



Independent Stock Idea

August 8, 2014

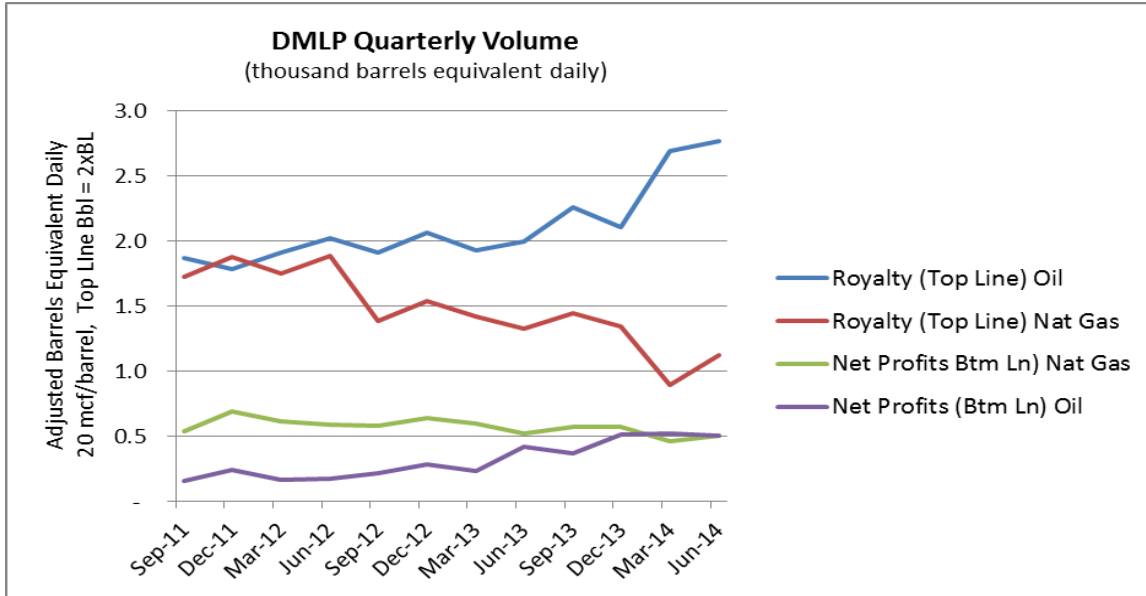
Dorchester Minerals, L.P. (DMLP) Robust Bakken and Permian Oil Growth

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/15 (US\$mm)</i>	72
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	33
<i>Price (US\$/sh)</i>	33.25	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	8/7/14	<i>Adjusted Reserves/Production NTM</i>	7.5
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	14.3
<i>Market Capitalization (US\$mm)</i>	1,020	<i>PV/Ebitda</i>	13.7
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	1,020	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	5.94
<i>Present Value (PV) (US\$mm)</i>	982	<i>Present Value Proven Reserves(US\$/boe)</i>	65.01
<i>Net Present Value (US\$/unit)</i>	32	<i>Oil and Gas Ebitda Margin (%)</i>	81%
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	1.50
<i>McDep Ratio - EV/PV</i>	1.04	<i>Price/Earnings Next Twelve Months</i>	22
<i>Distribution Yield (%/year)</i>	5.6	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.87
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

Top Line Oil (54% of Present Value) grew 38% over last year in the second quarter for buy-recommended **Dorchester Minerals (DMLP)** reported in the 10-Q filed near the market close on August 7 (see chart Quarterly Volume on page 2) . Normalized growth from the partnership's oil properties in the Permian Basin and the Bakken Trend may settle near 25% a year for the next several years by our estimates. The partnership owns perpetual mineral rights to 9,000 net acres well-located in the Bakken and 76,000 net acres in the Permian (see map Permian Basin on page 2). Newly trading Viper Energy Partners (VNOM) has a market cap of \$2.4 billion for its sole asset of 15,000 acres in the Midland Basin portion of the Permian, indicating a several fold upside for DMLP, we think. We know enough about the DMLP properties to believe in their potential, but not enough to quantify all of it in our estimate of Net Present Value (NPV) of \$32 a unit, up from \$28 two months ago (see table Present Value on page 4). Expected gains for the Next Twelve Months contribute to a 5.6% distribution yield (see table Operating and Financial Estimates on page 3). Meanwhile, high quality oil and gas properties in safe areas are among the most comforting to own in a world where the forces of evil are increasingly assertive in the face of a U.S. leadership vacuum.

