



Independent Stock Idea

November 8, 2013

Dorchester Minerals, L.P. (DMLP) Oil up 6% a Quarter

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 9/30/14 (US\$mm)</i>	69
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	36
<i>Price (US\$/sh)</i>	24.25	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	11/7/13	<i>Adjusted Reserves/Production NTM</i>	7.0
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	10.8
<i>Market Capitalization (US\$mm)</i>	744	<i>PV/Ebitda</i>	11.5
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	744	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.62
<i>Present Value (PV) (US\$mm)</i>	798	<i>Present Value Proven Reserves(US\$/boe)</i>	55.90
<i>Net Present Value (US\$/unit)</i>	26	<i>Oil and Gas Ebitda Margin (%)</i>	82%
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.39
<i>McDep Ratio - EV/PV</i>	0.93	<i>Price/Earnings Next Twelve Months</i>	17
<i>Distribution Yield (%/year)</i>	7.4	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.78
Note: Estimated cash flow and earnings tied to one-year futures prices for oil and natural gas.			
Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.			
Estimated present value presumes a long-term price for oil of US\$90 a barrel and natural gas, \$6 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

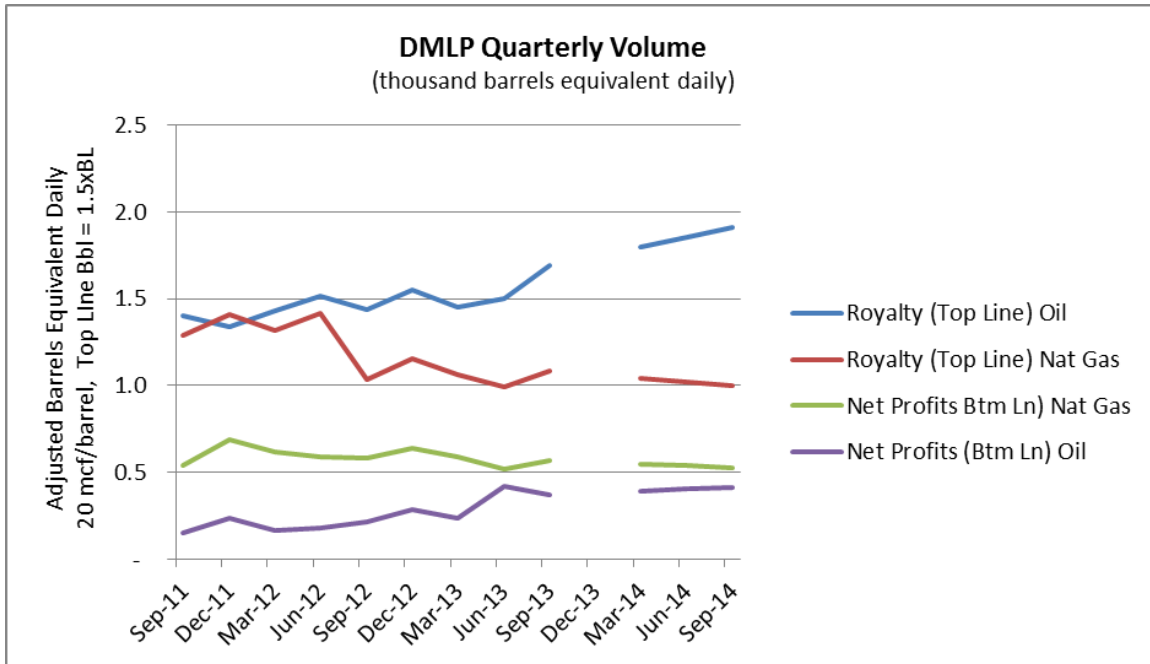
Bakken and Permian shale and tight oil wells drive oil volume up 6% a quarter for buy-recommended **Dorchester Minerals (DMLP)**. Disclosed in the 10-Q regulatory filing on November 7, oil production advanced 6% in the third quarter 2013 over the second quarter 2013 and 28% for the latest quarter compared to the same period a year ago (see chart Quarterly Volume on page 2). Coincidentally, 28% a year is also equivalent to 6% a quarter compounded for four quarters. Not knowing whether that high rate can continue, we project half that rate, or 3% a quarter, in estimating next twelve months distribution of \$1.78 a unit, a 7.4% distribution yield (see table Operating and Financial Estimates on page 3). Most of DMLP's oil is top line royalty income from wells drilled and paid for by operators such as **Continental Resources, Whiting Petroleum, Cimarex, EOG Resources** and **Devon Energy**. Each of those independent leaders is scoring surprisingly strong productivity gains on the steep learning curve of fracking technology. Reflecting the good news, we raise oil's share to 49% from 46% of estimated Net Present Value (NPV) of \$26 a unit (see table Present Value on page 2). In fact the news on shale oil is so good that production is expanding faster than new pipelines and rail cars can be built to move the growing volume. As a result, there is local pressure on pricing that is temporarily acute at the Bakken pipeline pricing point. Those concerns may have contributed to a stock market selloff of shale oil stocks that sets up a better entry price for new or additional stock purchases. Because of its preferred royalty position and its high income payments, DMLP stock is less volatile while still offering an attractive long-term return, we believe.

