section 18.7. Entire Agreement . This Agreement contains the entire understanding between and among the Members and supersedes any prior understandings and agreements between and among them respecting the subject matter of this Agreement.

Section 18.8. Amendment . This Agreement may be amended or modified only by a written document executed by such number of the Members as shall constitute Member Consent.

Section 18.9. Exhibits and Schedules . All exhibits and schedules referred to herein are attached hereto and made a part hereof for all purposes.

Section 18.10. Agreement Binding . This Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the Members.

Section 18.11. Waiver . No failure by any Member to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Any Member by the issuance of written notice may, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation or covenant of any other Member. No waiver shall affect or alter the remainder of this Agreement but each and every covenant, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 18.12. Remedies . The rights and remedies of the Members set forth in this Agreement shall not be mutually exclusive or exclusive of any right, power or privilege provided by law or in equity or otherwise and the exercise of one or more of the provisions hereof shall

not preclude the exercise of any other provisions hereof or of any legal, equitable or other right. Each of the Members confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to, or shall limit or affect any rights at law or by statute or otherwise of any Member aggrieved as against another Member for a breach or threatened breach of any provision hereof, it being the intention of this section to make clear the agreement of the Members that the respective rights and obligations of the Members hereunder shall be enforceable in equity as well as at law or otherwise.

Section 18.13. GOVERNING LAW . THIS AGREEMENT SHALL BE CONSTRUED, ENFORCED, AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO ITS CHOICE OF LAW PRINCIPLES).

Section 18.14. DISPUTE RESOLUTION .

(a) NEGOTIATION . THE PARTNERS SHALL ATTEMPT TO RESOLVE ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TERMINATION, BREACH, OR VALIDITY OF THIS AGREEMENT, PROMPTLY BY GOOD FAITH NEGOTIATION AMONG EXECUTIVES WHO HAVE AUTHORITY TO RESOLVE THE CONTROVERSY. ANY PARTNER MAY GIVE THE OTHER PARTNERS WRITTEN NOTICE OF ANY DISPUTE NOT RESOLVED IN THE NORMAL COURSE OF BUSINESS. WITHIN 10 DAYS AFTER DELIVERY OF THE NOTICE, THE RECEIVING PARTNER SHALL SUBMIT TO THE OTHERS A WRITTEN RESPONSE. THE NOTICE AND THE RESPONSE SHALL INCLUDE (A) A STATEMENT OF THE PARTNER'S CONCERNS AND PERSPECTIVES ON THE ISSUES IN DISPUTE, (B) A SUMMARY OF SUPPORTING FACTS AND CIRCUMSTANCES AND (C) THE IDENTITY OF THE EXECUTIVE WHO WILL REPRESENT THAT PARTNER AND OF ANY OTHER PERSON WHO WILL ACCOMPANY THE EXECUTIVE. WITHIN 15 DAYS AFTER DELIVERY OF THE ORIGINAL NOTICE, THE EXECUTIVES OF THE PARTNERS SHALL MEET AT A MUTUALLY ACCEPTABLE TIME AND PLACE, AND THEREAFTER AS OFTEN AS THEY REASONABLY DEEM NECESSARY, TO ATTEMPT TO RESOLVE THE DISPUTE. ALL NEGOTIATIONS PURSUANT TO THIS CLAUSE AND CLAUSE (B) BELOW ARE CONFIDENTIAL AND SHALL BE TREATED AS COMPROMISE AND SETTLEMENT NEGOTIATIONS FOR PURPOSES OF APPLICABLE RULES OF EVIDENCE.

(b) MEDIATION . IF A DISPUTE HAS NOT BEEN RESOLVED BY DISCUSSION BETWEEN OR AMONG THE MEMBERS WITHIN 20 DAYS OF THE DISPUTING PARTNERS' NOTICE, ANY MEMBER MAY BY NOTICE TO THE OTHER MEMBERS WITH WHOM SUCH DISPUTE EXISTS REQUIRE MEDIATION OF THE DISPUTE, WHICH NOTICE SHALL IDENTIFY THE NAMES OF NO FEWER THAN THREE (3) POTENTIAL MEDIATORS. EACH MEMBER AMONG WHOM THE DISPUTE EXISTS WILL IN GOOD FAITH ATTEMPT TO AGREE UPON A MEDIATOR AND AGREES TO PARTICIPATE IN MEDIATION OF THE DISPUTE IN GOOD FAITH. IF THE PARTIES ARE UNABLE TO AGREE

UPON A MEDIATOR WITHIN FIFTEEN (15) DAYS AFTER SUCH NOTICE, THE MEMBERS AGREE TO PROCEED TO MEDIATION UNDER THE COMMERCIAL MEDIATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION IN EFFECT ON THE DATE OF THIS AGREEMENT. IF SUCH DISPUTE SHALL NOT HAVE BEEN RESOLVED BY MEDIATION WITHIN THE TIME PERIOD SPECIFIED N SUBSECTION (C) BELOW, ARBITRATION MAY BE INITIATED PURSUANT TO SUBSECTION (C) BELOW. ALL EXPENSES OF THE MEDIATOR SHALL BE EQUALLY SHARED BY THE MEMBERS AMONG WHOM THE DISPUTE EXISTS.

(c) BINDING ARBITRATION .

(i) ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION, OR VALIDITY OF THE AGREEMENT WHICH HAS NOT BEEN RESOLVED BY MEDIATION WITHIN 30 DAYS OF THE INITIATION OF SUCH PROCEDURE, OR WHICH HAS NOT BEEN RESOLVED PRIOR TO THE TERMINATION OF MEDIATION, SHALL BE RESOLVED BY ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) IN EFFECT ON THE DATE OF THIS AGREEMENT. IF A PARTY TO A DISPUTE FAILS TO PARTICIPATE IN MEDIATION, THE OTHERS MAY INITIATE ARBITRATION BEFORE EXPIRATION OF THE ABOVE PERIOD. IF THE AMOUNT OF THE CLAIM ASSERTED BY ANY PARTY IN THE ARBITRATION EXCEEDS $1,000,000, THE PARTNERS AGREE THAT THE AMERICAN ARBITRATION ASSOCIATION OPTIONAL PROCEDURES FOR LARGE, COMPLEX COMMERCIAL DISPUTES WILL BE APPLIED TO THE DISPUTE.

(ii) THE AAA SHALL SUGGEST A PANEL OF ARBITRATORS, EACH OF WHOM SHALL BE KNOWLEDGEABLE WITH RESPECT TO THE SUBJECT MATTER OF THE DISPUTE. ARBITRATION SHALL BE BEFORE A SOLE ARBITRATOR IF THE DISPUTING PARTNERS AGREE ON THE SELECTION OF A SOLE ARBITRATOR. IF NOT, ARBITRATION SHALL BE BEFORE THREE INDEPENDENT AND IMPARTIAL ARBITRATORS, ALL OF WHOM SHALL BE APPOINTED BY THE AAA IN ACCORDANCE WITH ITS RULES.

(ii) THE PLACE OF ARBITRATION SHALL BE DALLAS, TEXAS.

(iii) THE ARBITRATOR(S) ARE NOT EMPOWERED TO AWARD DAMAGES IN EXCESS OF COMPENSATORY DAMAGES.

(iv) THE AWARD RENDERED BY THE ARBITRATORS SHALL BE IN WRITING AND SHALL INCLUDE A STATEMENT OF THE FACTUAL BASES AND THE LEGAL CONCLUSIONS RELIED UPON BY

THE ARBITRATORS IN MAKING SUCH AWARD. THE ARBITRATORS SHALL DECIDE THE DISPUTE IN COMPLIANCE WITH THE APPLICABLE SUBSTANTIVE LAW AND CONSISTENT WITH THE PROVISIONS OF THE AGREEMENT, INCLUDING LIMITS ON DAMAGES. THE AWARD RENDERED BY THE ARBITRATOR(S) SHALL BE FINAL AND BINDING, AND JUDGMENT UPON THE AWARD MAY BE ENTERED BY ANY COURT HAVING JURISDICTION THEREOF.

(v) ALL MATTERS RELATING TO THE ENFORCEABILITY OF THIS ARBITRATION AGREEMENT AND ANY AWARD RENDERED PURSUANT TO THIS AGREEMENT SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 1-16. THE ARBITRATOR(S) SHALL APPLY THE SUBSTANTIVE LAW OF THE STATE OF DELAWARE, EXCLUSIVE OF ANY CONFLICT OF LAW RULES.

(vi) EACH PARTNER IS REQUIRED TO CONTINUE TO PERFORM ITS OBLIGATIONS UNDER THIS CONTRACT PENDING FINAL RESOLUTION OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS CONTRACT, UNLESS TO DO SO WOULD BE IMPOSSIBLE OR IMPRACTICABLE UNDER THE CIRCUMSTANCES.

(vii) NOTHING IN THIS SECTION 18.14 SHALL LIMIT THE PARTNERS' RIGHTS TO OBTAIN PROVISIONAL, ANCILLARY OR EQUITABLE RELIEF FROM A COURT OF COMPETENT JURISDICTION.

(d) EXPENSES . EACH PARTY SHALL PAY ITS OWN EXPENSES OF ARBITRATION AND THE EXPENSES OF THE ARBITRATORS SHALL BE EQUALLY SHARED; PROVIDED, HOWEVER, IF IN THE OPINION OF THE ARBITRATORS ANY CLAIM BY EITHER PARTY HEREUNDER OR ANY DEFENSE OR OBJECTION THERETO BY THE OTHER PARTY WAS UNREASONABLE AND NOT MADE IN GOOD FAITH, THE ARBITRATORS MAY ASSESS, AS PART OF THE AWARD, ALL OR ANY PART OF THE ARBITRATION EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) OF THE OTHER PARTY AND OF THE ARBITRATORS AGAINST THE PARTY RAISING SUCH UNREASONABLE CLAIM, DEFENSE, OR OBJECTION. NOTHING HEREIN SET FORTH SHALL PREVENT THE PARTIES FROM SETTLING ANY DISPUTE BY MUTUAL AGREEMENT AT ANY TIME.

Section 18.15. WAIVER . EACH MEMBER WAIVES ANY RIGHT THAT THE MEMBER MAY HAVE TO COMMENCE ANY ACTION IN ANY COURT WITH RESPECT TO ANY DISPUTE AMONG THE MEMBERS RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RIGHTS OR OBLIGATIONS OF ANY MEMBER HEREUNDER, OTHER THAN AN ACTION BROUGHT TO ENFORCE THE ARBITRATION PROVISIONS OF SECTION 18.14 HEREOF. THE MEMBERS AGREE THAT ANY SUCH ACTION SHALL BE BROUGHT (AND VENUE FOR ANY SUCH ACTION SHALL BE APPROPRIATE) IN DALLAS, TEXAS.

Section 18.16. U.S. Dollars . Any reference in this Agreement to “dollars,” “funds” or “sums” or any amounts denoted with a “$” shall be references to United States dollars.

[Following are the signature pages.]

IN WITNESS WHEREOF, the undersigned parties have executed this Amended and Restated Limited Liability Company Agreement effective as of 12:02 a.m. the 1st day of February, 2003.

SAM PARTNERS, LTD.

By: SAM Partners Management, Inc., its general partner

/s/ H.C. ALLEN, JR.

By: _____

H.C. Allen, Jr., Secretary

VAUGHN PETROLEUM, LTD.

By: VPL (GP), LLC, its general partner

/s/ ROBERT C. VAUGHN

By: _____

Name: Robert C. Vaughn
Title: Manager

SMITH ALLEN OIL & GAS, INC.

/s/ WILLIAM CASEY MCMANEMIN

By: _____

William Casey McManemin, Vice President

PRESTON A. PEAK LIMITED PARTNERSHIP,
A Texas limited partnership

By: Peak GP LLC,
a Texas limited liability company, its General Partner

/s/ PRESTON A. PEAK

By: _____

Preston A. Peak, its manager

YELAR PARTNERS, L.L.P.
a Delaware limited liability partnership

By: YELAR LLC, a Delaware limited liability company, its General Partner

By: /s/ J AMES E. R ALEY

James E. Raley, its Manager

And joined in for the limited purpose of agreeing to the substitution of Peak LP as a Member of the Company in lieu of P.A. Peak, Inc.:

P.A. Peak, Inc.,
a Delaware corporation

By: /s/ P RESTON A. P EAK

Preston A. Peak, President

EXHIBIT A

Transfer Restriction Agreement

SCHEDULE I

Capital Contributions Under Original Agreement

Vaughn	$2.46
SAM	2.46
SAOG	2.40
Peak LP	2.34
Raley GP	2.34
	$12.00

EXHIBIT 3.10

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

DORCHESTER MINERALS OPERATING LP

Dated as of January 31, 2003

THE PARTNERSHIP INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY JURISDICTION. NO PARTNERSHIP INTEREST MAY BE SOLD OR OFFERED FOR SALE (WITHIN THE MEANING OF ANY SECURITIES LAW) UNLESS A REGISTRATION STATEMENT UNDER ALL APPLICABLE SECURITIES LAWS WITH RESPECT TO THE INTEREST IS THEN IN EFFECT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THOSE LAWS IS THEN APPLICABLE TO THE INTEREST. A PARTNERSHIP INTEREST ALSO MAY NOT BE TRANSFERRED OR ENCUMBERED UNLESS THE APPLICABLE PROVISIONS OF THIS AGREEMENT ARE SATISFIED.

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF
DORCHESTER MINERALS OPERATING LP

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP of DORCHESTER MINERALS OPERATING LP (this "Agreement"), dated as of January 31, 2003, is adopted, executed and agreed to by Dorchester Minerals Operating GP LLC, a Delaware limited liability company, as the sole general partner (the "General Partner"), and Dorchester Minerals Management LP, a Delaware limited partnership, as the sole limited partner (the "Limited Partner"):

R E C I T A L S:

WHEREAS, effective December 12, 2001 the Certificate (as defined below) was filed in the office of the Secretary of State of Delaware for the formation of the Partnership (as defined below);

WHEREAS, in connection with the formation of the Partnership, the General Partner and the Limited Partner executed that certain Agreement of Limited Partnership dated December 12, 2001 (the "Original Agreement");

WHEREAS, the General Partner and the Limited Partner (i) have, pursuant to that certain letter agreement dated January 22, 2003 (the "Amendment"), amended the Original Agreement and (ii) desire to amend and restate the Original Agreement in its entirety in this Agreement as of the date hereof to provide for the following terms and conditions of the Original Agreement, as amended by the Amendment.

A G R E E M E N T:

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein set forth and intending to be legally bound, the parties hereto hereby enter into this Agreement pursuant to the provisions and upon the terms and conditions herein contained, and hereby agree as follows:

ARTICLE I
DEFINITIONS

1.01 Definitions . As used in this Agreement, the following terms have the following meanings:

"Act" means the Delaware Revised Uniform Limited Partnership Act, Title 6, Chapter 17 of the Delaware Code Annotated, as amended from time to time.

"Agreement" has the meaning given that term in the introductory paragraph.

"Capital Contribution" means any contribution by a Partner to the capital of the Partnership.

"Certificate" has the meaning given that term in Section 2.01.

"General Partner" has the meaning given that term in the preamble hereto.

"Limited Partner" has the meaning given that term in the preamble hereto.

"Officer" has the meaning given that term in Section 5.06.

"Partner" means the General Partner or the Limited Partner.

"Partnership" means Dorchester Minerals Operating LP, a Delaware limited partnership.

"Partnership Interest" means the percentage ownership interest of a Partner in the Partnership. The initial Partnership Interest of the General Partner is one-tenth of one percent (0.10%), and the initial Partnership Interest of the Limited Partner is ninety-nine and nine-tenths of one percent (99.90%).

"Person" has the meaning given that term in Section 101 of the Act.

Other terms defined herein have the meanings so given them.

1.02 Construction . Whenever the context requires, the gender of all words used in this Agreement includes the masculine, feminine and neuter. All references to Articles and Sections refer to articles and sections of this Agreement. Terms used with initial capital letters will have the meanings specified, applicable to both singular and plural forms, for all purposes of this Agreement. The word include (and any variation) is used in an illustrative sense rather than a limited sense. The word day means a calendar day.

ARTICLE II
ORGANIZATION

2.01 Formation . The Partnership has been formed as a Delaware limited partnership by the filing of a Certificate of Limited Partnership (the "Certificate") with the Delaware Secretary of State's office under and pursuant to the Act.

2.02 Name . The name of the Partnership is "Dorchester Minerals Operating LP" and all Partnership business must be conducted in that name or such other names that comply with applicable law as the General Partner may select from time to time.

2.03 Registered Office; Registered Agent; Principal Office in the United States; Other Offices . The registered office of the Partnership required by the Act to be maintained in the State of Delaware shall be the office of the initial registered agent named in the Certificate or such other office (which need not be a place of business of the Partnership) as the General Partner may designate from time to time in the manner provided by law. The registered agent of the Partnership in the State of Delaware shall be the initial registered agent named in the Certificate or such other Person or Persons as the General Partner may designate from time to time in the manner provided by law. The principal office of the Partnership in the United States shall be at such place as the General Partner may designate from time to time, which need not be in the State of Delaware. The initial principal office of the Partnership shall be at 3738 Oak Lawn Avenue, Suite 300, Dallas, Texas 75219. The Partnership may have such other offices as the General Partner may designate from time to time.

2.04 Purpose . The business and purpose of the Partnership is to engage in such activities as the General Partner shall deem appropriate, to the extent such activities may be carried on under applicable law and are not prohibited by the terms and provisions of this Agreement or the Act, including but not limited to, owning certain properties and providing accounting, land, tax and other operational support to the Limited Partner and to Dorchester Minerals, Ltd., a Delaware limited partnership ("Dorchester Minerals").

2.05 Powers . The Partnership shall have all of the powers necessary or convenient to achieve its purposes and to further its business and not restricted to it by law.

2.06 Legal Title . Legal title to the assets of the Partnership will be taken and at all times held in the name of the Partnership.

2.07 Qualifications . The General Partner may take any and all actions deemed reasonably necessary by the General Partner to qualify the Partnership in foreign jurisdictions.

2.08 Mergers and Exchanges . With the consent of the Partners, the Partnership may be a party to (a) a merger or (b) an exchange or acquisition of the type described in Section 201 of the Act.

2.09 Liability to Third Parties . Except as expressly provided in the Act, the Limited Partner shall not be liable for the debts, obligations or liabilities of the Partnership, including under a judgment decree or order of a court.

2.10 Withdrawal of the Limited Partner . The Limited Partner may not withdraw from the Partnership prior to the dissolution and winding up of the Partnership without the written consent of the General Partner.

2.11 Transfer or Pledge by a Partner . A Partner may transfer or pledge its Partnership Interest without restriction. The pledge or hypothecation of, or the granting of any security interest or other lien or encumbrance against, all or part of a Partner's interest in the Partnership by the Partner will not cause the withdrawal of the Partner from the Partnership.

ARTICLE III
CAPITAL CONTRIBUTIONS

3.01 Initial and Additional Contributions . Each Partner has made an initial contribution to the capital of the Partnership as set forth in the books and records of the Partnership. No Partner shall be required to make any additional contribution to the capital of the Partnership unless agreed to in writing by both Partners. Any agreement between the Partners for additional capital contributions to the Partnership shall create rights and obligations only between the Partnership and the Partners, and shall not create any rights in any third party.

3.02 No Withdrawal of Contributions . A Partner shall not be entitled to withdraw any part of such Partner's capital account or to receive any distribution from the Partnership, except as specifically provided in this Agreement. There shall be no obligation to return to any Partner any part of such Partner's capital contributions to the Partnership until such time as the Partnership is dissolved and terminated.

3.03 Advances by a Partner . If the Partnership does not have sufficient cash to pay its obligations, a Partner may advance all or part of the needed funds to or on behalf of the Partnership. An advance described in this Section constitutes a loan from the Partner to the Partnership, bears interest at a rate determined by the General Partner from the date of the advance until the date of payment, and is not a Capital Contribution.

ARTICLE IV
ALLOCATIONS AND DISTRIBUTIONS

4.01 Allocations . All items of income, gain, loss, deduction and credit of the Partnership shall be allocated to the Partners pro rata in accordance with their Partnership Interests.