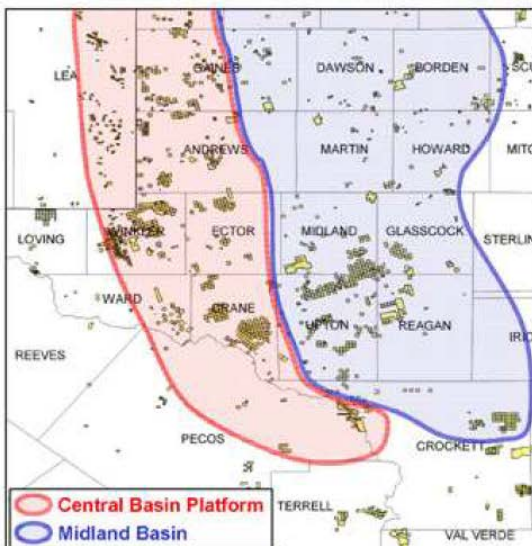
Kurt H. Wulff, CFA



Permian Basin

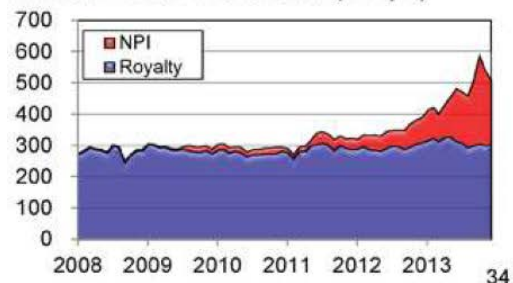
- Legacy Permian and emerging Wolfcamp

- Unleased at some depth in numerous tracts



Region	Gross Mineral Acres	Net Mineral Acres	Gross NPRU/ORRI Acres
Midland Basin	263,750	22,207	155,469
Central Basin Platform	334,979	35,603	143,585
Other Permian Basin	124,971	17,917	40,394
Total	723,700	75,727	339,448

Midland Basin Production (boepd)