Kurt H. Wulff, CFA



Independent Stock Idea

November 8, 2013



Dorchester Minerals, L.P.					
Functional Cash Flow and Present Value					
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Present</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>Value</i>	
			<i>(US\$mm)</i>	<i>(US\$mm)</i>	
<u>Top Line - Royalty Interests</u>					
North American Natural Gas	14	7.0	19.4	280	
Oil	35	7.0	9.3	330	
<u>Bottom Line - Net Profits Interests</u>					
North American Natural Gas	10	7.0	12.9	130	
Oil	9	7.0	6.5	60	
<u>Total Top and Bottom</u>					
North American Natural Gas	25	7.0	16.4	410	51%
Oil	44	7.0	8.9	390	49%
	69	7.0	11.6	800	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					800
Shares (mm)					31
Net Present Value - Standard Estimate (US\$/sh)					26
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					28
(NPV Approximation by 1.5 times Cash Flow Multiple for Top Line)					



Independent Stock Idea

November 8, 2013

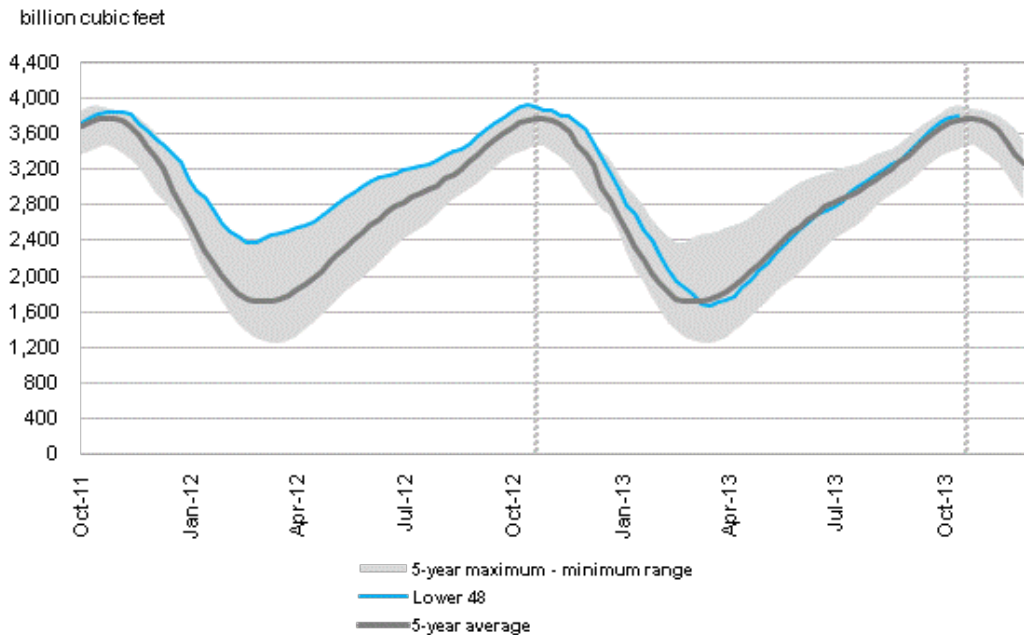
Dorchester Minerals, L.P.										
Operating and Financial Performance										
										<i>Next Twelve Months</i>
	<i>Q3</i>	<i>Year</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Months</i>
	9/30/12	2012	6/30/13	9/30/13	12/31/13	2013E	3/31/14	6/30/14	9/30/14	9/30/14
Volume										
Nat Gas (mmcf) - Top Line	13.8	16.4	13.3	14.4	14.1	14.0	13.9	13.6	13.3	14.0
Nat Gas (mmcf) - Btm Line	11.6	12.1	10.3	11.4	11.2	11.2	11.0	10.7	10.5	11.2
Oil (mbd) - Top Line	0.96	0.99	1.00	1.13	1.16	1.07	1.20	1.24	1.27	1.07
Oil (mbd) - Bottom Line	0.22	0.21	0.42	0.37	0.38	0.35	0.39	0.40	0.42	0.35
Total (bcfe)	3.0	13.1	2.9	3.2	3.2	12.3	3.1	3.1	3.1	12.3
Total (mmcf)	32	36	32	35	35	34	34	34	34	34
Price										
Henry Hub (\$/mmbtu)	2.80	2.79	4.10	3.58	3.83	3.71	3.52	3.54	3.62	3.63
Top Line (\$/mcf)	3.02	2.82	3.84	3.28	3.52	3.43	3.23	3.25	3.32	3.33
Bottom Line (\$/mcf)	2.76	3.33	3.95	3.46	3.71	3.61	3.41	3.43	3.50	3.51
WTI Cushing (\$/bbl)	92.22	94.16	94.22	105.83	96.62	97.77	95.09	94.44	92.80	94.74
Top Line (\$/bbl)	88.39	89.21	93.84	102.89	93.94	94.92	92.45	91.82	90.23	91.97
Bottom Line (\$/bbl)	86.54	87.67	90.71	98.28	89.73	92.15	88.31	87.70	86.18	89.30
Total (\$/mcf)	5.45	5.41	6.96	6.87	6.79	6.58	6.62	6.73	6.82	6.85
Revenue (\$mm)										
Natural Gas - Top Line	3.8	16.9	4.6	4.4	4.6	17.5	4.0	4.0	4.1	16.7