4.02 Distributions . Subject to the limitations of Section 607 of the Act and after the establishment of any reasonable reserve which the General Partner in good faith deems necessary for any contingent liabilities or obligations of the Partnership, from time-to-time, as determined by the General Partner, all cash receipts of the Partnership, less the payment of expenses and the then due liabilities of the Partnership, shall be paid to the Partners pro rata in accordance with their Partnership Interests. From time to time the General Partner also may cause assets of the Partnership other than cash to be distributed to the Partners, which distribution may be made subject to existing liabilities and obligations and pro rata to the Partners in accordance with their Partnership Interests or upon such other basis as the Partners shall unanimously agree.

ARTICLE V
MANAGEMENT

5.01 Management . Subject to the provisions of this Agreement, the General Partner shall have exclusive authority to act on behalf of the Partnership. Subject to the provisions of

this Agreement, the General Partner shall have the authority to manage the business and affairs of the Partnership. The Limited Partner shall have no authority to participate in the management or act on behalf of or bind the Partnership. Notwithstanding anything to the contrary in this Agreement, the General Partner shall not cause the Partnership to sell or transfer any oil and gas working interests owned by the Partnership and which underlie overriding royalty interests held by Dorchester Minerals, L.P. (the "Operating ORRIs"), unless the related Operating ORRIs are sold or transferred simultaneously by Dorchester Minerals, L.P. at corresponding prices.

5.02 Removal of General Partner . The Limited Partner may remove the General Partner at any time, with or without cause, upon delivery to the General Partner at the principal office of the Partnership of written notice of such removal.

5.03 Compensation . The General Partner shall not receive any compensation for its duties as General Partner.

5.04 No Voting Rights of Limited Partner . Except as specifically set forth in this Agreement or required by applicable law, the Limited Partner shall not have any voting, approval or consent rights.

5.05 Action by Written Consent . Whenever the approval or consent of the Limited Partner is required or permitted hereunder or upon applicable law, such approval or consent shall take the form of a written consent executed by a duly authorized representative of the Limited Partner.

5.06 Officers . The General Partner may, from time to time, designate one or more Persons to be officers of the Partnership (each, an "Officer"). No Officer need be a resident of the State of Delaware or a Partner. Any Officers so designated shall have such authority and perform such duties as the General Partner may, from time to time, delegate to them. The General Partner may assign titles to particular Officers. Unless the General Partner decides otherwise, if the title is one commonly used for officers of a business corporation formed under the Delaware General Corporation Law, the assignment of such title shall constitute the delegation to such Officer of the authority and duties that are normally associated with that office, subject to any specific delegation of authority and duties made to such Officer by the General Partner pursuant to this Section 5.06. Each Officer shall hold office until his successor shall be duly designated and shall qualify or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. The same Person may hold any number of offices. The salaries or other compensation, if any, of the Officers and agents of the Partnership shall be fixed from time to time by the General Partner. Any Officer may resign as such at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or if no time be specified, at the time of its receipt by the General Partner. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation. Any Officer may be removed as such, either with or without cause, by the General Partner whenever in its judgment the best interest of the Partnership will be served thereby; provided, however, that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of an Officer shall not of itself create contract rights. The General Partner may fill any vacancy occurring in any office of the Partnership. The Officers, to the extent of their powers set forth in this Agreement or otherwise vested in them by action of the

General Partner, are agents of the Partnership for the purpose of conducting the business and affairs of the Partnership. The actions of any Officer taken in accordance with such powers shall bind the Partnership and any third party dealing with such Officer shall be entitled to rely conclusively (without making inquiry of any kind) on any actions so taken as being properly authorized by the Partnership.

ARTICLE VI
TAXES AND BOOKS

6.01 Federal Income Tax Treatment . For federal income tax purposes, the Partnership shall be disregarded as an entity separate from the Partners pursuant to Treasury Regulations Section 301.7701-3(b)(1)(ii). The Partnership shall file no federal income tax returns.

6.02 Other Tax Returns . Subject to Section 6.01, the General Partner shall cause to be prepared and filed all necessary tax returns for the Partnership.

6.03 Maintenance of Books and Records . The Partnership shall keep accurate books and records relating to the assets of the Partnership in accordance with generally accepted accounting principles. The calendar year shall be the accounting year of the Partnership. The Limited Partner shall be permitted access to all books and records of the Partnership at the principal office of the Partnership during business hours.

ARTICLE VII
DISSOLUTION, LIQUIDATION AND TERMINATION

7.01 Dissolution . The Partnership shall dissolve and its affairs shall be wound up on the first to occur of the following:

(a) The written consent of the Partners;

(b) The withdrawal of the General Partner or the occurrence of any other event that results in the General Partner ceasing to be a General Partner, without the subsequent election of a successor general partner, which successor is hereby authorized to continue the business of the Partnership; or

(c) Entry of a decree of judicial dissolution of the Partnership under Section 802 of the Act.

Upon an event described in Section 7.01(b), the Partnership thereafter shall be dissolved and liquidated unless within ninety (90) days of such event the Limited Partner agrees in writing to continue the business of the Partnership and to the appointment of a successor general partner. If such election to continue the Partnership is made, then (i) the Partnership shall continue until another event causing dissolution in accordance with this Section 7.01 shall occur and (ii) all necessary steps shall be taken to amend this Agreement to reflect the continuation of the business of the Partnership.

The death, retirement, resignation, expulsion, bankruptcy or dissolution of the Limited Partner or the occurrence of any other event that terminates the continued existence of the Limited Partner shall not cause the Partnership to be dissolved or its affairs to be wound up.

The General Partner will not cease to be a general partner of the Partnership or be deemed to have withdrawn from the Partnership as a result of the occurrence of an event described in Paragraphs (4) or (5) of Section 402(a) of the Act.

7.02 Liquidation and Termination . On dissolution of the Partnership, the General Partner shall act as liquidating trustee or the Limited Partner may appoint one or more other Persons to act as liquidating trustee. The liquidating trustee shall proceed diligently to wind up the affairs of the Partnership in accordance with Section 804 of the Act and make final distributions to the Partners pro rata in accordance with their Partnership Interests. The costs of liquidation shall be borne as a Partnership expense. Until final distribution, the liquidating trustee shall continue to operate the Partnership assets with all of the power and authority of the General Partner.

7.03 Deficit Capital Accounts . Notwithstanding anything to the contrary contained in this Agreement, and notwithstanding any custom or rule of law to the contrary, a Partner shall not be responsible for any deficit in any capital account attributed to such Partner, and upon dissolution of the Partnership any such deficit shall not be an asset of the Partnership and the Partner shall not be obligated to contribute such amount to the Partnership to bring the balance of the Partner's capital account to zero.

7.04 Certificate of Cancellation . On completion of the distribution of Partnership assets as provided herein, the Partnership is terminated, and the General Partner (or such other Person or Persons as the Act may require or permit) shall file a Certificate of Cancellation with the Delaware Secretary of State and take such other actions as may be necessary to terminate the Partnership.

ARTICLE VIII
GENERAL PROVISIONS

8.01 Entire Agreement; Supersedure . This Agreement constitutes the entire agreement of the Partners relating to the Partnership and supersedes all prior contracts or agreements with respect to the internal governance of the Partnership, whether oral or written.

8.02 Effect of Waiver or Consent . A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by that Person of its obligations with respect to the Partnership is not a consent or waiver to or of any other breach or default in the performance by that Person of the same or any other obligations of that Person with respect to the Partnership. Failure on the part of a Person to complain of any act of any Person or to declare any Person in default with respect to the Partnership, irrespective of how long that failure continues, does not constitute a waiver by that Person of its rights with respect to that default until the applicable statute of limitations period has run.

8.03 Amendment or Modification . This Agreement may be amended or modified from time to time only by a written instrument adopted by the Partners.

8.04 Binding Effect . This Agreement is binding on, and inures to the benefit of, the Partners and their heirs, legal representatives, successors, and assigns.

8.05 Severability . If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

8.06 Headings . Article and Section titles have been inserted for convenience of reference only, and they are not intended to affect the meaning or interpretation of this Agreement.

8.07 Governing Law . THIS AGREEMENT IS GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT OF LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Certificate or (b) any mandatory provision of the Act, the applicable provision of this Agreement shall control except to the extent required by the Act.

(The next page is the signature page.)

IN WITNESS WHEREOF, the Partners have executed this Amended and Restated Agreement of Limited Partnership as of the date first set forth above.

GENERAL PARTNER:
DORCHESTER MINERALS OPERATING GP LLC,
a Delaware limited liability company

By: Its Sole Member:
DORCHESTER MINERALS MANAGEMENT LP,
a Delaware limited partnership

By: Its General Partner
DORCHESTER MINERALS MANAGEMENT GP LLC
a Delaware limited liability company

By: /s/ JAMES E. RALEY

Name: James E. Raley
Title: Chief Operating Officer

LIMITED PARTNER:
DORCHESTER MINERALS MANAGEMENT LP,
Delaware limited partnership

By: Its General Partner:
DORCHESTER MINERALS MANAGEMENT GP LLC,
a Delaware limited liability company

By: /s/ JAMES E. RALEY

Name: James E. Raley
Title: Chief Operating Officer

EXHIBIT 3.11

CERTIFICATE OF LIMITED PARTNERSHIP
OF
DORCHESTER MINERALS OKLAHOMA LP

TO: THE OKLAHOMA SECRETARY OF STATE
2300 N. Lincoln Blvd., Room 101, State Capitol Building
Oklahoma City, Oklahoma 73105-4897
(405) 522-4560

The undersigned, being the sole general partner of the partnership described below, hereby certifies as follows:

FIRST: The name of the limited partnership is Dorchester Minerals Oklahoma LP.

SECOND: The address of the office of the partnership (where the books and records are kept) is Raley Compressor Station, Intersection of Mile 43 Road and “K” Road, 2.5 Miles southwest of Hooker, Oklahoma, Hooker, Oklahoma 73945. The name and address for the agent and service of process in this state is Rodney D. Childress, Raley Compressor Station, Intersection of Mile 43 Road and “K” Road, 2.5 Miles southwest of Hooker, Oklahoma, Hooker, Oklahoma 73945.

THIRD: The name and address of the sole general partner of the partnership is as follows:

Dorchester Minerals Oklahoma GP, Inc.
Raley Compressor Station
Intersection of Mile 43 Road and “K” Road
2.5 Miles southwest of Hooker, Oklahoma
Hooker, Oklahoma 73945

FOURTH: The term of the existence of the partnership is perpetual.

FIFTH: The effective date and time of the formation of the partnership shall be 11:59 p.m., Central Standard Time, on January 22, 2003.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

EXECUTED effective this 22th day of January, 2003.

DORCHESTER MINERALS OKLAHOMA GP, INC.
Its General Partner

By: /s/ William Casey McManemin

William Casey McManemin
President

EXHIBIT 3.12

AGREEMENT OF LIMITED PARTNERSHIP
OF
DORCHESTER MINERALS OKLAHOMA LP

THIS AGREEMENT OF LIMITED PARTNERSHIP, dated as of January 22, 2003 is entered into and executed by DORCHESTER MINERALS OKLAHOMA GP, INC., an Oklahoma corporation, as General Partner, and DORCHESTER MINERALS, L.P., a Delaware limited partnership, as Limited Partner.

I. DEFINITIONS

The following definitions shall for all purposes, unless otherwise clearly indicated to the contrary, apply to the terms used in this Agreement.

"Certificate of Limited Partnership" means the Certificate of Limited Partnership filed with the Secretary of State of the State of Oklahoma as described in the first sentence of Section 2.5 as amended or restated from time to time.

"Oklahoma Act" means the Oklahoma Revised Uniform Limited Partnership Act, as amended from time to time, and any successor to such act.

"General Partner" means Dorchester Minerals Oklahoma GP, Inc., an Oklahoma corporation, in its capacity as the general partner of the Partnership, and any successor to Dorchester Minerals Oklahoma GP, Inc., as general partner.

"Limited Partner" means Dorchester Minerals, L.P. and any other limited partner admitted to the Partnership from time to time.

"Partner" means the General Partner or any Limited Partner.

"Partnership" means Dorchester Minerals Oklahoma LP, an Oklahoma limited partnership.

"Percentage Interest" means, with respect to any Partner, the percentage of cash contributed by such Partner to the Partnership as a percentage of all cash contributed by all the Partners to the Partnership.

II. ORGANIZATIONAL MATTERS

2.1 *Formation* . Subject to the provisions of this Agreement, the General Partner and the Limited Partner have formed the Partnership as a limited partnership pursuant to the provisions of the Oklahoma Act. The General Partner and the Limited Partner hereby enter into this Agreement to set forth the rights and obligations of the Partners and certain matters related thereto. Except as

expressly provided herein to the contrary, the rights and obligations of the Partners and the administration, dissolution, and termination of the Partnership shall be governed by the Oklahoma Act.

2.2 *Name.* The name of the Partnership shall be, and the business of the Partnership shall be conducted under the name of, "Dorchester Minerals Oklahoma LP."

2.3 *Principal Office; Registered Office.*

(a) The principal office of the Partnership shall be at Raley Compressor Station, Intersection of Mile 43 Road and "K" Road, 2.5 Miles southwest of Hooker, Oklahoma, Hooker, Oklahoma 73945 or such other place as the General Partner may from time to time designate. The Partnership may maintain offices at such other places as the General Partner deems advisable.

(b) The address of the Partnership's registered office in the State of Oklahoma shall be at Raley Compressor Station, Intersection of Mile 43 Road and "K" Road, 2.5 Miles southwest of Hooker, Oklahoma, Hooker, Oklahoma 73945, and the name of the Partnership's registered agent for service of process at such address shall be Rodney D. Childress.

2.4 *Term.* The Partnership shall continue in existence until an election to dissolve the Partnership by the General Partner.

2.5 *Organizational Certificate.* A Certificate of Limited Partnership of the Partnership has been filed by the General Partner with the Secretary of State of the State of Oklahoma as required by the Oklahoma Act. The General Partner shall cause to be filed such other certificates or documents as may be required for the formation, operation, and qualification of a limited partnership in the State of Oklahoma and any state in which the Partnership may elect to do business. The General Partner shall thereafter file any necessary amendments to the Certificate of Limited Partnership and any such other certificates and documents and do all things requisite to the maintenance of the Partnership as a limited partnership (or as a partnership in which the Limited Partners have limited liability) under the laws of Oklahoma and any state or jurisdiction in which the Partnership may elect to do business.

2.6 *Partnership Interests.* Effective as of the date hereof, the General Partner shall have a 0.1% Percentage Interest and the Limited Partner shall have a 99.9% Percentage Interest.

III. PURPOSE

The purpose and business of the Partnership shall be to engage in any lawful activity for which limited partnerships may be organized under the Oklahoma Act.

IV. CAPITAL CONTRIBUTIONS

At or around the date hereof, the Limited Partner contributed to the Partnership $990 in cash and the General Partner contributed to the Partnership $10 in cash.

V. CAPITAL ACCOUNTS ALLOCATIONS

5.1 *Capital Accounts*. The Partnership shall maintain a capital account for each of the Partners in accordance with the regulations issued pursuant to Section 704 of the Internal Revenue Code of 1986, as amended (the *"Code"*) and as determined by the General Partner as consistent therewith.

5.2 *Allocations.* For federal income tax purposes, each item of income, gain, loss, deduction, and credit of the Partnership shall be allocated among the Partners in accordance with their Percentage Interests, except that the General Partner shall have the authority to make such other allocations as are necessary and appropriate to comply with Section 704 of the Code and the regulations issued pursuant thereto.

5.3 *Distributions.* From time to time, but not less often than quarterly, the General Partner shall review the Partnership's accounts to determine whether distributions are appropriate. The General Partner may make such cash distributions as it, in its sole discretion, may determine without being limited to current or accumulated income or gains from any Partnership funds, including, without limitation, Partnership revenues, capital contributions, or borrowed funds; *provided, however*, that no such distribution shall be made if, after giving effect thereto, the liabilities of the Partnership exceed the fair market value of the assets of the Partnership. In its sole discretion, the General Partner may, subject to the foregoing *proviso* , also distribute to the Partners other Partnership property or other securities of the Partnership or other entities. All distributions by the General Partner shall be made in accordance with the Percentage Interests of the Partners.

VI. MANAGEMENT AND OPERATIONS OF BUSINESS

Except as otherwise expressly provided in this Agreement, all powers to control and manage the business and affairs of the Partnership shall be vested exclusively in the General Partner, and the Limited Partner shall not have any power to control or manage the Partnership.

VII. RIGHTS AND OBLIGATIONS OF LIMITED PARTNER

The Limited Partner shall have no liability under this Agreement except as provided in Article IV.

VIII. DISSOLUTION AND LIQUIDATION

The Partnership shall be dissolved as provided in Section 2.4 and its affairs shall be wound up as provided by applicable law.

IX. AMENDMENT OF PARTNERSHIP AGREEMENT

The General Partner may amend any provision of this Agreement without the consent of the Limited Partner and may execute, swear to, acknowledge, deliver, file, and record whatever documents may be required in connection therewith.

X. GENERAL PROVISIONS

10.1 *Addresses and Notices* . Any notice to the Partnership, the General Partner, or the Limited Partner shall be deemed given if received by it in writing at the principal office of the Partnership designated pursuant to Section 2.3(a).

10.2 *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

10.3 *Integration.* This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements and understandings pertaining thereto.

10.4 *Severability.* If any provision of this Agreement is or becomes invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions hereof, or of such provision in other respects, shall not be affected thereby.

10.5 *Applicable Law*. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oklahoma.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement has been duly executed by the General Partner and the Limited Partner as of the date first above written.

GENERAL PARTNER:

DORCHESTER MINERALS OKLAHOMA GP, INC.

BY: /s/ William C. McManemin

William C. McManemin, President

LIMITED PARTNER:

DORCHESTER MINERALS, L.P.

BY: Dorchester Minerals Management LP
its general partner

By: Dorchester Minerals Management GP LLC

By: /s/ James E. Raley

James E. Raley, Chief Operating Officer

EXHIBIT 3.13

CERTIFICATE OF INCORPORATION
OF
DORCHESTER MINERALS OKLAHOMA GP, INC.

TO: THE OKLAHOMA SECRETARY OF STATE
2300 N. Lincoln Blvd., Room 101, State Capitol Building
Oklahoma City, OK 73105-4897
(405) 522-4560

The undersigned, for the purpose of forming an Oklahoma profit corporation pursuant to the provisions of Title 18, Section 1001, does hereby execute the following certificate of incorporation:

FIRST: The name of the corporation is Dorchester Minerals Oklahoma GP, Inc. (the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Oklahoma is Raley Compressor Station, Intersection of Mile 43 Road and "K" Road, 2.5 Miles southwest of Hooker, Oklahoma, county of Texas. The name of the registered agent is Rodney D. Childress.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporation may be organized under the general corporation law of Oklahoma.

FOURTH: The aggregate number of shares which the Corporation shall have authority to issue is One Hundred Thousand (100,000) of the par value of $.01 each, to be designated "Common Stock."

FIFTH: The name of the incorporator of the Corporation is David G. Harris and the mailing address of such incorporator is 1700 Pacific Avenue, Suite 3300, Dallas, Texas 75201.

SIXTH: The name and mailing address of the persons who are to serve as the initial directors until the first annual meeting of the holders of capital stock of the corporation or until their successors are elected and qualified are as follows:

Name	Address
William C. McManemin	3738 Oak Lawn Avenue Suite 300 Dallas, Texas 75219-4379
H.C. Allen, Jr.	3738 Oak Lawn Avenue Suite 300 Dallas, Texas 75219-4379
James E. Raley	3738 Oak Lawn Avenue Suite 300 Dallas, Texas 75219-4379

SEVENTH: The Board of Directors is expressly authorized and empowered to make, alter or repeal Bylaws, subject to the power of the stockholders to alter or repeal the Bylaws made by the Board of Directors.

EIGHTH: To the fullest extent permitted by the Oklahoma General Corporation Act as the same exists or may hereafter be amended, a director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of duty as a director. Without limiting the foregoing in any respect, a director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 1053 of the Oklahoma General Corporation Act, or (iv) for any transaction from which the director derived an improper personal benefit. If the Oklahoma General Corporation Act is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Oklahoma General Corporation Act, as so amended. Any repeal or modification of this provision shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

NINTH: The Corporation will, to the fullest extent permitted by the Oklahoma General Corporation Act, as the same exists or may hereafter be amended, indemnify any and all persons it has power to indemnify under such law from and against any and all of the expenses, liabilities or other matters referred to in or covered by such law. Such indemnification may be provided pursuant to any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his director or officer capacity and as to action in another capacity while holding such office, will continue as to a person who has ceased to be a director, officer, employee or agent, and will inure to the benefit of the heirs, executors and administrators of such a person.

If a claim under this Article is not paid in full by the Corporation within thirty days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such

claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the Oklahoma General Corporation Act for the Corporation to indemnify the claimant for the amount claimed. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Oklahoma General Corporation Act, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

TENTH: The effective date and time of the formation of the Corporation shall be 11:58 p.m., Central Standard Time, on January 22, 2003.

EXECUTED effective this 22th day of January, 2003.

By: /s/ D AVID G. H ARRIS

David G. Harris, Incorporator

EXHIBIT 3.14

BYLAWS

OF

DORCHESTER MINERALS OKLAHOMA GP, INC.

TABLE OF CONTENTS

BYLAWS

OF

DORCHESTER MINERALS OKLAHOMA GP, INC.

ARTICLE I

OFFICES

Section 1. *Registered Office* . The registered office of Dorchester Minerals Oklahoma GP, Inc. (hereinafter called the "Corporation") in the State of Oklahoma shall be at Raley Compressor Station, Intersection of Mile 43 Road and "K" Road, 2.5 Miles southwest of Hooker, Oklahoma, Hooker, Oklahoma 73945, and the registered agent in charge thereof shall be Rodney D. Childress.

Section 2. *Other Offices* . The Corporation may also have an office or offices, and keep the books and records of the Corporation, except as may otherwise be required by law, at such other place or places, either within or without the State of Oklahoma, as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. *Place of Meeting* . All meetings of the shareholders of the Corporation shall be held at the office of the Corporation or at such other places, within or without the State of Oklahoma, or, if so determined by the Board in its sole discretion, at no place (but rather by means of remote communication) as may from time to time be fixed by the Board of Directors, the Chairman of the Board or the President.

Section 2. *Annual Meetings* . Annual meetings of the shareholders of the Corporation for the election of directors and for the transaction of such other business as may properly come before such meetings shall be held during each calendar year on a date and at such hour as may be fixed by the Board of Directors, the Chairman of the Board or the President. Failure to designate a time for the annual meeting or to hold the annual meeting at the designated time shall not work a dissolution of the Corporation.

In order for business to be properly brought before the meeting by a shareholder, the business must be legally proper and written notice thereof must have been filed with the Secretary of the Corporation not less than 60 nor more than 120 days prior to the meeting. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the proposal as the same appears in the Corporation's records; (b) the class and number of shares of stock of the Corporation that are beneficially owned, directly or indirectly, by such shareholder;

and (c) a clear and concise statement of the proposal and the shareholder's reasons for supporting it.

The filing of a shareholder notice as required above shall not, in and of itself, constitute the making of the proposal described therein.

If the chairman of the meeting determines that any proposed business has not been properly brought before the meeting, he shall declare such business out of order; and such business shall not be conducted at the meeting.

Section 3. *Special Meetings* . Except as otherwise required by law and subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, special meetings of the shareholders for any purpose or purposes may be called only by a majority of the entire Board of Directors. Only such business as is specified in the notice of any special meeting of the shareholders shall come before such meeting.

Section 4. *Notice of Meetings* . Except as otherwise provided by law, notice of each meeting of the shareholders, whether annual or special, shall be given not less than 10 nor more than 60 days before the date of the meeting to each shareholder of record entitled to notice of the meeting. If mailed, such notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the shareholder at such shareholder's address as it appears on the records of the Corporation. Each such notice shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which shareholders and proxy holders may be deemed to be present in person and vote at such meeting and the purpose or purposes for which the meeting is called. Notice of any meeting of shareholders shall not be required to be given to any shareholder who shall attend such meeting in person or by proxy without protesting, prior to or at the commencement of the meeting, the lack of proper notice to such shareholder, or who shall waive notice thereof as provided in Article X of these Bylaws. Notice of adjournment of a meeting of shareholders need not be given if the time and place to which it is adjourned are announced at such meeting, unless the adjournment is for more than 30 days or, after adjournment, a new record date is fixed for the adjourned meeting. Notice to shareholders may be given by a form of electronic transmission if consented to by the shareholders to whom the notice is given.

Section 5. *Quorum* . Except as otherwise provided by law or by the Certificate of Incorporation of the Corporation, the holders of a majority of the votes entitled to be cast by the shareholders entitled to vote, which if any vote is to be taken by classes shall mean the holders of a majority of the votes entitled to be cast by the shareholders of each such class, present in person or represented by proxy, shall constitute a quorum for the transaction of business at any meeting of the shareholders.

Section 6. *Adjournments* . Any meeting of shareholders, annual or special, may be adjourned solely by the chair of the meeting from time to time to reconvene at the same or some other time, date and place. The shareholders present at a meeting shall not have authority to adjourn the meeting. Notice need not be given of any such adjourned meeting if the time, date

and place, if any, thereof and the means of remote communications, if any, by which the shareholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. If the time, date and place of the adjourned meeting are not announced at the meeting at which the adjournment is taken, if the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, then the Secretary shall give notice of the adjourned meeting as provided in Article II, Section 4, not less than ten (10) days prior to the date of the adjourned meeting.

Section 7. *Order of Business* . At each meeting of the shareholders, the Chairman of the Board, or, in the absence of the Chairman of the Board, the President shall act as chairman. The order of business at each such meeting shall be as determined by the chairman of the meeting. The chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the voting polls. The chairman of the meeting shall announce at each such meeting the date and time of the opening and the closing of the voting polls for each matter upon which the shareholders will vote at such meeting.

Section 8. *List of Shareholders* . It shall be the duty of the Secretary or other officer of the Corporation who has charge of the stock ledger to prepare and make, at least 10 days before each meeting of the shareholders, a complete list of the shareholders entitled to vote thereat, arranged in alphabetical order, and showing the address of each shareholder and the number of shares registered in such shareholder's name. Such list shall be produced and kept available at the times and places required by law. If the meeting is to be held at a place, such list shall be produced and kept open at the time and place of the meeting during the whole time thereof, and shall be subject to the inspection of any shareholder who may be present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any shareholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 9. *Voting* . Except as otherwise provided by law or by the Certificate of Incorporation of the Corporation, each shareholder of record of any class or series of stock having a preference over the Common Stock of the Corporation as to dividends or upon liquidation shall be entitled at each meeting of shareholders to such number of votes for each share of such stock as may be fixed in the Certificate of Incorporation or in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such stock, and each shareholder of record of Common Stock shall be entitled at each meeting of shareholders to one vote for each share of such stock, in each case, registered in such shareholder's name on the books of the Corporation:

(a) on the date fixed pursuant to Section 6 of Article VII of these Bylaws as the record date for the determination of shareholders entitled to notice of and to vote at such meeting; or

(b) if no such record date shall have been so fixed, then at the close of business on the day next preceding the date on which notice of such meeting is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

Each shareholder entitled to vote at any meeting of shareholders may authorize not in excess of three persons to act for such shareholder by a proxy signed by such shareholder or such shareholder's attorney-in-fact. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated for holding such meeting but, in any event, not later than the time designated in the order of business for so delivering such proxies. No such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

At each meeting of the shareholders, all corporate actions to be taken by vote of the shareholders (except as otherwise required by law and except as otherwise provided in the Certificate of Incorporation) shall be authorized by a majority of the votes cast by the shareholders entitled to vote thereon, present in person or represented by proxy. Where a separate vote by a class or classes is required, the affirmative vote of the majority of shares of such class or classes present in person or represented by proxy at the meeting shall be the act of such class.

Unless required by law or determined by the chairman of the meeting to be advisable, the vote on any matter, including the election of directors, need not be by written ballot. In the case of a vote by written ballot, each ballot shall be signed by the shareholder voting, or by such shareholder's proxy, and shall state the number of shares voted.

Section 10. *Inspectors of Election* . Either the Board of Directors or, in the absence of an appointment of inspectors by the Board, the Chairman of the Board or the President shall, in advance of each meeting of the shareholders, appoint one or more inspectors to act at such meeting and make a written report thereof. In connection with any such appointment, one or more persons may, in the discretion of the body or person making such appointment, be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at any meeting of shareholders, the chairman of such meeting shall appoint one or more inspectors to act at such meeting. Each such inspector shall perform such duties as are required by law and as shall be specified by the Board, the Chairman of the Board, the President or the chairman of the meeting. Each such inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability. Inspectors need not be shareholders. No director or nominee for the office of director shall be appointed such an inspector.

Section 11. *Postponement and Cancellation of Meeting* . Any previously scheduled annual or special meeting of the shareholders maybe postponed, and any previously scheduled

annual or special meeting of the shareholders called by the Board may be canceled, by resolution of the Board upon public notice given prior to the time previously scheduled for such meeting of shareholders.

Section 12. *Action Without Meeting* . Any action required or permitted to be taken at any meeting of the shareholders may be taken without a meeting if a consent thereto in writing or by electronic transmission is signed by the holders of the outstanding stock not having less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the Corporation in accordance with applicable law.

ARTICLE III

BOARD OF DIRECTORS

Section 1. *General Powers* . The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law or by the Certificate of Incorporation of the Corporation directed or required to be exercised or done by the shareholders.

Section 2. *Number, Qualification and Election* . The number of directors of the Corporation shall be fixed from time to time by resolution adopted by vote of a majority of the entire Board of Directors or the shareholders, provided that the number so fixed shall not be less than one nor more than fifteen.

The directors, other than those who may be elected by the holders of shares of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation pursuant to the terms of any resolution or resolutions providing for the issuance of such stock adopted by the Board, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Each director shall be at least 21 years of age. Directors need not be shareholders of the Corporation.

Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, at each annual meeting of the shareholders, all directors of the Corporation shall be elected.

In any election of directors, the persons receiving a plurality of the votes cast, up to the number of directors to be elected in such election, shall be deemed elected.

Section 3. *Notification of Nominations* . Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or

by any shareholder entitled to vote for the election of directors. Any shareholder entitled to vote for the election of directors at a meeting may nominate persons for election as directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders, 90 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the Corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

Section 4. *Quorum and Manner of Acting* . Except as otherwise provided by law, the Certificate of Incorporation of the Corporation or these Bylaws, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board, and, except as so provided, the vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board. In the absence of a quorum, a majority of the directors present may adjourn the meeting to another time and place. At any adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting as originally called may be transacted.

Section 5. *Place of Meeting* . The Board of Directors may hold its meetings at such place or places within or without the State of Oklahoma as the Board may from time to time determine or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 6. *Regular Meetings* . Regular meetings of the Board of Directors shall be held at such times and places as the Board shall from time to time by resolution determine. If any day fixed for a regular meeting shall be a legal holiday under the laws of the place where the meeting is to be held, the meeting that would otherwise be held on that day shall be held at the same hour on the next succeeding business day.

Section 7. *Special Meetings* . Special meetings of the Board of Directors shall be held whenever called by the Chairman of the Board or the President or by a majority of the directors.

Section 8. *Notice of Meetings* . Notice of regular meetings of the Board of Directors or of any adjourned meeting thereof need not be given. Notice of each special meeting of the Board shall be mailed or transmitted by delivery service to each director, addressed to such director at such director's residence or usual place of business, at least two days before the day on which the meeting is to be held or shall be sent to such director at such place by telegraph or facsimile telecommunication or be given personally or by telephone or by other means of electronic transmission, not later than the day before the meeting is to be held, but notice need not be given to any director who shall, either before or after the meeting, submit a signed waiver of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. Every such notice shall state the time and place but need not state the purpose of the meeting. Notice to directors may be given by telegram, telecopier, telephone, or other means of electronic transmission.

Section 9. *Rules and Regulations* . The Board of Directors may adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation of the Corporation or these Bylaws for the conduct of its meetings and management of the affairs of the Corporation as the Board may deem proper.

Section 10. *Participation in Meeting by Means of Communication Equipment* . Any one or more members of the Board of Directors or any committee thereof may participate in any meeting of the Board or of any such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting.

Section 11. *Action Without Meeting* . Any action required or permitted to be taken at any meeting of the Board of Directors or any committee thereof may be taken without a meeting if all of the members of the Board or of any such committee consent thereto in writing or by electronic transmission, as the case may be, and the writing or electronic transmission is filed with the minutes of proceedings of the Board or of such committee.

Section 12. *Resignations* . Any director of the Corporation may at any time resign by giving written notice to the Board of Directors, the Chairman of the Board, the President or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 13. *Removal of Directors* . Any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, that if a director was elected by the holders of a particular class or series of stock, only the holders of that class or series shall be entitled to remove such director.

Section 14. *Vacancies* . Subject to the rights of the holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, any vacancies on the Board of Directors and any newly created directorship resulting from an

increase in the authorized number of directors, may be filled by election at an annual or special meeting of shareholders called for that purpose or by the affirmative vote of a majority of the remaining directors, though less than a quorum of the entire Board, and the directors so chosen shall hold office until the next annual meeting of shareholders and until their successors are duly elected and shall qualify, unless sooner displaced.

Section 15. *Compensation* . Each director who shall not at the time also be a salaried officer or employee of the Corporation or any of its subsidiaries (hereinafter referred to as an "outside director"), in consideration of such person serving as a director, shall be entitled to receive from the Corporation such amount per annum and such fees for attendance at meetings of the Board of Directors or of committees of the Board, or both, as the Board shall from time to time determine. In addition, each director, whether or not an outside director, shall be entitled to receive from the Corporation reimbursement for the reasonable expenses incurred by such person in connection with the performance of such person's duties as a director. Nothing contained in this Section 15 shall preclude any director from serving the Corporation or any of its subsidiaries in any other capacity and receiving proper compensation therefor.

Section 16. *Advisory Directors* . The Board of Directors may appoint one or more advisory directors as it shall from time to time determine. Each advisory director appointed shall hold office at the pleasure of the Board of Directors. An advisory director shall be entitled, but shall have no obligation, to attend and be present at the meetings of the Board of Directors, although a meeting of the Board of Directors may be held without notice to any advisory director and no advisory director shall be considered in determining whether a quorum of the Board of Directors is present. An advisory director shall advise and counsel the Board of Directors on the business and operations of the Corporation as requested by the Board of Directors; however, an advisory director shall not be entitled to vote on any matter presented to the Board of Directors. An advisory director, in consideration of such person serving as an advisory director, shall be entitled to receive from the Corporation such fees for attendance at meetings of the Board of Directors as the Board shall from time to time determine. In addition, an advisory director shall be entitled to receive from the Corporation reimbursement for the reasonable expenses incurred by such person in connection with the performance of such person's duties as an advisory director.

ARTICLE IV

EXECUTIVE AND OTHER COMMITTEES

Section 1. *Executive Committee* . The Board of Directors may, by resolution adopted by a majority of the entire Board, designate annually three or more of its members to constitute members or alternate members of an Executive Committee, which Committee shall have and may exercise, between meetings of the Board, all the powers and authority of the Board in the management of the business affairs of the Corporation, including, if such Committee is so empowered and authorized by resolution adopted by a majority of the entire Board, the power and authority to declare a dividend and to authorize the issuance of stock, and may authorize the

seal of the Corporation to be affixed to all papers that may require it, except that the Executive Committee shall not have such power or authority in reference to:

(a) amending the Certificate of Incorporation of the Corporation;

(b) adopting an agreement of merger or consolidation involving the Corporation;

(c) recommending to the shareholders the sale, lease or exchange of all or substantially all of the property and assets of the Corporation;

(d) recommending to the shareholders a dissolution of the Corporation or a revocation of a dissolution;

(e) adopting, amending or repealing any Bylaw;

(f) filling vacancies on the Board or on any committee of the Board, including the Executive Committee; or

(g) amending or repealing any resolution of the Board which by its terms may be amended or repealed only by the Board.

The Board shall have power at any time to change the membership of the Executive Committee, to fill all vacancies in it and to discharge it, either with or without cause.

Section 2. *Other Committees* . The Board of Directors may, by resolution adopted by a majority of the entire Board, designate from among its members one or more other committees, each of which shall, except as otherwise prescribed by law, have such authority of the Board as may be specified in the resolution of the Board designating such committee. A majority of all the members of such committee may determine its action and fix the time and place of its meetings, unless the Board shall otherwise provide. The Board shall have power at any time to change the membership of, to fill all vacancies in and to discharge any such committee, either with or without cause.

Section 3. *Procedure; Meetings; Quorum* . Regular meetings of the Executive Committee or any other committee of the Board of Directors, of which no notice shall be necessary, may be held at such times and places as shall be fixed by resolution adopted by a majority of the members thereof. Special meetings of the Executive Committee or any other committee of the Board shall be called at the request of any member thereof. Notice of each special meeting of the Executive Committee or any other committee of the Board shall be sent by mail, delivery service, facsimile telecommunication, telegraph or telephone, or be delivered personally to each member thereof not later than the day before the day on which the meeting is to be held, but notice need not be given to any member who shall, either before or after the meeting, submit a signed waiver of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of such notice to such member. Any special meeting of the Executive Committee or any other committee of the Board shall be a legal meeting without any notice thereof having been given, if all the members thereof shall be present

thereat. Notice of any adjourned meeting of any committee of the Board need not be given. The Executive Committee or any other committee of the Board may adopt such rules and regulations not inconsistent with the provisions of law, the Certificate of Incorporation of the Corporation or these Bylaws for the conduct of its meetings as the Executive Committee or any other committee of the Board may deem proper. A majority of the Executive Committee or any other committee of the Board shall constitute a quorum for the transaction of business at any meeting, and the vote of a majority of the members thereof present at any meeting at which a quorum is present shall be the act of such committee. The Executive Committee or any other committee of the Board of Directors shall keep written minutes of its proceedings and shall report on such proceedings to the Board.

ARTICLE V

OFFICERS

Section 1. *Number; Term of Office* . The officers of the Corporation shall be elected by the Board of Directors, and shall consist of a President, Secretary and Treasurer. The Board of Directors, in its discretion, may also elect a Chairman of the Board and such other officers as the Board of Directors may designate, all of whom shall hold office until their successors are elected and qualified. Any two or more offices may be held by the same person. The Board of Directors may designate which of such officers are to be treated as executive officers for purposes of these Bylaws or for any other purpose.

Section 2. *Removal* . Any officer may be removed, either with or without cause, by the Board of Directors at any meeting thereof called for that purpose, or, except in the case of any officer elected by the Board, by any committee or superior officer upon whom such power may be conferred by the Board.

Section 3. *Resignation* . Any officer may resign at any time by giving notice to the Board of Directors, the President or the Secretary of the Corporation. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. *Vacancies* . A vacancy in any office because of death, resignation, removal or any other cause may be filled for the unexpired portion of the term in the manner prescribed in these Bylaws for election to such office.

Section 5. *The President* . The President shall be the chief executive officer of the Corporation and as such shall have general supervision and direction of the business and affairs of the Corporation, subject to the control of the Board of Directors. The President shall, if present and in the absence of the Chairman of the Board, preside at meetings of the shareholders, meetings of the Board and meetings of the Executive Committee. The President shall perform such other duties as the Board may from time to time determine. The President may sign and

execute in the name of the Corporation deeds, mortgages, bonds, contracts or other instruments authorized by the Board or any committee thereof empowered to authorize the same.

Section 6. *Chairman of the Board* . The Chairman of the Board shall, if present, preside at meetings of the shareholders, meetings of the Board and meetings of the Executive Committee. The Chairman of the Board shall counsel with and advise the President and perform such other duties as the Board or the Executive Committee may from time to time determine.

Section 7. *Treasurer* . The Treasurer shall perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the President, the Chairman of the Board or the Board of Directors.

Section 8. *Secretary* . It shall be the duty of the Secretary to act as secretary at all meetings of the Board of Directors, of the Executive Committee and of the shareholders and to record the proceedings of such meetings in a book or books to be kept for that purpose; the Secretary shall see that all notices required to be given by the Corporation are duly given and served; the Secretary shall be custodian of the seal of the Corporation and shall affix the seal or cause it to be affixed to all certificates of stock of the Corporation (unless the seal of the Corporation on such certificates shall be a facsimile, as hereinafter provided) and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these Bylaws. The Secretary shall have charge of the stock ledger and also of the other books, records and papers of the Corporation and shall see that the reports, statements and other documents required by law are properly kept and filed; and the Secretary shall in general perform all the duties incident to the office of Secretary and such other duties as from time to time may be assigned to such person by the President, the Chairman of the Board or the Board of Directors.