Oil - Top Line	7.8	32.3	8.5	10.7	10.1	36.9	10.0	10.3	10.6	40.9
Total - Top Line	11.6	49.2	13.2	15.1	14.6	54.5	14.0	14.3	14.6	57.6
Natural Gas - Bottom Line	2.9	14.7	3.7	3.6	3.8	14.7	3.4	3.3	3.4	13.9
Oil - Bottom Line	1.7	6.8	3.4	3.3	3.1	11.8	3.1	3.2	3.3	12.8
Total - Bottom Line	4.7	21.5	7.2	7.0	7.0	26.5	6.5	6.6	6.7	26.7
Total	16.3	70.7	20.3	22.0	21.6	81.0	20.5	20.9	21.3	84.3
Expense										
BL Production (estimated)	0.6	2.4	0.9	0.9	0.9	3.4	0.9	0.9	1.0	3.7
Tax (other than income)	1.4	4.8	1.2	1.3	1.5	5.3	1.4	1.5	1.5	5.9
General and Administrative	0.7	3.8	1.0	0.8	1.0	3.7	1.0	1.0	1.0	4.0
General Partner	0.3	1.3	0.4	0.4	0.4	1.4	0.4	0.4	0.4	1.5
Total	3.1	12.4	3.5	3.5	3.8	13.8	3.7	3.8	3.8	15.1
Ebitda										
Top Line	9.9	42.3	11.5	13.3	12.7	47.4	12.1	12.4	12.6	49.8
Bottom Line	3.4	16.1	5.3	5.3	5.1	19.7	4.7	4.7	4.8	19.4
Total Ebitda	13.2	58.4	16.9	18.6	17.8	67.1	16.8	17.1	17.5	69.2
Deprec., Deplet., & Amort.	4.0	16.6	3.3	3.5	3.8	14.0	3.7	3.7	3.7	15.0
BL Capital (estimated)	2.5	11.4	2.2	4.7	3.0	13.2	3.0	3.0	3.0	12.0
Lease Bonus and Other	(1.2)	(6.5)	(0.3)	(0.1)	(0.1)	(0.6)	(0.1)	(0.1)	(0.1)	(0.4)
Ebit	8.0	36.8	11.7	10.4	11.1	40.5	10.2	10.5	10.8	42.6
Ebt	8.0	36.8	11.7	10.4	11.1	40.5	10.2	10.5	10.8	42.6
Net Income (\$mm)	8.0	36.8	11.7	10.4	11.1	40.5	10.2	10.5	10.8	42.6
Units (millions)	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7	30.7
Net Income Per Unit (\$)	0.26	1.20	0.38	0.34	0.36	1.32	0.33	0.34	0.35	1.39
Ebitda Margin - Top Line	85%	82%	88%	88%	87%	87%	86%	86%	86%	86%
Ebitda Margin - Bottom Lin	72%	75%	74%	76%	74%	74%	72%	72%	72%	73%



Independent Stock Idea

November 8, 2013

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



Source: U.S. Energy Information Administration

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

McDep or its employees may take positions in stocks the firm covers for research purposes. No trades in a subject stock shall be made within a week before or after a change in recommendation.

Certification: I, Kurt H. Wulff, certify that the views expressed in this research analysis accurately reflect my personal views about the subject securities and issuers. No part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research analysis.

Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.