Section 9. *Controller* . The Controller, if any, shall perform all of the duties incident to the office of the Controller and such other duties as from time to time may be assigned to such person by the President, the Chairman of the Board or the Board of Directors.

Section 10. *Other Officers* . Other officers appointed by the Board of Directors shall perform the duties incident to their respective offices and such other duties as from time to time may be assigned to such person by the President, the Chairman of the Board or the Board of Directors.

ARTICLE VI

INDEMNIFICATION

Section 1. *Third Party Actions* . The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

Section 2. *Derivative Actions* . The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

Section 3. *Determination of Indemnification* . Any indemnification under Section 1 or 2 of this Article VI (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or 2 of this Article VI. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iii) by the shareholders.

Section 4. *Right to Indemnification* . Notwithstanding the other provisions of this Article VI, to the extent that a director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or 2 of this Article VI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 5. *Advancement of Expenses* . The Corporation shall pay the expenses (including attorneys' fees) incurred in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of the final disposition of such action, suit or proceeding, provided, however, that the payment of expenses incurred by a director, officer, employee or agent in advance of the final disposition of the action, suit or proceeding shall be made only upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay all amounts advanced if it should be ultimately determined that such person is not entitled to be indemnified under this Article VI or otherwise.

Section 6. *Indemnification and Advancement of Expenses Not Exclusive* . The indemnification and advancement of expenses provided by, or granted pursuant to the other Sections of this Article VI shall not be deemed exclusive of any other rights to which any person seeking indemnification may be entitled under any law, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Article VI shall be deemed to be provided by a contract between the Corporation and the director, officer, employee or agent who served in such capacity at any time while these Bylaws and other relevant provisions of the Oklahoma General Corporation Act and other applicable law, if any, are in effect. Any repeal or modification thereof shall not affect any rights or obligations then existing.

Section 7. *Insurance* . The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the applicable provisions of the Oklahoma General Corporation Act.

Section 8. *Definitions of Certain Terms* . For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the

provisions of this Article VI with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

For purposes of this Article VI, references to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

Section 9. *Continuation and Successors* . The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 10. *Exclusive Jurisdiction* . The Oklahoma District Courts are vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this Article VI or under any statute, agreement, vote of shareholders or disinterested directors, or otherwise. The Oklahoma District Courts may summarily determine the Corporation's obligation to advance expenses (including attorneys' fees).

ARTICLE VII

CAPITAL STOCK

Section 1. *Certificates for Shares* . Certificates representing shares of stock of each class of the Corporation, whenever authorized by the Board of Directors, shall be in such form as shall be approved by the Board. The certificates representing shares of stock of each class shall be signed by, or in the name of, the Corporation by the Chairman of the Board or the President or by the Secretary of the Corporation, and sealed with the seal of the Corporation, which may be by a facsimile thereof. Any or all such signatures may be facsimiles if countersigned by a transfer agent or registrar. Although any officer, transfer agent or registrar whose manual or facsimile signature is affixed to such a certificate ceases to be such officer, transfer agent or registrar before such certificate has been issued, it may nevertheless be issued by the Corporation with the same effect as if such officer, transfer agent or registrar were still such at the date of its issue.

The stock ledger and blank share certificates shall be kept by the Secretary or by a transfer agent or by a registrar or by any other officer or agent designated by the Board.

Section 2. *Transfer of Shares* . Transfer of shares of stock of each class of the Corporation shall be made only on the books of the Corporation by the holder thereof, or by such holder's attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary of the Corporation or a transfer agent for such stock, if any, and on surrender of the certificate or certificates for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. The person in whose name shares stand on the books of the Corporation shall be deemed the owner thereof for all purposes as regards the Corporation; provided, however, that whenever any transfer of shares shall be made for collateral security and not absolutely, and written notice thereof shall be given to the Secretary or to such transfer agent, such fact shall be stated in the entry of the transfer. No transfer of shares shall be valid as against the Corporation, its shareholders and creditors for any purpose, except to render the transferee liable for the debts of the Corporation to the extent provided by law, until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 3. *Address of Shareholders* . Each shareholder shall designate to the Secretary or transfer agent of the Corporation an address at which notices of meetings and all other corporate notices may be served or mailed to such person, and, if any shareholder shall fail to designate such address, corporate notices may be served upon such person by mail directed to such person at such person's post office address, if any, as the same appears on the share record books of the Corporation or at such person's last known post office address.

Section 4. *Lost, Destroyed and Mutilated Certificates* . The holder of any share of stock of the Corporation shall immediately notify the Corporation of any loss, theft, destruction or mutilation of the certificate therefor; the Corporation may issue to such holder a new certificate or certificates for shares, upon the surrender of the mutilated certificate or, in the case of loss, theft or destruction of the certificate, upon satisfactory proof of such loss, theft or destruction; the Board of Directors, or a committee designated thereby, or the transfer agents and registrars for the stock, may, in their discretion, require the owner of the lost, stolen or destroyed certificate, or such person's legal representative, to give the Corporation a bond in such sum and with such surety or sureties as they may direct to indemnify the Corporation and said transfer agents and registrars against any claim that may be made on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 5. *Regulations* . The Board of Directors may make such additional rules and regulations as it may deem expedient concerning the issue and transfer of certificates representing shares of stock of each class of the Corporation and may make such rules and take such action as it may deem expedient concerning the issue of certificates in lieu of certificates claimed to have been lost, destroyed, stolen or mutilated.

Section 6. *Fixing Date for Determination of Shareholders of Record* . In order that the Corporation may determine the shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the

resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of shareholders entitled to notice of or to vote at a meeting of the shareholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE VIII

SEAL

The Board of Directors may provide for a corporate seal bearing the name of the Corporation in such form and bearing such other words or figures as the Board of Directors may approve and adopt. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

ARTICLE IX

FISCAL YEAR

The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

ARTICLE X

WAIVER OF NOTICE

Whenever any notice whatsoever is required to be given by these Bylaws, by the Certificate of Incorporation of the Corporation or by law, the person entitled thereto may, either before or after the meeting or other matter in respect of which such notice is to be given, waive such notice in writing, which writing shall be filed with or entered upon the records of the meeting or the records kept with respect to such other matter, as the case may be, and in such event such notice need not be given to such person and such waiver shall be deemed equivalent to such notice.

ARTICLE XI

AMENDMENTS

Any Bylaw (including this Article XI) may be adopted, repealed, altered or amended at any meeting of the Board of Directors by the affirmative vote of a majority of the directors, provided that such proposed action in respect thereof shall be stated in the notice of such meeting.

ARTICLE XII

MISCELLANEOUS

Section 1. *Execution of Documents* . The Board of Directors or any committee thereof shall designate the officers, employees and agents of the Corporation who shall have power to execute and deliver deeds, contracts, mortgages, bonds, debentures, notes, checks, drafts and other orders for the payment of money and other documents for and in the name of the Corporation and may authorize such officers, employees and agents to delegate such power (including authority to redelegate) by written instrument to other officers, employees or agents of the Corporation. Such delegation may be by resolution or otherwise and the authority granted shall be general or confined to specific matters, all as the Board or any such committee may determine. In the absence of such designation referred to in the first sentence of this Section 1, the officers of the Corporation shall have such power so referred to, to the extent incident to the normal performance of their duties.

Section 2. *Deposits* . All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation or otherwise as the Board of Directors or any committee thereof or any officer of the Corporation to whom power in that respect shall have been delegated by the Board or any such committee shall select.

Section 3. *Checks* . All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes or other evidence of indebtedness of the Corporation, shall be signed on behalf of the Corporation in such manner as shall from time to time be determined by resolution of the Board of Directors or of any committee thereof.

Section 4. *Proxies in Respect of Stock or Other Securities of Other Corporations* . The Board of Directors or any committee thereof shall designate the officers of the Corporation who shall have authority from time to time to appoint an agent or agents of the Corporation to exercise in the name and on behalf of the Corporation the powers and rights that the Corporation may have as the holder of stock or other securities in any other corporation, and to vote or consent in respect of such stock or securities; such designated officers may instruct the person or persons so appointed as to the manner of exercising such powers and rights; and such designated officers may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, such written proxies, powers of attorney or other instruments as they may deem necessary or proper in order that the Corporation may exercise its said powers and rights.

EXHIBIT 10.1

AMENDED AND RESTATED
BUSINESS OPPORTUNITIES AGREEMENT

This AMENDED AND RESTATED BUSINESS OPPORTUNITIES AGREEMENT (this "Agreement"), dated as of January 31, 2003, is entered into by Dorchester Minerals, L.P., a Delaware limited partnership (the "Partnership"); Dorchester Minerals Management LP, a Delaware limited partnership and the general partner of the Partnership (the "General Partner"); Dorchester Minerals Management GP LLC, a Delaware limited liability company and the general partner of the General Partner ("Management GP"); SAM Partners, Ltd., a Texas limited partnership ("SAM"), Vaughn Petroleum, Ltd., a Texas limited partnership ("Vaughn"), Smith Allen Oil & Gas, Inc., a Texas corporation ("SAOG"), P.A. Peak, Inc., a Delaware corporation or any successor thereto by conversion or reorganization ("Peak"), and James E. Raley, Inc., a Delaware corporation or any successor thereto by conversion or reorganization ("Raley") (as used herein, each of SAM, Vaughn, SAOG, Peak and Raley are referred to as a "GP Party"), and each individual that both is an executive officer of any Operating Company (defined below) and has agreed in writing to be bound as an "Officer" under this Agreement (each, an "Officer").

RECITALS:

A Business Opportunities Agreement, dated December 13, 2001, (the "Original Agreement") was executed and delivered simultaneously with the execution and delivery of the Combination Agreement dated December 13, 2001 (the "Combination Agreement") among the Partnership, the General Partner, the Management GP, Dorchester Minerals Operating LP, a Delaware limited partnership and a subsidiary of the General Partner (the "Operating Subsidiary" and, together with its general partner, Dorchester Minerals Operating GP LLC, the "Operating Companies"), Dorchester Hugoton, Ltd., a Texas limited partnership ("DHL"), Republic Royalty Company, a Texas general partnership ("RRC"), and Spinnaker Royalty Company, L.P., a Texas limited partnership ("SRC"). Pursuant to the Combination Agreement, DHL, RRC and SRC will combine their businesses and properties into the Partnership (the "Transaction"). The parties to the Original Agreement (i) have, pursuant to that certain letter agreement dated January 22, 2003 (the "Amendment"), amended the Original Agreement and (ii) desire to amend and restate the Original Agreement in its entirety in this Agreement as of the date hereof to provide for the following terms and conditions of the Original Agreement, as amended by the Amendment. All capitalized terms used and not defined herein (as well as the term person) have the meanings attributable to them in the Combination Agreement. As used herein, the term "Affiliate" means, in addition to any "affiliate" as defined in the Combination Agreement, any owner, director, manager, managing member, officer or employee of any such affiliate; provided, however, that the Operating Companies shall not be Affiliates of the General Partner for purposes of this Agreement, and neither the Operating Companies nor the General Partner shall be Affiliates of any GP Party for purposes of this Agreement.

The GP Parties are currently all of the general partners of RRC, SRC and DHL. Immediately following the Transaction, the GP Parties will (directly or indirectly) own all of

the equity of the General Partner and own units of limited partnership interest in the Partnership.

Each of the GP Parties believes that it and its respective partners in RRC, SRC or DHL, as applicable, will benefit from the Transaction and that the Transaction is in its best interest and in the best interest of its respective partners. The GP Parties, however, are unwilling to permit the General Partner, the Management GP and the Operating Subsidiary to enter into the Combination Agreement and to agree in the Combination Agreement to enter into the Amended and Restated Partnership Agreement of the Partnership (the "Partnership Agreement") upon the closing of the Transaction unless the respective rights and responsibilities of the GP Parties, the General Partner, the Management GP, the Operating Companies and their Affiliates and the Partnership with respect to the matters addressed in this Agreement are clearly delineated and agreed upon in advance for the reasons referred to below.

The GP Parties engage in the acquisition and ownership of oil and gas properties, including but not limited to oil and gas net profits interests, mineral interests and royalty interests in the United States. The businesses in which the GP Parties engage are similar to those in which the Partnership will engage following the Transaction.

As the owners of the General Partner following the Transaction, the GP Parties may owe certain duties to the Partnership. Pursuant to the Limited Liability Company Agreement of Management GP, each GP Party will have the right to designate a person (the "Designees") to serve on the committee of managers of the Management GP following the Transaction. Certain of the Designees may be directors, members, managers and/or officers of or employed by the General Partner, an Operating Company, a GP Party, an entity which possesses management authority over a GP Party, or a company in which the General Partner or a GP Party has an interest. These Designees will have duties to the Partnership and duties to the General Partner, an Operating Company, the GP Party or such other companies (as applicable).

The law relating to the duties that the GP Parties or their Designees or Affiliates may owe to the Partnership is not clear. The application of such law to particular circumstances is often difficult to predict, and if a court were to hold that a GP Party or one of their Designees or Affiliates breached any such duty, the GP Party or such Designee or Affiliate could be held liable for damages in a legal action brought on behalf of the Partnership.

In order to induce the GP Parties to permit the General Partner, the Management GP and the Operating Subsidiary to enter into the Combination Agreement and/or the Partnership Agreement, as applicable, the Partnership is willing to enter into this Agreement in order (i) to renounce, effective upon the consummation of the Transaction, any interest or expectancy it may have in the classes or categories of business opportunities specified herein that are presented to or identified by any Affiliate of the General Partner, a GP Party or any Affiliate thereof, or any of the Designees, as more fully described herein; (ii) to permit the GP Parties and their respective Affiliates to continue to conduct their respective businesses and to

pursue certain business opportunities without an obligation, except as provided herein, to offer such opportunities to the Partnership, and (iii) to permit any Designee to continue to discharge his or her responsibilities as a director, member, manager, officer or employee of the General Partner, an Operating Company, a GP Party or Affiliate thereof or a company in which a GP Party has an interest.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants, rights, and obligations set forth in this Agreement, and the benefits to be derived herefrom, and other good and valuable consideration, the receipt and the sufficiency of which each of the parties hereto acknowledges and confesses, the parties hereto agree as follows:

1. Scope of Business of the Partnership Following the Transaction . The Partnership covenants and agrees that, following consummation of the Transaction, except with the consent of General Partner (which it may withhold in its sole discretion), the Partnership will not engage in any business not allowed by the Partnership Agreement as in effect immediately following the closing of the Transaction. The Partnership hereby renounces, effective upon consummation of the Transaction, any interest or expectancy in any business opportunity (each, together with those business opportunities so designated in Section 3(d) hereof, a "Renounced Opportunity") that does not consist of the Oil and Gas Business (as defined below) within the Designated Area (as defined below). The "Oil and Gas Business" means the acquisition, management, ownership or sale of oil and gas assets or properties, including but not limited to mineral fee interests, net profits interests and royalty and overriding royalty interests but specifically excluding working interests. "Designated Areas" means the areas identified on Schedule A attached hereto.

2. Business Opportunities . The Partnership recognizes that Affiliates of the General Partner, the GP Parties and their Affiliates, and the Designees (i) participate and will continue to participate in the Oil and Gas Business, directly and through Affiliates, (ii) may have interests in, participate with, and maintain seats on the boards of directors of or serve as officers, managers, partners, members or employees of other companies engaged in the Oil and Gas Business and (iii) may develop business opportunities for the GP Parties and their Affiliates and such other companies. The Partnership recognizes that the GP Parties and their Affiliates and the Designees may be engaged in the Oil and Gas Business in competition with the Partnership. The Partnership:

(a) acknowledges and agrees that Affiliates of the General Partner, the GP Parties and their Affiliates, the Designees, and such other companies shall not be restricted or proscribed by the relationship between the Partnership and General Partner and/or the Operating Companies, or otherwise, from engaging in the Oil and Gas Business or any other business, regardless of whether such business activity is in direct or indirect competition with the business or activities of the Partnership, if such business activity either

(i) is a Renounced Opportunity; or

(ii) is engaged in on any basis that is consistent with the standards set forth in Section 5 hereof;

(b) acknowledges and agrees that Affiliates of the General Partner, the GP Parties and their Affiliates, the Designees, and such other companies shall not have any obligation to offer the Partnership any business opportunity if either

(i) such business opportunity is a Renounced Opportunity; or

(ii) their activities are conducted in accordance with the standards set forth in Section 5 hereof;

(c) renounces any interest or expectancy in any business opportunity pursued by any Affiliate of the General Partner, any GP Party or any Affiliate thereof, any Designee, or any such other company if such business opportunity either

(i) is a Renounced Opportunity; or

(ii) is pursued in accordance with the standards set forth in Section 5 hereof; and

(d) waives any claim that any business opportunity pursued by any Affiliate of the General Partner, any GP Party or Affiliate thereof, any Designee, or any such other company constitutes a business opportunity of the Partnership that should have been presented to the Partnership, unless such business opportunity both

(i) is not a Renounced Opportunity; and

(ii) was pursued in violation of the standards set forth in Section 5 hereof.

The parties agree (x) that, notwithstanding the foregoing, the renouncement and other matters set forth above in this Section 2 shall not limit the contractual obligations in Sections 3 and 4 of the persons specified in such Sections 3 and 4, and (y) the contractual obligations contained in Sections 3 and 4 shall not be limited by virtue of the renouncement and other matters set forth above in this Section 2.

3. Notification of the Partnership Business Opportunities .

(a) If (i) a GP Party or any Subsidiary thereof or any Officer or any Subsidiary thereof has signed a binding agreement to purchase (a "Purchase Agreement")

oil and gas interests, including but not limited to, (a) oil and gas net profits interests in the United States, (b) royalty interests and other mineral interests in the United States, and (c) to the extent such interests are within the geographic boundaries of any lease, tract, unit or parcel of land then owned by the Partnership or in which the Partnership at that time has an interest, working interests and other cost bearing interests (the "Oil and Gas Interests") and (ii) the purchase price to be paid for such Oil and Gas Interests is greater than three percent (3%) of the Market Capitalization of the Partnership (as defined herein) as determined on the date such Purchase Agreement is fully executed (a transaction meeting the requirements of both (i) and (ii) shall be referred to herein as a "Qualifying Acquisition Opportunity"), then such party (the "Notifying Party") hereby agrees to provide, or to cause its applicable Subsidiary to provide, written notice to the Partnership (the "Partnership Notice") of the Qualifying Acquisition Opportunity at least 21 days prior to the consummation the transactions contemplated by the Purchase Agreement, so that the Partnership may determine whether to pursue the purchase of the Oil and Gas Interests directly from the seller of the Oil and Gas Interests (the "Seller"). Beginning on January 1, 2004, a Manager of Management GP that is also an Affiliate or employee of (a) the GP Parties or any Subsidiary thereof or (b) any Officer or any Subsidiary thereof shall also be subject to the obligations provided in this Section 3 and such obligations on such Manager will apply to all opportunities without regard to the amount of the purchase price to be paid for such Oil and Gas Interests. As used herein, "Market Capitalization of the Partnership" shall mean the total value of all outstanding units of limited partnership interest in the Partnership as determined by the "Current Market Price" (as defined in the Partnership Agreement). In the event that the purchase price to be paid by the Notifying Party to the Seller pursuant to the Purchase Agreement will be paid in consideration other than cash, the value of such consideration shall be determined by the Advisory Committee (the "Advisory Committee") of the Partnership (as defined in the Agreement of Limited Partnership of the Partnership), upon request of the Notifying Party. At the option of the Notifying Party, the Notifying Party may (but is not obligated to) provide the Partnership Notice and the information described in subsection (b) below with respect to a transaction which would otherwise qualify as a Qualifying Acquisition Opportunity prior to signing a binding agreement with respect to such transaction.

(b) As general partner of the General Partner, Management GP shall, on behalf of the Partnership, forward copies of such Partnership Notice and other information to the persons serving on the Advisory Committee as promptly as practicable upon the Partnership's receipt thereof. Within 5 days of receipt of such notice, the Partnership shall notify the Notifying Party as to whether the Partnership will exercise its right to pursue such opportunity (the "Partnership Option"), unless such opportunity reasonably requires a shorter response time, in which case Notifying Party shall describe the circumstances giving rise to the need for a shorter response time in the Partnership Notice and the Partnership shall be required to respond within such shorter time period.

(c) If the Partnership timely notifies the Notifying Party of its intent to exercise a Partnership Option pursuant to subsection (b) above and, within 10 days after

the Partnership's receipt of the Partnership Notice (or such extended period as is agreed by the Partnership and the Seller and is specified in a written notice of the Partnership and the Seller to the Notifying Party), the Notifying Party receives written notice from the Partnership and the Seller that the Seller desires to sell the oil and gas interests to the Partnership instead of the Notifying Party, the Notifying Party hereby agrees to take, or cause to be taken, any and all commercially reasonable action as is necessary to effect the termination of the Purchase Agreement between the Notifying Party and the Seller; provided Seller agrees such termination is to be effective only upon the execution of a binding agreement between the Partnership and the Seller. Upon exercise of the Partnership Option, the Partnership is not required to pursue such Qualifying Acquisition Opportunity on terms identical to those under which the Notifying Party intended to pursue such opportunity.

(d) If the Partnership notifies the Notifying Party that it declines to pursue such Qualifying Acquisition Opportunity, or fails to respond to a Partnership Notice within the time period provided in Section 3(b) above, the Notifying Party shall have no further obligation to the Partnership under this Section 3 with respect to such Qualifying Acquisition Opportunity and, in addition, such Qualifying Acquisition Opportunity shall be a "Renounced Opportunity" for purposes of this Agreement even if would not fall within such definition but for this sentence. If the binding agreement between the Seller and the Partnership with respect to the Qualifying Acquisition Agreement is terminated, then notwithstanding any other provision of this Section 3, the Notifying Party may pursue the relevant Qualifying Acquisition Opportunity without further obligation under this Section 3.

(e) Determinations regarding whether the Partnership shall exercise the Partnership Option shall be made by the Advisory Committee.

4. Other Rights to Purchase by the Partnership .

(a) In the event that any GP Party or a Subsidiary thereof or any Officer or any Subsidiary thereof (each, an "Offeror") acquires any Oil and Gas Interests or oil and gas working interests which are located in the Designated Areas or which as a package include Oil and Gas Interests or oil and gas working interests at least twenty percent (20%) of the net acreage of which is located within the Designated Area (any such interests are referred to herein as the "Restricted Assets"), then not later than one month after the consummation of the acquisition by such Offeror of the Restricted Assets, such Offeror shall notify the Partnership of such purchase and offer the Partnership the opportunity to purchase such Restricted Assets. Such notice shall furnish to the Partnership all information in Offeror's possession regarding such the Restricted Assets that is material to the Partnership's decision regarding whether or not to exercise the option set forth in this Section 4. Within twenty (20) days of receipt of such notice and information (forty (40) days in the event Offeror notifies the Partnership of more than one such opportunity during the same time period), the Partnership shall notify the Offeror that either (i) the General Partner has elected, with the approval of the Advisory

Committee, not to cause the Partnership to purchase such Restricted Assets, in which event the Offeror shall be forever free to continue to own or operate such Restricted Assets, or (ii) the General Partner has elected to cause the Partnership to purchase such Restricted Assets, in which event the closing of such transaction shall occur on a mutually agreeable date not more than twenty (20) business days after the date of such notice of intent to exercise the option. The purchase price, which shall be payable in immediately available funds, shall be equal to the purchase price paid for the Restricted Assets. In the event that the Restricted Assets were purchased by the Offeror other than for cash and the Partnership and the Offeror are unable to agree on the value of such consideration, the value of such consideration shall be determined (the "Appraisal") by an appraiser appointed by mutual agreement of the Partnership and the Offeror (the "Appraiser"). The fees and expenses of the Appraisal shall be paid one-half by the Partnership and one-half by the Offeror. The Partnership and the Offeror shall furnish such information to the Appraiser as shall be needed to complete the appraisal. Such Appraisal shall be completed within thirty (30) days after the appointment of Appraiser. The Partnership may revoke its election to purchase the Restricted Assets within five (5) days of the receipt of the Appraisal, provided that if the Partnership so elects to revoke, it shall pay 100% of the fees and expenses of the Appraiser.

(b) The General Partner and its Subsidiaries and the GP Parties and their Subsidiaries shall have no obligation under this Section 4 with respect to interests or properties which were part of a Qualifying Acquisition Opportunity if such party has not violated the provisions of Section 3.

5. Standards for Separate Conduct of Business . Any GP Party or any Affiliate thereof, any Designee or any other company in which any Affiliate of the General Partner, or any GP Party or any Affiliate thereof, has an interest or of which a Designee is an owner, director, manager, partner, officer or employee (except for the Management GP, the General Partner and their Subsidiaries) ("Separate Parties") shall be deemed to meet the standards referred to in Sections 2(a)(ii), 2(b)(ii), 2(c)(ii) and 2(d)(ii) if its businesses are conducted entirely through the use of its own personnel and assets and not with the use of any personnel or assets of the Partnership, the General Partner or the Operating Subsidiary. Without limiting the foregoing, such standards will be deemed met with respect to a business opportunity if (a) it is identified by or presented to such Designee or personnel of such Separate Party and developed and pursued solely through the use of their personnel and assets (and not based on confidential information disclosed by or on behalf of the Partnership, the Management GP, the General Partner or a Subsidiary of the General Partner during the course of the relationship of such Designee or such Separate Party's personnel with the Partnership, the Management GP, the General Partner or a Subsidiary of the General Partner), and (b) it did not come to the attention of such Designee or such Separate Party's personnel in, and as a direct result of, his or her capacity as a manager of the Management GP or an officer or employee of the General Partner, an Operating Company or a Subsidiary of either; provided that (i) if such opportunity is separately identified by a Designee or a Separate Party or its personnel or separately presented to a Separate Party or its personnel by a person other than such

Designee, the Separate Party or such personnel, then the Designee, the Separate Party or its personnel, as applicable, shall be free to pursue such opportunity even if it also came to such person's attention as a result of and in his or her capacity as an owner or manager of the Management GP or a director, manager, officer or employee of the General Partner, an Operating Company or a Subsidiary of either and (ii) if such opportunity is presented to or identified by a Designee, a Separate Party or its personnel other than solely as a result of and in his or her capacity as an owner or manager of the Management GP or an owner or employee of the General Partner, an Operating Company or a Subsidiary thereof, such person shall be free to pursue such opportunity even if it also came to such person's attention as a result of and in his or her capacity as an owner or manager of the Management GP or an owner or employee of the General Partner, an Operating Company or a Subsidiary of either. Nothing in this Agreement will allow a Designee or personnel of a Separate Party to usurp a corporate opportunity solely for his or her personal benefit (as opposed to pursuing, for the benefit of a Separate Party, an opportunity in accordance with the standards set forth in this Section 5).

6. Ownership of Securities . Notwithstanding the foregoing, neither Section 3 nor Section 4 shall apply to the purchase or ownership of (i) limited partnership interests in the Partnership or (ii) securities of any class registered under Section 12 of the Securities Exchange Act of 1934 (regardless of the types or locations of businesses in which the issuer thereof engages) if, in the case of this clause (ii), following any such purchase the applicable party owns, in the aggregate, less than 5% of such class.

7. Termination of Restrictions .

(a) All restrictions imposed by this Agreement on any person (other than the Partnership) shall terminate at such time as the General Partner no longer serves as a general partner of the Partnership, with respect to any business opportunity or other matter that is first presented to or becomes known to such person after such time as the General Partner no longer serves as a general partner of the Partnership; and shall terminate as to all business opportunities and other matters six (6) months after such time as the General Partner no longer serves as a general partner of the partnership, regardless of when such business opportunity arose or was presented to or became known to such person.

(b) Without limiting the generality of Section 7(a), all restrictions imposed by this Agreement on any Officer shall terminate at such time as such person no longer serves as an executive officer of any Operating Company, with respect to any business opportunity or other matter that is first presented to or becomes known to such person after such time as such person no longer serves as an executive officer of any Operating Company; and shall terminate as to all business opportunities and other matters six (6) months after such time as such Officer no longer serves as an executive officer of any Operating Company, regardless of when such business opportunity arose or was presented to or became known to such person.

8. Future Officers . Each GP Party agrees to use commercially reasonable efforts to cause any person elected or appointed as an executive officer of any Operating Company to agree to be bound as an "Officer" under this Agreement.

9. Waiver of Rights; Amendment . Any rights of the Partnership under this Agreement, including but not limited to rights to receive certain notices pursuant to Section 3 and 4, may be waived on behalf of the Partnership by the Advisory Committee. This Agreement may not be amended by or on behalf of the Partnership without the approval of the Advisory Committee (as defined in the Partnership Agreement) of the Partnership.

10. Notices . All notices, requests, demands and other communications required or permitted to be given or made hereunder by any party hereto shall be in writing and shall be deemed to have been duly given or made if (i) delivered personally, (ii) transmitted by first class registered or certified mail, postage prepaid, return receipt requested, (iii) sent by prepaid overnight courier service or (iv) sent by telecopy or facsimile transmission, answer back requested, to the parties at the following addresses (or at such other addresses as shall be specified by the parties by like notice):

If to the Partnership, the General Partner or the Management GP:
c/o Dorchester Minerals Management GP LLC
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: Chief Executive Officer
Telecopy No.: 214-559-0301

If to Vaughn:
c/o VPL(GP), LLC
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Robert C. Vaughn
Telecopy No.: 214-522-7433

with a copy to:

c/o VPL(GP), LLC
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Benny D. Duncan
Telecopy No.: 214-522-7433

If to SAM:
c/o SAM Partners Management, Inc.
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219

Attention: H. C. Allen, Jr.
Telecopy No.: 214-559-0301

If to SAOG:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: William Casey McManemin
Telecopy No.: 214-559-0301

If to Peak:
1919 S. Shiloh Rd.
Suite 600 B LB48
Garland, Texas 75042
Attention: Preston A. Peak
Telecopy No.: 972-864-9095

If to Raley :
1919 S. Shiloh Rd.
Suite 600 B LB48
Garland, Texas 75042
Attention: James E. Raley
Telecopy No.: 972-864-9095

Such notices, requests, demands and other communications shall be effective (i) if delivered personally or sent by courier service, upon actual receipt by the intended recipient, (ii) if mailed, upon the earlier of five days after deposit in the mail or the date of delivery as shown by the return receipt therefor or (iii) if sent by telecopy or facsimile transmission, when the answer back is received.

11. Binding Effect; Assignment; Third Party Benefit . This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; provided, however, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (by operation of law or otherwise) without the prior written consent of the other parties. This Agreement is intended to confer rights and benefits upon the Designees, Affiliates of the GP Parties and the companies referred to in Section 2. Except as provided in the preceding sentence, nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the parties hereto any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

12. Severability . If any provision of this Agreement is held to be unenforceable, this Agreement shall be considered divisible and such provision shall be deemed inoperative to the extent it is deemed unenforceable, and in all other respects this Agreement shall remain in full force and effect; provided, however, that if any such provision may be made enforceable by limitation thereof, then such provision shall be

deemed to be so limited and shall be enforceable to the maximum extent permitted by Applicable Law.

13. Injunctive Relief . The parties hereto acknowledge and agree that irreparable damage would occur in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement, and shall be entitled to enforce specifically the provisions of this Agreement, in any court of the United States or any state thereof having jurisdiction, in addition to any other remedy to which the parties may be entitled under this Agreement or at law or in equity.

14. Miscellaneous . This Agreement may be signed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and such counterparts together shall constitute one instrument. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflict of law principles.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date set forth above.

DORCHESTER MINERALS, L.P.

By: Dorchester Minerals Management LP, General Partner

By: Dorchester Minerals Management GP LLC, General Partner

By: /s/ James E. Raley

James E. Raley, COO

DORCHESTER MINERALS MANAGEMENT LP

By: Dorchester Minerals Management GP LLC, General Partner

By: /s/ James E. Raley

James E. Raley, COO

DORCHESTER MINERALS MANAGEMENT GP LLC

By: /s/ James E. Raley

James E. Raley, COO

SAM PARTNERS, LTD.

By: SAM Partners Management, Inc., General Partner
By: /s/ William Casey McManemin

William Casey McManemin, Vice-President

VAUGHN PETROLEUM, LTD.

By: VPL(GP), LLC, General Partner
By: /s/ Robert C. Vaughn

Robert C. Vaughn, Manager

SMITH ALLEN OIL & GAS, INC.

By: /s/ William Casey McManemin, Vice President

William Casey McManemin, Vice President

P.A. PEAK, INC.

By: /s/ P RESTON A. P EAK

Preston A. Peak, President

JAMES E. RALEY, INC.

By: /s/ J AMES E. R ALEY

James E. Raley, President

The following persons are executing this Agreement as "Officers":

/s/ W ILLIAM C ASEY M C M ANEMIN

William Casey McManemin

/s/ J AMES E. R ALEY

James E. Raley

/s/ H. C. A LLEN , J R .

H. C. Allen, Jr.

Schedule A

Designated Area

Texas County, Oklahoma:

T 2N - 6N
R 14 ECM - 19 ECM

Stevens County, Kansas:

T 33S - 35S
R 38W - 39W

EXHIBIT 10.2

**TRANSFER RESTRICTION AGREEMENT
OF DORCHESTER MINERALS MANAGEMENT GP LLC
AND DORCHESTER MINERALS MANAGEMENT LP**

February 1, 2003

TABLE OF CONTENTS

TRANSFER RESTRICTION AGREEMENT
OF DORCHESTER MINERALS MANAGEMENT GP LLC
AND DORCHESTER MINERALS MANAGEMENT LP

This Transfer Restriction Agreement (the "Agreement") effective as of 12:02 a.m. February 1, 2003 (the "Effective Date"), is entered into by and among Dorchester Minerals Management LP, a Delaware limited partnership (the "Partnership"), Dorchester Minerals Management GP LLC, a Delaware limited liability company (the "Company"), SAM Partners, Ltd., a Texas limited partnership ("SAM"), Vaughn Petroleum, Ltd., a Texas limited partnership ("Vaughn"), Smith Allen Oil & Gas, Inc., a Texas corporation ("SAOG"), P.A. Peak Limited Partnership, a Texas limited partnership ("Peak LP") and Yelar Partners L.L.P., a Delaware limited liability partnership ("Yelar"). Each of SAM, Vaughn, SAOG, Peak LP and Yelar is a "Holder " and, collectively, they are sometimes referred to as the "Holders."

W I T N E S S E T H

WHEREAS, the Holders are the members of the Company and the limited partners of the Partnership of which the Company is the general partner;

WHEREAS, the Amended and Restated Limited Liability Company Agreement of Dorchester Minerals Management GP LLC (the "LLC Agreement") and the Amended and Restated Limited Partnership Agreement of Dorchester Minerals Management LP ("Limited Partnership Agreement"), each of which has been executed and delivered by the Holders contemporaneously with this Agreement, each contemplates that the Holders, in their capacities as members of the Company and limited partners of the Partnership, will become parties to this Agreement providing for certain restrictions upon the transfer of, and certain rights to purchase and obligations to sell, ownership interests held by the Holders in the Company and limited partnership interests held by the Holders in the Partnership;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree upon the terms and conditions set forth herein:

I. DEFINITIONS

Section 1.1. Definitions . The following terms shall have the following meanings when used in this Agreement:

"AAA" means the American Arbitration Association and the office thereof located in Dallas, Texas.

"Acceptance Notice" shall mean a notice by a Remaining Holder to a Selling Holder that the Remaining Holder is exercising its right to purchase Ownership Interests of the Selling Holder pursuant to Article IV or Article V, as applicable.

"Affiliate" shall mean, with respect to any Person, (i) any other Person or Group of Persons beneficially owning eighty percent (80%) or more of the outstanding equity ownership interests of such Person, (ii) any other Person eighty percent (80%) or more of the outstanding equity ownership interests of which are beneficially owned by such Person or (iii) any other Person eighty percent (80%) or more of the outstanding equity ownership interests of which are beneficially owned by a third Person or Group of Persons who beneficially own eighty percent (80%) or more of the outstanding voting securities of such Person.

"Affiliate Transfer" shall have the meaning set forth in Section 3.1 of the Agreement.

"Agreement" shall mean this Transfer Restriction Agreement.

"Beneficially own," "beneficially owned" and "beneficial ownership" shall mean voting power which includes the power to vote, or to direct the voting of, a security and investment power, which includes the power to dispose or to direct the disposition of, a security.

"Business Day" shall mean any day other than Saturday or Sunday or any other day upon which banks in Dallas, Texas are permitted or required by law to close.

"Company" shall have the meaning set forth in the Preamble to this Agreement.

"Company Ownership Interest" shall mean the member interest in the Company held by a Holder.

"Effective Date" shall have the meaning set forth in the preamble to this Agreement.

"Electing Participant" shall have the meaning set forth in Section 6.3 of this Agreement.

"Electing Purchasers" shall mean the Remaining Holders who elect to participate in the purchase of a Selling Holder's Ownership Interest pursuant to Article IV or Article V, as applicable.

"Familial Transfer" shall have the meaning set forth in Section 3.2 of this Agreement.

"Family Members" shall mean as to any individual only such individual's spouse, son(s), daughter(s), grandchildren, mother, father, aunt (s), uncle(s), niece(s) or nephew(s) and shall include any Person so related by adoption if adopted before age eighteen (18).

"Group of Persons" shall mean not more than five (5) Persons.

"Holder" or "Holders" shall mean SAM, Vaughn, SAOG, Peak LP, Yelar and any assignee of all or any part of their respective interests in the Company or the Partnership.

"Holder Consent" shall mean (i) as to a proposed transfer to another Holder, approval by both (A) Partners owning a majority of the Partnership Ownership Interest (measured by Partnership Ownership Percentage) and (B) Members owning a majority of the Company Ownership Interest (measured by Company Ownership Percentage) and (ii) as to a proposed transfer to a Person other than another Holder, approval by both (A) Partners owning a majority

of the Partnership Ownership Interest (measured by Partnership Ownership Percentage) owned by Partners not involved in the proposed transfer and (B) Members owning a majority of the Company Ownership Interest (measured by Company Ownership Percentage) owned by Members not involved in the proposed transfer. Holder Consent may be given or withheld in the sole discretion of the Members and Partners.

"LLC Agreement" shall have the meaning set forth in the Preamble to this Agreement.

"Limited Partnership Agreement" shall have the meaning set forth in the Preamble to this Agreement.

"Majority Seller" shall have the meaning set forth in Section 6.1 hereof.

"Member" or "Members" shall mean SAM, Vaughn, SAOG, Peak LP, Yelar and any assignee of all or any part of their respective interests in the Company who is admitted to the Company as a Member in conformity with the provisions of the LLC Agreement.

"Offered Interest" shall mean a Selling Holder's Ownership Interest that is subject to purchase under Article IV or Article V, as applicable.

"Option Period" shall mean the sixty (60) day period specified in Section 4.3 or Section 5.3, as applicable.

"Ownership Interests" of a Holder shall mean, collectively, the Partnership Ownership Interest and the Company Ownership Interest held by such Holder.

"Partner" or "Partners" shall mean SAM, Vaughn, SAOG, Peak LP, Yelar and any assignee of all or any part of their respective interests in the Partnership who is admitted to the Partnership as a Partner in conformity with the provisions of the Limited Partnership Agreement.

"Partnership" shall have the meaning set forth in the Preamble to this Agreement.

"Partnership Ownership Interest" shall mean the limited partnership interest in the Partnership held by a Holder.

"Partnership Ownership Percentage" shall mean the percentage of the limited partnership interest in the Partnership held by a Holder and shall mean 20.5% for Vaughn, 20.5% for SAM, 20.0% for SAOG, 19.5% for Peak LP and 19.5% for Yelar, until adjusted in accordance with the Limited Partnership Agreement.

"Person" shall mean an individual person, partnership, limited partnership, limited liability company, trust, corporation or other entity or organization.

"Pro Rata Portion" shall mean a portion of an Offered Interest represented by a fraction, the numerator of which is the Proportionate Share of the purchasing Holder and the denominator of which is the total of the Proportionate Shares of all the purchasing Holders.

"Proportionate Share" shall mean the "Ownership Percentage" (as determined in accordance with the LLC Agreement) of a Holder divided by the total "Ownership Percentage" (as determined in accordance with the LLC Agreement) of all Holders.

"Purchase Event" shall have the meaning set forth in Section 5.1 hereof.

"Purchase Event Notice" shall have the meaning set forth in Section 5.2 hereof.

"Remaining Holders" shall mean all Holders other than the Selling Holder or, in the case of Article VI, other than the Holder or Holders comprising the Majority Seller.

"RFR Notice" shall have the meaning set forth in Section 4.2 hereof.

"Selling Holder" shall mean a Holder whose Ownership Interest is the subject of a sale under Article IV or a purchase option under Article V.

"Selling Party" shall have the meaning set forth in Section 6.3 hereof.

"Subject Interest" shall have the meaning set forth in Section 6.2 hereof.

"Take Along Notice" shall have the meaning set forth in Section 6.2 hereof.

"Take Along Option Period" shall have the meaning set forth in Section 6.3 hereof.

"Third Appraiser" shall have the meaning set forth in Section 5.9 hereof.

II. RESTRICTIONS ON TRANSFER

Section 2.1. General Restriction on Transfer . Except as expressly provided to the contrary in this Agreement, no Holder may assign, sell or otherwise transfer by operation of law or otherwise, any of its right, title or interest or any portion thereof of such Holder's Ownership Interest unless such Holder shall first obtain Holder Consent and comply with the requirements of Article IV hereof. Any purported or attempted assignment, sale or transfer of all or any part of a Holder's Ownership Interest made in violation of this Agreement shall be null and void.

Section 2.2. No Separate Transfers of Company Ownership and Partnership Ownership Interests . The provisions of this Section 2.2 shall apply to all assignments, sales or other transfer of Ownership Interests, whether or not permitted under any other provision of this Agreement. It is the intent of the parties hereto that assignments, sales and other transfers of Company Ownership Interests and Partnership Ownership Interests be made only as a unit so that the ownership of the Company Ownership Interests and the Partnership Ownership Interests are held in the same relative proportions by the Holders or other owners thereof. Accordingly, no Holder may assign, sell or otherwise transfer all or any portion of a Company Ownership Interest or a Partnership Ownership Interest to any Person, including, without limitation, pursuant to an assignment, sale or other transfer permitted under other provisions of this Agreement, unless the Holder also simultaneously assigns, sells or transfers to the same Person the same relative portion of his respective Partnership Ownership Interest or Company Ownership Interest.

Section 2.3. Securities Laws Restrictions . Notwithstanding any other provision of this Agreement, no transfer of an Ownership Interest may be made if the transfer would violate any federal or state securities laws. The Company or the Partnership may require evidence satisfactory to it in its reasonable discretion of compliance with such laws.

Section 2.4. Continuation of Restrictions After Transfer . In the event of any permitted transfer of an Ownership Interest pursuant to this Agreement, the interest so transferred shall remain subject to all terms and provisions of this Agreement, including this Section 2.4, and the transferee shall be deemed, by accepting the interest so transferred, to have assumed all the liabilities and unperformed obligations, under this Agreement or otherwise, which are appurtenant to the interest so transferred; shall hold such interest subject to all unperformed obligations of the transferor Holder; and shall agree in writing to the foregoing if requested by the Company or any Holder.

III. PERMITTED TRANSFERS

Section 3.1. Permitted Affiliate Transfers . Notwithstanding Section 2.1 hereof, but subject to Sections 2.2 and 2.3 and Article V hereof, without the consent of the other Holders and without compliance with Articles IV or VI, any Holder may transfer any or all of its Ownership Interest to:

(i) any Affiliate of such Holder; or

(ii) any liquidating trust or other trust if a Person or Group of Persons who beneficially own all of the equity ownership interests in the Holder are collectively the beneficiaries of eighty percent (80%) or more of the assets of such trust.

A transfer permitted under this Section 3.1 is referred to herein as an “Affiliate Transfer”.

Section 3.2. Permitted Familial Transfers . Notwithstanding Section 2.1 hereof, but subject to Sections 2.2 and 2.3 and Article V hereof, without the consent of the other Holders and without compliance with Articles IV or VI, any Holder may transfer any or all of its Ownership Interest to:

(i) any Family Member of such Holder or of a Person who is the beneficial owner of a majority of the equity ownership interests of such Holder;

(ii) any partnership, limited partnership, limited liability company, corporation or other entity or organization eighty percent (80%) or more of the equity ownership interests of which are beneficially owned, collectively, by one or more Family Member(s) of such Holder or of a Person who is the beneficial owner of a majority of the equity ownership interests of such Holder; or

(iii) any trust, if one or more Family Members of such Holder or of a Person who is the beneficial owner of a majority of the equity ownership interests in such Holder are collectively the beneficiaries of eighty percent (80%) or more of the assets of such trust.

The provisions of this Section 3.2 shall not be applicable to transfers that are also subject to Section 5.1(x) hereof. A transfer permitted under this Section 3.2 is referred to herein as a "Familial Transfer".

Section 3.3. Pledges and Security Interests . Notwithstanding Section 2.1 hereof, but subject to Sections 2.2, 2.3 and Article V hereof, without the consent of the other Holders and without compliance with Articles IV and VI, any Holder may pledge or grant a security interest in its Ownership Interest to a bank or other lending institution to secure an obligation for borrowed money created in a bona fide financing transaction (a "Pledge") provided that the pledgee or holder of the security interest shall agree in writing, for the benefit of the other Holders, (i) that the Ownership Interest that is the subject of such pledge or security interest is subject to this Agreement, (ii) to give each Member not less than sixty (60) days prior written notice of any proposed foreclosure, sale, taking or other disposition of any Ownership Interest pursuant to, as a result of or in connection with such Pledge, and (iii) that the rights of the Members under Article V hereof, including, without limitation, Sections 5.1(xii) and 5.11 thereof, shall apply to any such proposed foreclosure, sale, taking or other disposition and to the Ownership Interest subject to such Pledge.

IV. PERMITTED SALES SUBJECT TO RIGHT OF FIRST REFUSAL

Section 4.1. Sale of Ownership Interests . If the Selling Holder desires to effect a Sale, as hereinafter defined, of all or a part of its Ownership Interest to any Person other than pursuant to Sections 3.1 or 3.2 hereof, then, in addition to obtaining Holder Consent pursuant to Section 2.1, the Selling Holder shall comply with the provisions of this Article IV. For purposes of this Agreement, the term "Sale" shall mean any transfer for value of any Ownership Interests, directly or indirectly, including, without limitation, any such transfer pursuant to a transaction, or a series of related transactions, as a consequence of which any Ownership Interests are assigned or transferred to an Affiliate of the transferor of such Ownership Interests, which Affiliate simultaneously or subsequently engages in any business combination with a Person which is not an Affiliate of the original transferor of such Ownership Interest. No Selling Holder shall be permitted to make any Sale pursuant to the provisions of this Article IV prior to December 31, 2010.

Section 4.2. Notice of Sale . The Selling Holder must give written notice (the "RFR Notice") to all Remaining Holders of the specific terms and provisions of the proposed sale, including therewith copies of all relevant documents and other information pertaining to the proposed transaction.

Section 4.3. Right of First Refusal . The delivery of the RFR Notice shall automatically grant to the Remaining Holders an option to purchase the Ownership Interest or portion thereof being offered for sale (an "Offered Interest") on the same terms and provisions specified therein for a period of ninety (90) days from the date of the RFR Notice (an "Option Period").

Section 4.4. Exercise of Option . The Remaining Holders shall give written notice to the Selling Holder prior to the expiration of the Option Period (an "Acceptance Notice"), if they desire to exercise their option to purchase the Offered Interest.

Section 4.5. Allocation of Interest Among Remaining Holders . The Acceptance Notice shall specify the portion of the Offered Interest that each Remaining Holder who elects to participate (an "Electing Purchaser") in the purchase desires to purchase. The Electing Purchasers, collectively, may not purchase less than all of the Offered Interest. If the Electing Purchasers cannot agree upon the portion of the Offered Interest that each shall purchase, each Electing Purchaser may send a separate Acceptance Notice agreeing to purchase its Pro Rata Portion of the Offered Interest. In that case, each Electing Purchaser shall be entitled to purchase its Pro Rata Portion of the Company Ownership Interest and Partnership Ownership Interest comprising the Offered Interest.

Section 4.6. Closing of Sale . The closing of the sale of the Offered Interest to the Electing Purchasers shall take place at the principal place of business of the Company ten (10) days after the end of the Option Period (or, if such day is not a Business Day, the following Business Day), or at such other place and time as agreed to by the Selling Holder and the Electing Purchasers.

Section 4.7. Failure to Exercise Option . Subject to Section 2.5 hereof, if the right of first refusal option under this Article IV is not exercised within the Option Period as to all of the Offered Interest, or if the Electing Purchasers default on their obligation to purchase all of the Offered Interest, the Selling Holder may sell or transfer all but not less than all of the Offered Interest within ten (10) days thereafter to the prospective purchaser named in the RFR Notice at a price and on terms no more favorable to such purchaser than described in the RFR Notice, during which time such transfer shall be considered a permitted transfer hereunder and the prospective purchaser a permitted transferee hereunder. The Selling Holder shall not otherwise sell or transfer the Offered Interest to any Person without again complying with the terms of this Agreement.

V. PURCHASE OPTIONS

Section 5.1. Purchase Events . In the event that any of the following (each a "Purchase Event") shall have occurred to or in respect of a Selling Holder, the Remaining Holders shall have the right upon the terms set forth in this Article V to purchase the entire Ownership Interest of the Selling Holder (or, in the case of a Purchase Event pursuant to Section 5.1(x) below, such portion of the Selling Holder's Ownership Interest as is assigned, sold, or otherwise transferred as described in Section 5.1(x)):

(i) the Selling Holder shall make an assignment for the benefit of creditors, commence (as the debtor) a case in bankruptcy, or commence (as the debtor) any proceeding under any other insolvency law; or

(ii) a case in bankruptcy or any other proceeding under any other insolvency law is commenced against the Selling Holder (as the debtor) and is consented to by the Selling Holder or remains undismissed for sixty (60) days, or the Selling Holder consents to or admits the material allegations against it in any such case or proceeding; or

(iii) a trustee, receiver, agent, liquidator or sequestrator (however named) is appointed with respect to the Selling Holder (as the debtor) and is consented to by the Selling Holder or remains undismissed for sixty (60) days, or the Selling Holder consents to or admits the material allegations against it in any such case or proceeding; or

(iv) a trustee, receiver, agent, liquidator or sequestrator (however named) is appointed or authorized to take charge of all or substantially all of the property of the Selling Holder for the purpose of enforcing a lien against such property or for the purpose of general administration of such property for the benefit of creditors and such appointment or authorization is consented to by the Selling Holder or is not overturned within ninety (90) days; or

(v) the Selling Holder shall suffer any writ of attachment or execution or any similar process to be issued or levied against the interests of the Selling Holder in the Ownership Interest which is not released, stayed, bonded or vacated within ninety (90) days after its issue or levy; or

(vi) the Selling Holder shall fail to perform any of its obligations under this Agreement in a material respect and such failure continues for a period of at least thirty (30) days after written notice thereof from the Company, the Partnership or any Holder; or

(vii) any attempted assignment or hypothecation by the Selling Holder of any of its rights or interest in the Company, the LLC Agreement, the Partnership, the Limited Partnership Agreement or this Agreement, except as expressly permitted by this Agreement; or

(viii) the Selling Holder shall commence to dissolve or wind-up and liquidate the assets of its business otherwise than in connection with a transfer permitted under Section 3.1 or 3.2; or

(ix) the Selling Holder shall become deceased or be declared legally incompetent to administer his affairs and either an executor, administrator or guardian of such Selling Holder’s estate has not been appointed within ninety (90) days of such event or such Selling Holder’s interest is not transferred pursuant to a Familial Transfer within one (1) year of such event; or

(x) as a result of a divorce, separation or other domestic relations or family law proceeding an order is entered purporting to assign, transfer or divide ownership of, or to require the Selling Holder to assign, sell or otherwise transfer, all or any interest in Selling Holder’s Ownership Interest, and either such order is not overturned within ninety (90) days or Selling Holder has not otherwise obtained sole ownership of the Ownership Interest within such period; or

(xi) the Selling Holder or any Affiliate thereof, by entry of a final judgment, order or decree of a court or governmental agency having proper

jurisdiction, shall be declared guilty of a felony involving moral turpitude, fraud or wrongdoing in connection with any business activity.

(xii) any Person to whom a pledge or security interest has been granted pursuant to Section 3.3 hereof gives notice of any proposed foreclosure, sale, taking or other disposition of any Ownership Interest of the Selling Holder or otherwise initiates, or attempts to initiate, any exercise of rights of foreclosure, sale, taking or other disposition with respect to any Ownership Interest of the Selling Holder.

Section 5.2. Notice of Sale . As soon as reasonably practicable following the occurrence of a Purchase Event, the Selling Holder shall give written notice (the "Purchase Event Notice") of the Purchase Event to all Remaining Holders. If the Selling Holder shall fail or refuse to give the Purchase Event Notice, the Company may, but shall have no obligation to, give the Purchase Event Notice.

Section 5.3. Purchase Option . During the sixty (60) day period following receipt of the Purchase Event Notice, the Remaining Holders may elect to exercise their right to purchase the Selling Holder's Ownership Interest (an "Offered Interest") under this Section 5.3 (an "Option Period"). Then upon the expiration of the Option Period such right to purchase the Selling Holder's Ownership Interest hereunder shall terminate, unless and until another Purchase Event shall occur with respect to the Selling Holder at which time the provisions of this Article V shall again be applicable to such Selling Holder's Ownership Interest.

Section 5.4. Exercise of Purchase Option . The Remaining Holders shall give written notice to the Selling Holder prior to the expiration of the Option Period (an "Acceptance Notice"), if they desire to exercise their option to purchase the Offered Interest.

Section 5.5. Allocation of Interest Among Remaining Holders . The Acceptance Notice shall specify the portion of the Offered Interest that each Remaining Holders who elects to participate (an "Electing Purchaser") in the purchase shall purchase. The Electing Purchasers, collectively, may not purchase less than all of the Offered Interest. If the Electing Purchasers cannot agree upon the portion of the Offered Interest that each shall purchase, each Electing Purchasers may send a separate Acceptance Notice agreeing to purchase its Pro Rata Portion of the Offered Interest. In that case, each Electing Purchaser shall be entitled to purchase its Pro Rata Portion of the Company Ownership Interest and Partnership Ownership Interest comprising the Offered Interest.

Section 5.6. Closing of Sale . The closing of the sale of the Offered Interest to the Electing Purchasers shall take place at the principal place of business of the Company thirty (30) days after the end of (i) the Option Period (or, if such day is not a Business Day, the following Business Day), or (ii) such longer period as may be required to complete the appraisal under Section 5.9, or at such other place and time as agreed to by the Selling Holder and the Electing Purchaser.

Section 5.7. Failure to Exercise Option . If the purchase option under this Article V is not exercised within the Option Period as to all of the Offered Interest, or if the Electing

Purchasers default on their obligation to purchase all of the Offered Interest, the Selling Holder shall not otherwise sell or transfer any of the Offered Interest to any Person without again complying with the terms of this Agreement.

Section 5.8. Purchase Price . The amount of the purchase price for the Selling Holder's Ownership Interest (unless agreed upon by the Selling Holder and the Remaining Holders electing to participate in the purchase) shall be determined in accordance with Section 5.9 hereof.

Section 5.9. Procedure for Appraisal and Determination of Fair Market Value . Unless the Electing Purchasers and Selling Holder shall mutually agree upon the value for the Offered Interest, the value of the Offered Interest shall be determined by appraisal hereunder. The appraised value of the Offered Interest shall be determined within thirty (30) days after selection, by a single independent appraiser selected by agreement between the Electing Purchasers and Selling Holder (or its estate or representative) and such appraiser in turn may rely on other experts. If the Electing Purchasers and Selling Holder (or its estate or representative) cannot agree on a single independent appraiser within thirty (30) days after the delivery of the Acceptance Notice by the Electing Purchasers to the Selling Holder, then the Electing Purchasers, as a group, and the Selling Holder (or its estate or representative) shall each designate an independent appraiser, which appraisers shall meet within ten (10) days after their designation and proceed to determine the value of the Offered Interest within thirty (30) days of such initial meeting. If, during such thirty (30) day period, the two appraisers cannot reach agreement on the value of the Offered Interest, then, if the higher appraisal does not equal or exceed 105% of the lower appraisal, the arithmetic average of the appraisals designated by the appraisers shall be deemed to be the value of the Offered Interest; provided, however, that if the higher appraisal exceeds 105% of the lower appraisal, then the appraisers shall jointly appoint a third appraiser (the "Third Appraiser") within ten (10) days after the expiration of such thirty (30) day period, whereupon the appraisal that is neither the highest nor the lowest of the three (3) appraisals shall be deemed to be the value of the Offered Interest and be binding and conclusive on the parties hereto. If any appraiser shall fail, refuse or become unable to act, a new appraiser shall be appointed in his place following the same method as was originally followed with respect to the appraiser to be replaced. If a single independent appraiser is selected by agreement between the Electing Purchasers, as a group, and the Selling Holder (or its estate or representative), the fees and expenses of such appraiser shall be borne equally by such parties; if the Electing Purchasers, as a group, and the Selling Holder (or its estate or representative) each designate appraisers, the fees and expenses of each such designated appraiser shall be borne by the party designating same; and if a Third Appraiser is designated, the fees and expenses of such Third Appraiser shall be borne equally by the Electing Purchasers and the Selling Holder (or its estate or representative). Any appraiser designated to serve in accordance with this Section 5.9 shall be independent of the party designating such appraiser. The determination of the value of the Offered Interest hereunder shall be conclusive on all parties. At any time during or following the determination of the value of the Offered Interest by any appraiser, the Electing Purchasers may elect to terminate their exercise of the option to purchase the Offered Interest, but in that case, the Electing Purchasers shall pay the fees and expenses of the appraiser selected by the Selling Holder and Third Appraiser, as well as its own appraiser.

Section 5.10. Effect on Seller's Interest . Without limiting the generality of any other provision of this Agreement, upon the sale of the Offered Interest under this Article V, the

Selling Holder, without further action, will have no rights in the Partnership or the Company or against the Partnership or the Company or any Member or Partner other than the right to receive payment for the Offered Interest in accordance with this Article.

Section 5.11. Applicability to Transferees . The rights of the Remaining Holders under this Article V shall not be affected or diminished by any assignment, sale or transfer of an Ownership Interest effected in connection with any Purchase Event or any order purporting to effect or to require any such assignment, sale or transfer, and any such Ownership Interest shall remain subject to the provisions of this Agreement irrespective of any such assignment, sale or transfer, whether or not completed, and the assignee, purchaser or transferee shall take subject to the provisions of this Agreement and shall be bound thereby to the same extent as the Selling Holder.

VI. TAKE ALONG RIGHT

Section 6.1. Transactions Covered . In the event that one or more Holders who collectively hold a majority of the Ownership Interests ("Majority Seller") propose to transfer all or any part of its or their Ownership Interests constituting majority of all the Ownership Interests in a single transaction or a series of related transactions to any Person other than pursuant to an Affiliate Transfer, a Familial Transfer or a Pledge, then such Holder or Holders shall first comply with this Article VI in addition to compliance with Article IV hereof.

Section 6.2. Notice . The Majority Seller shall give written notice (the "Take Along Notice") to each Remaining Holder, contemporaneously with the RFR Notice under Section 4.2 and, to the extent not specified therein, identifying that portion of the Majority Seller's Ownership Interest which it desires to transfer (the "Subject Interest"), the intended method of the transfer, the price the Majority Seller desires to receive for the Subject Interest, the proposed transfer date, and all other pertinent terms thereof, including, if known, the identity of any proposed buyer or buyers of the Subject Interest.

Section 6.3. Election to Participate . Any Remaining Holder may elect to participate in the contemplated transfer by delivering a written notice to the Majority Seller, within sixty (60) days (the "Take-Along Option Period") after receipt of the Take Along Notice, specifying that portion of the Remaining Holder's Ownership Interest (which may be all of such Ownership Interest) which such Remaining Holder elects to sell. Each such Remaining Holder who so elects (an "Electing Participant") shall have the right to transfer in the contemplated transaction, at the same price and on the same terms, all or any portion of its Ownership Interest, except as limited in the following sentence. If the Electing Participants and the Majority Seller (singularly, a "Selling Party", and collectively, the "Selling Parties") in the aggregate elect to sell a larger portion of the Ownership Interest than the proposed buyer or buyers wish to purchase, then each Selling Party shall be entitled to sell to such buyer or buyers that percentage of its Ownership Interest which is equal to the percentage of the Ownership Interest to be so purchased by such buyer or buyers from all the Selling Parties multiplied by a fraction the numerator of which is the percentage of the Ownership Interest such Selling Party has specified in its notice under the first sentence of this Section that it elects to sell (without reference to the limitation imposed by this sentence) and the denominator of which is the aggregate percentage of the Ownership Interests

all of such Selling Parties elect to sell (without reference to the limitation imposed by this sentence).

Section 6.4. Title . The Ownership Interest proposed to be transferred by each Majority Seller and Electing Participant shall be transferred free and clear of all liens, claims and encumbrances of any kind (other than those imposed by federal and state securities laws, this Agreement, the LLC Agreement or the Limited Partnership Agreement).

VII. OTHER PROVISIONS APPLICABLE TO TRANSFERS

Section 7.1. Waiver of Rights to Object . All Holders acknowledge that the methods provided for in this Agreement for determining the price of an Offered Interest, a Subject Interest or an Ownership Interest are fair as to dates used, notices, terms and in all other respects, and are administratively and in substance superior to other methods. Each Holder waives any right that it may have to use any other method to determine the value of any Offered Interest, a Subject Interest or an Ownership Interest in connection with this Agreement.

VIII. NOTICES

Section 8.1. Methods of Giving Notice . Whenever any notice is required to be given to any Holder under the provisions of any applicable law or this Agreement, it shall be given in writing and delivered personally or delivered by facsimile communication to such Holder at such address (and at such member facsimile) as appears on the books of the Company, and such notice shall be deemed to be given at the time the recipient actually receives the notice in the case of personal delivery or the sender receives electronic confirmation of delivery with respect to any notice given by facsimile communication.

Section 8.2. Waiver of Notice . Whenever any notice is required to be given to any Holder under the provisions of any applicable law or this Agreement, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

IX. MISCELLANEOUS

Section 9.1. Execution in Counterparts . This Agreement may be executed in counterparts, all of which taken together shall be deemed one original.

Section 9.2. Address and Notice . The address of each Holder for all purposes shall be as follows:

If to Vaughn:
3738 Oak Lawn Ave., Suite 101
Dallas, Texas 75219
Attention: Benny D. Duncan
Telecopy No.: (214) 522-7433

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to SAM:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: H. C. Allen, Jr.
Telecopy No.: (214) 559-0301

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to SAOG:
3738 Oak Lawn Ave., Suite 300
Dallas, Texas 75219
Attention: William Casey McManemin
Telecopy No.: (214) 559-0301

With copies to:
Joe Dannenmaier
Thompson & Knight L.L.P.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201
Telecopy No.: (214) 969-1751

If to Peak LP:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: Preston A. Peak
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
L OCKE L IDDELL & S APP LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201-6776
Telecopy No.: (214) 740-8800

If to Yelar:
1919 S. Shiloh Rd.
Suite 600 – LB48
Garland, Texas 75042
Attention: James E. Raley
Telecopy No.: (972) 864-9095

With copies to:
Bryan E. Bishop
L OCKE L IDDELL & S APP LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201-6776
Telecopy No.: (214) 740-8800

or such other address or addresses of which any Holders shall have given the other Holders notice. Any notice shall be in accordance with Section 8.1.

Section 9.3. Further Assurances . Each Holder hereby covenants and agrees to execute and deliver such instruments as may be reasonably requested by any other Holder to convey any interest or to take any other action required or permitted under this Agreement.

Section 9.4. Titles and Captions . All article, section, or subsection titles or captions contained in this Agreement or the table of contents hereof are for convenience only and shall not be deemed part of the context of this Agreement.

Section 9.5. Number and Gender of Pronouns . All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Person or Persons may require.

Section 9.6. Entire Agreement . This Agreement, together with the LLC Agreement and the Limited Partnership Agreement, contains the entire understanding between and among the Holders and supersedes any prior understandings and agreements between and among them respecting the subject matter of this Agreement.

Section 9.7. Amendment . This Agreement may be amended or modified only by a written document executed by all the Holders.

Section 9.8. Agreement Binding . This Agreement shall be binding upon the heirs, executors, administrators, successors, and assigns of the Holders.

Section 9.9. Waiver . No failure by any Holder to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Any Holder by the issuance of written notice may, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation or covenant of any other Holder. No waiver shall affect or alter the remainder of this Agreement but each and every covenant, agreement, term, and

condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 9.10. Remedies . The rights and remedies of the Holders set forth in this Agreement shall not be mutually exclusive or exclusive of any right, power or privilege provided by law or in equity or otherwise and the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof or of any legal, equitable or other right. Each of the Holders confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to, or shall limit or affect any rights at law or by statute or otherwise of any Holder aggrieved as against another Holder for a breach or threatened breach of any provision hereof, it being the intention of this section to make clear the agreement of the Holder that the respective rights and obligations of the Holders hereunder shall be enforceable in equity as well as at law or otherwise.

Section 9.11. GOVERNING LAW . THIS AGREEMENT SHALL BE CONSTRUED, ENFORCED, AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO ITS CHOICE OF LAW PRINCIPLES).

Section 9.12. DISPUTE RESOLUTION .

(a) NEGOTIATION . THE PARTIES SHALL ATTEMPT TO RESOLVE ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TERMINATION, BREACH, OR VALIDITY OF THIS AGREEMENT, PROMPTLY BY GOOD FAITH NEGOTIATION AMONG EXECUTIVES WHO HAVE AUTHORITY TO RESOLVE THE CONTROVERSY. ANY PARTY MAY GIVE THE OTHER PARTIES WRITTEN NOTICE OF ANY DISPUTE NOT RESOLVED IN THE NORMAL COURSE OF BUSINESS. WITHIN 10 DAYS AFTER DELIVERY OF THE NOTICE, THE RECEIVING PARTY SHALL SUBMIT TO THE OTHERS A WRITTEN RESPONSE. THE NOTICE AND THE RESPONSE SHALL INCLUDE (A) A STATEMENT OF THE PARTIES' CONCERNS AND PERSPECTIVES ON THE ISSUES IN DISPUTE, (B) A SUMMARY OF SUPPORTING FACTS AND CIRCUMSTANCES AND (C) THE IDENTITY OF THE EXECUTIVE WHO WILL REPRESENT THAT PARTY AND OF ANY OTHER PERSON WHO WILL ACCOMPANY THE EXECUTIVE. WITHIN 15 DAYS AFTER DELIVERY OF THE ORIGINAL NOTICE, THE EXECUTIVES OF THE PARTIES SHALL MEET AT A MUTUALLY ACCEPTABLE TIME AND PLACE, AND THEREAFTER AS OFTEN AS THEY REASONABLY DEEM NECESSARY, TO ATTEMPT TO RESOLVE THE DISPUTE. ALL NEGOTIATIONS PURSUANT TO THIS CLAUSE AND CLAUSE (B) BELOW ARE CONFIDENTIAL AND SHALL BE TREATED AS COMPROMISE AND SETTLEMENT NEGOTIATIONS FOR PURPOSES OF APPLICABLE RULES OF EVIDENCE.

(b) MEDIATION . IF A DISPUTE HAS NOT BEEN RESOLVED BY DISCUSSION BETWEEN OR AMONG THE PARTIES WITHIN 20 DAYS OF THE DISPUTING PARTNERS' NOTICE, ANY PARTY MAY BY NOTICE TO THE

OTHER PARTIES WITH WHOM SUCH DISPUTE EXISTS REQUIRE MEDIATION OF THE DISPUTE, WHICH NOTICE SHALL IDENTIFY THE NAMES OF NO FEWER THAN THREE (3) POTENTIAL MEDIATORS. EACH PARTY AMONG WHOM THE DISPUTE EXISTS WILL IN GOOD FAITH ATTEMPT TO AGREE UPON A MEDIATOR AND AGREES TO PARTICIPATE IN MEDIATION OF THE DISPUTE IN GOOD FAITH. IF THE PARTIES ARE UNABLE TO AGREE UPON A MEDIATOR WITHIN FIFTEEN (15) DAYS AFTER SUCH NOTICE, THE PARTIES AGREE TO PROCEED TO MEDIATION UNDER THE COMMERCIAL MEDIATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION IN EFFECT ON THE DATE OF THIS AGREEMENT. IF SUCH DISPUTE SHALL NOT HAVE BEEN RESOLVED BY MEDIATION WITHIN THE TIME PERIOD SPECIFIED N SUBSECTION (C) BELOW, ARBITRATION MAY BE INITIATED PURSUANT TO SUBSECTION (C) BELOW. ALL EXPENSES OF THE MEDIATOR SHALL BE EQUALLY SHARED BY THE PARTIES AMONG WHOM THE DISPUTE EXISTS.

(c) BINDING ARBITRATION .

(i) ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE BREACH, TERMINATION, OR VALIDITY OF THE AGREEMENT WHICH HAS NOT BEEN RESOLVED BY MEDIATION WITHIN 30 DAYS OF THE INITIATION OF SUCH PROCEDURE, OR WHICH HAS NOT BEEN RESOLVED PRIOR TO THE TERMINATION OF MEDIATION, SHALL BE RESOLVED BY ARBITRATION IN ACCORDANCE WITH THE COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION (“AAA”) IN EFFECT ON THE DATE OF THIS AGREEMENT. IF A PARTY TO A DISPUTE FAILS TO PARTICIPATE IN MEDIATION, THE OTHERS MAY INITIATE ARBITRATION BEFORE EXPIRATION OF THE ABOVE PERIOD. IF THE AMOUNT OF THE CLAIM ASSERTED BY ANY PARTY IN THE ARBITRATION EXCEEDS $1,000,000, THE PARTNERS AGREE THAT THE AMERICAN ARBITRATION ASSOCIATION OPTIONAL PROCEDURES FOR LARGE, COMPLEX COMMERCIAL DISPUTES WILL BE APPLIED TO THE DISPUTE.

(ii) THE AAA SHALL SUGGEST A PANEL OF ARBITRATORS, EACH OF WHOM SHALL BE KNOWLEDGEABLE WITH RESPECT TO THE SUBJECT MATTER OF THE DISPUTE. ARBITRATION SHALL BE BEFORE A SOLE ARBITRATOR IF THE DISPUTING PARTNERS AGREE ON THE SELECTION OF A SOLE ARBITRATOR. IF NOT, ARBITRATION SHALL BE BEFORE THREE INDEPENDENT AND IMPARTIAL ARBITRATORS, ALL OF WHOM SHALL BE APPOINTED BY THE AAA IN ACCORDANCE WITH ITS RULES.

(iii) THE PLACE OF ARBITRATION SHALL BE DALLAS, TEXAS.

(iv) THE ARBITRATOR(S) ARE NOT EMPOWERED TO AWARD DAMAGES IN EXCESS OF COMPENSATORY DAMAGES.

(v) THE AWARD RENDERED BY THE ARBITRATORS SHALL BE IN WRITING AND SHALL INCLUDE A STATEMENT OF THE FACTUAL BASES AND THE LEGAL CONCLUSIONS RELIED UPON BY THE ARBITRATORS IN MAKING SUCH AWARD. THE ARBITRATORS SHALL DECIDE THE DISPUTE IN COMPLIANCE WITH THE APPLICABLE SUBSTANTIVE LAW AND CONSISTENT WITH THE PROVISIONS OF THE AGREEMENT, INCLUDING LIMITS ON DAMAGES. THE AWARD RENDERED BY THE ARBITRATOR(S) SHALL BE FINAL AND BINDING, AND JUDGMENT UPON THE AWARD MAY BE ENTERED BY ANY COURT HAVING JURISDICTION THEREOF.

(vi) ALL MATTERS RELATING TO THE ENFORCEABILITY OF THIS ARBITRATION AGREEMENT AND ANY AWARD RENDERED PURSUANT TO THIS AGREEMENT SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT, 9 U.S.C. § 1-16. THE ARBITRATOR(S) SHALL APPLY THE SUBSTANTIVE LAW OF THE STATE OF DELAWARE, EXCLUSIVE OF ANY CONFLICT OF LAW RULES.

(vii) EACH PARTNER IS REQUIRED TO CONTINUE TO PERFORM ITS OBLIGATIONS UNDER THIS CONTRACT PENDING FINAL RESOLUTION OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS CONTRACT, UNLESS TO DO SO WOULD BE IMPOSSIBLE OR IMPRACTICABLE UNDER THE CIRCUMSTANCES.

(viii) NOTHING IN THIS SECTION 9.12 SHALL LIMIT THE PARTNERS' RIGHTS TO OBTAIN PROVISIONAL, ANCILLARY OR EQUITABLE RELIEF FROM A COURT OF COMPETENT JURISDICTION.

(d) EXPENSES . EACH PARTY SHALL PAY ITS OWN EXPENSES OF ARBITRATION AND THE EXPENSES OF THE ARBITRATORS SHALL BE EQUALLY SHARED; PROVIDED, HOWEVER, IF IN THE OPINION OF THE ARBITRATORS ANY CLAIM BY EITHER PARTY HEREUNDER OR ANY DEFENSE OR OBJECTION THERETO BY THE OTHER PARTY WAS UNREASONABLE AND NOT MADE IN GOOD FAITH, THE ARBITRATORS MAY ASSESS, AS PART OF THE AWARD, ALL OR ANY PART OF THE ARBITRATION EXPENSE (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) OF THE OTHER PARTY AND OF THE ARBITRATORS AGAINST THE PARTY RAISING SUCH UNREASONABLE CLAIM, DEFENSE, OR OBJECTION. NOTHING HEREIN SET FORTH SHALL PREVENT THE PARTIES FROM SETTLING ANY DISPUTE BY MUTUAL AGREEMENT AT ANY TIME.

Section 9.13. WAIVER . EACH HOLDER WAIVES ANY RIGHT THAT THE HOLDER MAY HAVE TO COMMENCE ANY ACTION IN ANY COURT WITH RESPECT TO ANY DISPUTE AMONG THE HOLDERS RELATING TO OR ARISING UNDER THIS

AGREEMENT OR THE RIGHTS OR OBLIGATIONS OF ANY HOLDER HEREUNDER, OTHER THAN AN ACTION BROUGHT TO ENFORCE THE ARBITRATION PROVISIONS OF SECTION 9.12 HEREOF. THE HOLDERS AGREE THAT ANY SUCH ACTION SHALL BE BROUGHT (AND VENUE FOR ANY SUCH ACTION SHALL BE APPROPRIATE) IN DALLAS, TEXAS.

Section 9.14. U.S. Dollars . Any reference in this Agreement to “dollars,” “funds” or “sums” or any amounts denoted with a “$” shall be references to United States dollars.

[Following are the signature pages.]

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement effective as of 12:02 a.m. on the 1st day of February, 2003.

The Company

DORCHESTER MINERALS MANAGEMENT GP LLC,
a Delaware limited liability company

By: /s/ William Casey McManemin

Name: /s/ William Casey McManemin
Title: Chief Executive Officer

The Partnership

DORCHESTER MINERALS MANAGEMENT LP,
a Delaware limited partnership

By: DORCHESTER MINERALS MANAGEMENT GP LLC, its general partner

By: /s/ William Casey McManemin

Name: William Casey McManemin
Title: Chief Executive Officer

The Holders

SAM PARTNERS, LTD.

By: Sam Partners Management, Inc., its general partner

By: /s/ H.C. Allen, Jr.

H. C. Allen, Jr., Secretary

VAUGHN PETROLEUM, LTD.

By: VPL (GP), LLC, its general partner

By: /s/ Robert C. Vaughn

Name: Robert C. Vaughn
Title: Manager

SMITH ALLEN OIL & GAS, INC.

By: /s/ William Casey McManemin

William Casey McManemin, Vice President

PRESTON A. PEAK LIMITED PARTNERSHIP

By: Peak GP LLC, its General Partner

By: /s/ Preston A. Peak

Preston A. Peak, Manager

YELAR PARTNERS, L.L.P.

By: YELAR LLC, its General Partner

By: /s/ James E. Raley

James E. Raley, Manager

EXHIBIT 10.3

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of January 31, 2003, by and among DORCHESTER MINERALS, L.P., a Delaware limited partnership (the "Company"), and the parties listed on Annex A hereto (each, a "Holder" and collectively, the "Holders");

W I T N E S S E T H:

WHEREAS, the Company, Dorchester Hugoton, Ltd., Republic Royalty Company, Spinnaker Royalty Company, L.P. and certain other parties are parties to that certain Combination Agreement, dated as of December 13, 2001 (the "Combination Agreement"), pursuant to which Dorchester Hugoton, Ltd., Republic Royalty Company and Spinnaker Royalty Company, L.P. have agreed to combine their business and properties into the Company (the "Combination"); and

WHEREAS, in connection with the Combination, the Holders will receive LP Units as the Merger Consideration;

WHEREAS, the Company has agreed to register the LP Units as set forth herein; and

WHEREAS, capitalized terms not defined herein have the meaning given to them in the Combination Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual terms, covenants and conditions herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

The Company and the Holders covenant and agree as follows:

1. Definitions . For purposes of this Agreement:

(a) The term "Best Efforts" means a Person's reasonable best efforts without the incurrence of unreasonable expense.

(b) The term "Commission" means the Securities and Exchange Commission.

(c) The term "Expenses" means all expenses incident to the Company's performance of or compliance with Section 2.1 or 2.2, including, without limitation, all registration, filing and National Association of Securities Dealers fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, the reasonable fees and disbursements of special counsel to the Holders selected by the Requisite Threshold, premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered and any fees and disbursements of underwriters

customarily paid by issuers or sellers of securities; provided, however, that "Expenses" shall not include underwriting discounts and commissions.

(d) The term "Person" means an individual, partnership, corporation, limited liability company, trust or unincorporated organization, or government or agency or political subdivision thereof.

(e) The terms "register," "registered" and "registration" refer to a registration of securities effected by preparing and filing a registration statement or similar document in compliance with the Securities Act (as defined below), and the declaration or ordering of effectiveness of such registration statement or document.

(f) The term "Registrable Securities" means the LP Units received by a Holder pursuant to the Combination Agreement. As to any Registrable Security, once issued such security shall cease to be a Registrable Security when (i) it has been effectively registered under the Securities Act and disposed of in accordance with the registration statement covering it, (ii) it is sold pursuant to Rule 144 or Rule 145 (or any similar provisions then in force) under the Securities Act or in a private transaction in which the Holder's rights under this Agreement are not assigned.

(g) The term "Requisite Threshold" means any holder or holders of an aggregate of at least fifty-one percent (51%) of all Registrable Securities.

(h) The term "Securities Act" means the Securities Act of 1933, as amended, and the term "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2. Registration .

2.1 Registration on Request .

(a) From time to time after six (6) months from the date of the closing of the Combination, upon the written request of the Requisite Threshold that the Company effect the registration under the Securities Act of at least twenty-five percent (25%) of the Registrable Securities held by the requesting party or parties and specifying the intended method of disposition thereof and whether or not such requested registration is to be an underwritten offering, the parties hereto agree as follows:

(i) the Company will promptly give written notice of such requested registration to all other holders of Registrable Securities, if any; and

(ii) promptly after the performance of any obligations imposed under clause (i) of this Section 2.1(a), and subject to the limitations set forth in Section 2.1(c) and Section 3, the Company will use its Best Efforts to effect the registration under the Securities Act of the Registrable Securities that the Company has been requested to register by the Requisite Threshold and the other holders of Registrable Securities by written request given to the Company within thirty (30) days after the giving of such written notice by the Company (which request shall specify the intended method of disposition of such Registrable Securities) and to qualify the securities subject to such registration under the securities laws of such states as the

Requisite Threshold shall reasonably request, all to the extent requisite to permit the disposition (in accordance with the intended methods thereof as aforesaid) of the Registrable Securities to be registered and cause such registration to remain effective for a period of not less than one hundred eighty (180) days following its effective date or such shorter period as shall terminate when all Registrable Securities covered by such registration statement have been sold. In the case of a shelf registration statement on Form S-3 or any successor form under the Securities Act for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act, the Company shall cause such registration to remain effective for a period of not less than one (1) year following its effective date or such shorter period as shall terminate when all of the Registrable Securities covered by such registration statement have been sold. The Company shall not be required to qualify the securities subject to such registration in any jurisdiction where, as a result thereof, the Company would become subject to general service of process or to taxation or to qualification to do business as a foreign corporation or partnership doing business in such jurisdiction solely as a result of such qualification.

(b) Registration Statement Form . Subject to Section 2.1(c), registrations under this Section 2.1 shall be on such appropriate registration form of the Commission as shall be reasonably selected by the Company and reasonably acceptable to the Requisite Threshold and as shall permit the disposition of such Registrable Securities in accordance with the intended method or methods of disposition specified in the request for such registration, provided that not more than two (2) registrations under this Section 2.1 shall be a shelf registration statement on Form S-3 or any successor form under the Securities Act for an offering to be made on a continuous basis pursuant to Rule 415 under the Securities Act. The Company shall not be obligated to effect any such shelf registration on Form S-3, pursuant to this Section 2.2 if Form S-3 is not available for such offering by the Holders.

(c) Limitations with respect to Requested Registrations .

(i) The Company shall have no obligation to take or continue any action to effect a requested registration under this Section 2.1 after the Company has effected four (4) registrations that are requested pursuant to this Section 2.1; provided that, a registration requested pursuant to this Section 2.1 shall not be deemed to have been effected (1) unless a registration statement with respect thereto has been declared effective for a period of at least ninety (90) days, (2) if after a registration statement has become effective, such registration is terminated by any stop order, injunction or other order or requirement of the Commission or other governmental agency or court, or (3) if the conditions to closing specified in the purchase agreement or underwriting agreement entered into in connection with such registration are not satisfied, other than as a result of the voluntary termination of such offering by the Requisite Threshold.

(ii) Notwithstanding the foregoing, if the Company shall furnish, to the Holders requesting a registration statement pursuant to this Section 2.1, a certificate signed by the Chief Executive Officer of the Company stating that, in the good faith judgment of the Board of Managers of the Company, a postponement would be in the best interests of the Company and its partners due to a pending transaction, investigation or other event, then the Company shall have the right to defer such filing for a period of not more than ninety (90) days following receipt of the request (made pursuant to Section 2.1(a) hereof) of the Requisite Threshold.

(d) Selection of Underwriters . If a requested registration pursuant to this Section 2.1 involves an underwritten offering, the underwriter or underwriters thereof shall be selected by the Requisite Threshold and reasonably acceptable to the Company.

(e) Priority in Requested Registrations . If a requested registration pursuant to this Section 2.1 involves an underwritten offering, and the managing underwriter(s) shall advise the Company that, in its opinion, the number of securities requested to be included in such registration exceeds the number that can be sold in such offering within a price range acceptable to the Requisite Threshold, the Company will include in such registration the number of Registrable Securities that the Company is so advised can be sold in such offering, pro-rata among the Registrable Securities requested to be included in such registration.

2.2 Piggyback Registration . The holders of Registrable Securities are entitled to "piggyback" (i) on a registration by the Partnership for an offering of equity securities of the Partnership for cash (other than an offering relating solely to an employee benefit plan) and (ii) on a registration requested by the General Partner and its Affiliates pursuant to demand registration rights, provided that the party exercising the demand registration may, at any time, abandon or delay any such registration initiated by it. If the proposed offering upon which the holders of Registrable Securities exercise their piggyback rights shall be an underwritten offering, then, in the event that the managing underwriter or managing underwriters of such offering advise the Partnership and the Holders electing to exercise piggyback rights in writing that in their opinion the inclusion of all of such Holder's Partnership Securities would adversely and materially affect the success of the offering, the securities that shall be included in such offering shall be allocated among the Partnership or the parties exercising demand registration rights, as applicable, and the Holders exercising piggyback registration rights in proportion to the total number of securities that the Partnership or the parties exercising demand registration rights, as applicable, propose to register in relation to the total number of Registrable Securities that the Holders exercising piggyback registration rights propose to register.

2.3 Termination of Registration Rights . The Holders will have no rights to request registration under this Section 2 after the later of (i) December 31, 2010 or (ii) two (2) years following the withdrawal or removal of Dorchester Minerals Management LP as the general partner of the Company.

3. Registration Procedures .

(a) The Company will use its Best Efforts to furnish to each Holder requesting registration pursuant to this Agreement a copy of the requisite registration statement, each amendment and supplement to such registration statement and a reasonable number of copies of the prospectus included in such registration statement (including each preliminary prospectus), as each such Holder may reasonably request in order to facilitate such Holder's disposition of its securities covered by such registration statement.

(b) The Company represents and covenants that any registration statement covering sales of Registrable Securities by a Holder pursuant to this Agreement will not contain an untrue statement of fact or omit to state any material fact required to be stated in the prospectus or that is necessary to make the statements in the prospectus, in light of the circumstances then existing, not misleading. The Company will use its Best Efforts to notify the

Holders requesting registration pursuant to this Agreement, at any time when a prospectus relating to the requisite registration statement is required to be delivered under the Securities Act (within the period that the Company is required to keep such registration statement effective), of the happening of any event as a result of which the prospectus included in the requisite registration statement (as then in effect) contains an untrue statement of a material fact or omits to state any material fact required to be stated in the prospectus or that is necessary to make the statements in the prospectus, in light of the circumstances then existing, not misleading. The Company will prepare (and, as soon as reasonably practicable, file) a supplement or amendment to that prospectus so that, as thereafter delivered to the purchasers of those securities covered by such registration statement, that prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated in the prospectus or that is necessary to make the statements in the prospectus, in light of the circumstances then existing, not misleading. However, if the Board of Managers of the Company determines in its good faith judgment that filing any supplement or amendment to such registration statement to keep such registration statement available for use by such Holders for resales of the securities covered by such registration statement would require the Company to disclose material information that the Company has a bona fide business purpose for preserving as confidential, then, upon the Company's notice to each Holder (the "Suspension Notice"), the Company's obligation to supplement or amend such registration statement will be suspended. That suspension will remain in effect until the Company notifies such Holders in writing that the reasons for suspending those obligations no longer exist and the Company amends or supplements such registration statement as may be required. The Company does not have the right to delay filing any supplement or amendment for more than thirty (30) consecutive days or sixty (60) days (including consecutive and non-consecutive days). As soon as a Holder receives a Suspension Notice from the Company under this Section 3(b), that Holder will immediately discontinue disposing of securities covered by such registration statement until that Holder receives copies of the supplemented or amended prospectus referred to in this Section 3(b). At the Company's requests, each Holder will deliver to the Company all copies of the prospectus covering such securities current at the time of that request.

(c) After receiving notice of any stop order issued or threatened by the Commission with respect to the requisite registration statement, the Company will use its Best Efforts to (i) advise the Holders and (ii) take all actions required to prevent the Commission from entering that stop order or and to remove it if it has been entered.

(d) The Company will use its Best Efforts to cause all securities included in the requisite registration statement to be listed, by the date of the first sale of such securities pursuant to such registration statement, on the principal securities exchange that the Company's LP Units are then listed on. The Company agrees to facilitate the delivery of the Registrable Securities upon any sale by a Holder pursuant to this Agreement. The Company agrees to enter into customary underwriting agreements (which may require representations, covenants or indemnification), cooperate in any due diligence conducted by underwriters, and deliver or cause to be delivered to the Holders and the underwriters, if any, any certificates, opinions or comfort letters customarily required.

(e) Each Holder will sell its Registrable Securities registered in accordance with Section 2 in compliance the prospectus delivery requirements under the Securities Act.

(f) The Company may require the Holders to furnish to the Company information regarding the Holders and the distribution of the securities covered by the requisite registration statement as the Company may from time to time request in writing. Each Holder represents and covenants that any such information provided by such Holder with respect to a registration statement covering Registrable Securities by such Holder pursuant to this Agreement will not contain an untrue statement of fact or omit to state any material fact required to be stated in the prospectus regarding the Holder or that is necessary to make the statements in the prospectus regarding the Holder, in light of the circumstances then existing, not misleading. Each Holder will (i) notify the Company as promptly as practicable of any inaccuracy or change in information that Holder previously furnished to the Company or of the occurrence of any event that would cause any prospectus relating to such securities to (A) contain an untrue statement of a material fact regarding that Holder or its resale of such securities or (B) omit to state any material fact regarding that Holder or its resale of such securities required to be stated in that prospectus or necessary to make the statements in that prospectus not misleading in light of the circumstances then existing and (ii) promptly furnish to the Company any additional information so that the prospectus will not contain, with respect to that Holder or its distribution of such securities, an untrue statement of a material fact or omit to state a material fact required to be stated in it or necessary to make the statements in that prospectus, in light of the circumstances then existing, not misleading.

4. Expenses . Except as set forth in Section 6, the Company will pay all Expenses of the Holders in connection with any registration pursuant to Section 2, other than underwriting discounts or commissions.

5. Market-Standoff Agreement

(a) Market-Standoff Period; Agreement . In connection with the first follow-on offering of the Company's securities by the Company for cash after the closing date of the Combination and upon request of the Company or managing underwriter(s) of such offering of the Company's securities, each Holder agrees not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company (other than those included in the registration) without the prior written consent of the Company or the managing underwriter(s), as the case may be, for such period of time (not to exceed one hundred eighty (180 days) from the date of such request by the Company or the managing underwriter(s) and to execute an agreement reflecting the foregoing as may be requested by the managing underwriter(s) at the time of the Company's follow-on offering. The managing underwriter(s) are intended third party beneficiaries of this Section 5 and shall have the right, power and authority to enforce the provisions of this Section 5 as though they were a party hereto.

(b) Limitations . The obligations described in Section 5(a) shall not apply to a registration relating solely to employee benefit plans, or to a registration relating solely to a transaction pursuant to Rule 145 under the Securities Act.

(c) Stop-Transfer Instructions . In order to enforce the foregoing covenants, the Company may impose stop-transfer instructions with respect to the Registrable Securities of each Holder.

(d) Transferees Bound . Each Holder agrees that it will not transfer securities of the Company unless each transferee agrees in writing to be bound by all of the provisions of this Section 6.

6. Indemnification . In the event any Registrable Securities are included in a registration statement under this Agreement:

(a) To the extent permitted by law, the Company will indemnify and hold harmless the Holder, the officers and directors of the Holder, each Person that serves as an investment manager of the Holder with respect to the Registrable Securities and each other Person, if any, who controls the Holder within the meaning of Section 15 of the Securities Act (each, an "Indemnified Party" and, collectively, the "Indemnified Parties"), against any losses, claims, damages, liabilities or expenses, joint or several, to which any such Indemnified Party may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement under which such Registrable Securities were registered under the Securities Act pursuant hereto, or any post-effective amendment thereof, or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of the registration statement and not corrected in the final prospectus, or contained in the final prospectus (as amended or supplemented, if the Company shall have filed with the Commission any amendment thereof or supplement thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse any such Indemnified Party for any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or expense; provided, however, that the indemnity agreement contained in this Section 6(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld); and provided further that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon any such untrue statement or omission or alleged untrue statement or omission which has been made in said registration statement, preliminary prospectus, prospectus or amendment or supplement or omitted therefrom in reliance upon and in conformity with information furnished in writing to the Company by the Holder specifically for use in the preparation thereof.

(b) Promptly after receipt by an Indemnified Party under this Section 6 of notice of the commencement of any action (including any governmental action), such Indemnified Party will, if a claim in respect thereof is to be made against the Company under this Section 6, notify the Company in writing of the commencement thereof and the Company shall have the right to participate in, and, to the extent the Company so desires, to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an Indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the Company, if representation of such Indemnified Party by the counsel retained by the Company would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding. The

failure to so notify the Company within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve the Company of any liability to the Indemnified Party under this Section 6, but the omission so to notify the Company will not relieve it of any liability that it may have to any Indemnified Party otherwise than under this Section 6.

(c) If the indemnification provided for in this Section 6 from the Company is unavailable to an Indemnified Party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to herein, then the Company, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by the Company as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the Company and Indemnified Parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of the Company and Indemnified Parties shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made by, or relates to information supplied by, the Company or Indemnified Parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 6 hereof, any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6 were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to in the immediately preceding paragraph. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

7. Reports Under Exchange Act . With a view to making available to the Holder the benefits of Rule 144 and Rule 145 under the Securities Act and any other rule or regulation of the Commission that may at any time permit the Holder to sell securities of the Company to the public without registration, the Company agrees to:

(a) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act, and the rules and regulations adopted by the Commission thereunder; and

(b) furnish to the Holder such information as may be reasonably requested in availing the Holder of any rule or regulation of the Commission that permits the sale of any securities without registration.

8. Assignment of Registration Rights . The right to cause the Company to register Registrable Securities pursuant to this Agreement may be assigned, in whole or in part, by the Holder to not more than four (4) Persons without the prior written consent of the Company.

9. Condition to the Obligation of the Parties . The effectiveness of this Agreement and the respective obligations of each party to effect the transactions contemplated by this Agreement shall be subject to the fulfillment of the condition that the Combination shall have been consummated in accordance with the terms of the Combination Agreement.

10. Notices . All notices and other communications provided for or permitted hereunder shall be made in writing and shall be deemed to have been duly given or made if (i) delivered personally, (b) expedited delivery service or (c) certified or registered mail, postage prepaid. Any such notice shall be deemed given upon its receipt at the following address:

(a) If to a Holder, initially at

c/o Energy Trust, LLC
551 Fifth Avenue, 37th Floor
New York, New York 10176
Fax: (212) 557-0876

and thereafter at such other address, notice of which is given to the Company in accordance with this Section 10; and

(b) If to the Company, initially at

Dorchester Minerals, L.P.
c/o Dorchester Minerals Management GP LLC
3738 Oak Lawn Avenue, Suite 300
Dallas, Texas 75219
Attention: William Casey McManemin
Fax: (214) 559-0301

and thereafter at such other address, notice of which is given in accordance with this Section 10.

11. Counterparts . This Agreement may be executed in two or more counterparts, all of which will be considered one and the same agreement and will become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

12. Entire Agreement . This Agreement constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter of this Agreement. No provision of this Agreement will be construed as the basis for any liability of the Company in connection with the Combination Agreement or any of the transactions contemplated thereby (other than the registration of the Registrable Securities pursuant to this Agreement).

13. Governing Law; Jurisdiction . THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW REQUIRING

THE APPLICATION OF THE LAW OF ANOTHER STATE, EXCEPT TO THE EXTENT THE DGCL EXPRESSLY APPLIES TO A PARTICULAR MATTER.

14. Amendments and Waivers . The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof (which may be generally or in a particular instance and either retroactively or prospectively) may not be given, except pursuant to a writing signed by the Company and the holders of at least a majority of the Registrable Securities.

[S IGNATURES A PPEAR ON F OLLOWING P AGE]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

Company:

Dorchester Minerals, L.P.

By: Dorchester Minerals Management LP, its general partner

By: Dorchester Minerals Management GP LLC, its general partner

By: /s/ William Casey McManemin

William Casey McManemin, Chief Executive Officer

Holders:

Energy Trust, LLC, on behalf of each Holder listed on Annex A as its investment manager

By: /s/ Patrick H. Swearingen

Name: Patrick H. Swearingen
Title: Director

ANNEX A

List of Holders

Lucent Technologies, Inc. Master Pension Trust

AT&T Long Term Investment Trust

Delta Master Trust

Boeing Company Employee Retirement Plans Master Trust

Bell Atlantic Master Trust

Kodak Retirement Income Plan Trust

Eastman Retirement Assistance Plan Trust

EXHIBIT 10.4

LOCK-UP AGREEMENT

January 31, 2003

Dorchester Minerals, Ltd.
3738 Oak Lawn Avenue
Dallas, Texas 75219

Ladies and Gentlemen:

The undersigned understands that Dorchester Minerals, L.P. (the "Partnership"), has entered into a Combination Agreement, dated December 13, 2001 (the "Combination Agreement"), with various parties providing, among other things, for the public offering (the "Public Offering") by the Partnership of common units of limited partnership interest (the "Securities") of the Partnership pursuant to the Partnership's joint Registration Statement, Proxy Statement and Prospectus on Form S-4 filed with the Securities and Exchange Commission on May 15, 2002, as amended, and which was declared effective on October 30, 2002 (the "Registration Statement"). Capitalized terms used and not otherwise defined herein have the meaning ascribed to them in the Combination Agreement.

In consideration of the Partnership's agreement to make the Public Offering of the Securities, and for other good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, the undersigned hereby agrees, from the date hereof until the second anniversary of the Closing of the Combination, not to offer to sell, contract to sell or otherwise sell, dispose of, loan, pledge, encumber, transfer or grant any rights with respect to or interest in (including any option to buy or sell) (collectively, a "Disposition") any of the Securities owned by the undersigned directly at the time of execution of this agreement or with respect to which the undersigned has an economic interest (collectively, "Covered Securities"). This lock-up agreement shall expire as to 25% of the initial amount of the Covered Securities upon each of the second, third and fourth anniversaries of the Closing of the Combination, such that following the fourth anniversary of the Closing of the Combination, the undersigned is permitted to sell up to 75% of the initial amount of the Covered Securities, which restriction shall continue until such time as the undersigned ceases to be a manager of Management GP. In no event shall this lock-up agreement cover Securities which the undersigned beneficially owns, or is deemed to beneficially own, but in which he does not have an economic interest. Limited partnerships in existence on the date of this lock-up agreement and in which the undersigned has an economic interest solely as a limited partner which, in the aggregate, represents less than 5% of the Covered Securities shall not be prohibited from making a Disposition with respect to any or all of the Covered Securities owned by the limited partnership. A partnership or entity of which the undersigned is an officer or general partner shall not be prohibited from making an in-kind distribution of Covered Securities to its owners, provided that any Covered Securities distributed to the undersigned, or a partnership or entity of which the undersigned is a general partner or officer, will be subject to the provisions of this lock-up agreement. The prohibition on a Disposition of Covered Securities will be subject to exceptions for (i) bona fide gifts and charitable contributions of up to a total of 25,000 common units during the first two years of this lock-up agreement and (ii) transfers to members of the undersigned's immediate family, or a trust or

trusts for the benefit of any of such family members, provided that such family member or trust agrees in writing to be subject to the provisions of this lock-up agreement.

The foregoing restrictions are expressly agreed to preclude the undersigned holder of Covered Securities from:

(a) engaging in any hedging or other transaction which is designed to or reasonably expected to lead to or result in a Disposition of Covered Securities during the during the term of this lock-up agreement even if such Covered Securities would be disposed of by someone other than the undersigned. Such prohibited hedging or other transactions would include without limitation any short sale (whether or not against the box) or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any Covered Securities or with respect to any security (other than a broad-based market basket or index) that includes, relates to or derives any significant part of its value from Covered Securities.

(b) filing with the SEC a registration statement relating to, requesting the registration of, or publicly disclosing the intention to make any such request or filing of the offer or sale of Covered Securities, as to any Covered Securities that are subject to the terms of this lock-up agreement at the time of such filing, request or disclosure.

The undersigned understands that the Partnership will rely upon the representations set forth in this lock-up agreement in proceeding with the Public Offering. The undersigned confirms that this lock-up agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns. Furthermore, the undersigned hereby agrees and consents to the entry of stop transfer instructions with the Partnership's transfer agent against the transfer of the Covered Securities held by the undersigned except in compliance with this lock-up agreement.

Very truly yours,

/s/ William Casey McManemin

(Signature)

Name: William Casey McManemin

(print or type)

Address: 3738 Oak Lawn Avenue, Suite 300
Dallas, Texas 75219

Accepted as of the date first set forth above:

Dorchester Minerals, L.P.

By: Dorchester Minerals Management LP, General Partner

By: Dorchester Minerals Management LLC, General Partner

By: /s/ James E. Raley
(authorized signatory)

EXHIBIT 21.1

SUBSIDIARIES

1. Dorchester Minerals Oklahoma LP, an Oklahoma limited partnership
2. Dorchester Minerals Oklahoma GP Inc., an Oklahoma corporation

Exhibit 99.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Dorchester Minerals, L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2002 (the "Report"), I, William Casey McManemin, Chief Executive Officer of Dorchester Minerals Management GP LLC, General Partner of Dorchester Minerals Management LP, General Partner of the Partnership, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2003

/s/ William Casey McManemin
William Casey McManemin
Chief Executive Officer

Exhibit 99.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Dorchester Minerals, L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2002 (the "Report"), I, H.C. Allen, Chief Financial Officer of Dorchester Minerals Management GP LLC, General Partner of Dorchester Minerals Management LP, General Partner of the Partnership, hereby certify that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 27, 2003

/s/ H.C. Allen
H.C. Allen
Chief Financial Officer