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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q2	Year	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/13	2013	3/31/14	6/30/14	9/30/14	12/31/14	2014E	3/31/15	6/30/15	6/30/15
Volume										
Nat Gas (mmcf) - Top Line	13.3	13.8	8.9	11.3	11.2	11.0	10.6	10.9	10.8	11.0
Nat Gas (mmcf) - Btm Line	10.3	11.3	9.2	10.1	10.0	10.0	9.8	9.9	9.9	10.0
Oil (mbd) - Top Line	1.00	1.04	1.35	1.38	1.41	1.44	1.40	1.47	1.50	1.46
Oil (mbd) - Bottom Line	0.42	0.38	0.52	0.51	0.53	0.55	0.53	0.57	0.59	0.56
Days	91	365	92	91	92	92	367	90	91	365
Total (bcfe)	2.9	12.3	2.6	2.9	3.0	3.0	11.6	3.0	3.0	12.1
Total (mmcf)	32	34	29	33	33	33	32	33	33	33
Price										
Henry Hub (\$/mmbtu)	4.10	3.65	4.95	4.67	4.02	3.94	4.39	4.06	3.78	3.95
Top Line (\$/mcf)	3.84	3.44	5.15	4.58	3.94	3.86	4.30	3.98	3.70	3.87
Bottom Line (\$/mcf)	3.95	4.15	5.70	4.47	3.84	3.76	4.42	3.88	3.61	3.77
WTI Cushing (\$/bbl)	94.22	97.98	98.74	102.98	99.67	96.81	99.55	95.41	94.17	96.52
Top Line (\$/bbl)	93.84	94.15	83.85	86.17	83.40	81.01	83.57	79.83	78.80	80.76
Bottom Line (\$/bbl)	90.71	91.85	87.89	84.77	82.05	79.69	83.54	78.54	77.52	79.45
Total (\$/mcf)	6.96	6.76	8.93	7.99	7.42	7.30	7.87	7.37	7.21	7.32
Revenue (\$mm)										
Natural Gas - Top Line	4.6	17.4	4.1	4.6	4.0	3.9	16.7	3.9	3.6	15.5
Oil - Top Line	8.5	35.7	10.4	10.9	10.8	10.7	42.8	10.6	10.7	42.9
Total - Top Line	13.2	53.1	14.5	15.5	14.9	14.7	59.6	14.5	14.4	58.4
Natural Gas - Bottom Line	3.7	17.1	4.8	4.1	3.5	3.5	15.9	3.5	3.2	13.7
Oil - Bottom Line	3.4	12.9	4.2	3.9	4.0	4.0	16.1	4.0	4.2	16.2
Total - Bottom Line	7.2	29.9	9.0	8.0	7.5	7.5	32.0	7.5	7.4	29.9
Total	20.3	83.0	23.6	23.5	22.4	22.1	91.6	22.0	21.8	88.3
Expense										
BL Uplift (estimated)	0.9	3.6	1.1	1.1	1.2	1.2	4.6	1.2	1.3	4.8
Operating, incl. Prod Tax	1.2	5.1	1.4	1.5	1.6	1.5	6.1	1.5	1.5	6.2
General and Administrative	1.0	4.2	1.1	1.1	1.0	1.0	4.2	1.0	1.0	4.0
General Partner	0.4	1.5	0.5	0.5	0.4	0.4	1.8	0.4	0.4	1.7
Total	3.5	14.4	4.2	4.2	4.2	4.2	16.6	4.2	4.2	16.7
Ebitda										
Top Line	11.5	46.1	12.7	13.5	12.9	12.7	51.7	12.5	12.4	50.5
Bottom Line	5.3	22.4	6.7	5.9	5.4	5.3	23.2	5.3	5.2	21.0
Total Ebitda	16.9	68.5	19.4	19.3	18.2	17.9	74.9	17.8	17.6	71.6
Deprec., Deplet., & Amort.	3.3	13.1	2.5	2.8	3.6	3.6	12.5	3.6	3.6	14.5
BL Capital (estimated)	2.2	16.1	5.5	5.1	5.1	3.0	18.7	3.0	3.0	14.1
Lease Bonus and Other	(0.3)	(2.7)	(1.2)	(0.5)	(0.5)	(0.5)	(2.6)	(1.0)	(1.0)	(2.9)
Ebit	11.7	42.0	12.6	12.0	10.0	11.8	46.3	12.2	12.0	46.0
Ebt	11.7	42.0	12.6	12.0	10.0	11.8	46.3	12.2	12.0	46.0
Net Income (\$mm)	11.7	42.0	12.6	12.0	10.0	11.8	46.3	12.2	12.0	46.0
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 (\$)	0.38	1.37	0.41	0.39	0.33	0.38	1.51	0.40	0.39	1.50
Ebitda Margin - Top Line	88%	87%	87%	87%	87%	87%	87%	86%	86%	87%
Ebitda Margin - Bottom Line	74%	75%	75%	73%	71%	71%	73%	70%	70%	70%
Distribution - Cash Accounting (\$mm)										
Top Line Revenue	11.6	49.3	13.1	14.4						
Bottom Line Net Revenue	2.0	10.3	3.6	2.4						
Lease Bonus	0.1	2.4	1.1	0.5						
Cash Expense	(1.5)	(7.8)	(2.6)	(2.2)						
Distribution	12.1	54.2	15.2	15.1	12.9	14.6	57.9	15.0	14.8	57.4
Distribution Per Unit (\$)	0.40	1.77	0.50	0.49	0.42	0.48	1.89	0.49	0.48	1.87



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Dorchester Minerals, L.P.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
<u>Top Line - Royalty Interests</u>					
North American Natural Gas	13	7.9	20.9	280	29%
Oil	37	8.3	14.3	530	54%
<u>Bottom Line - Net Profits Interests</u>					
North American Natural Gas	10	7.9	11.4	110	11%
Oil	11	4.1	5.3	60	6%
<u>Total Top and Bottom</u>					
North American Natural Gas	24	7.8	16.3	390	40%
Oil	48	7.1	12.3	590	60%
	72	7.5	13.6	980	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					980
Shares (mm)					31
Net Present Value - Standard Estimate (US\$/sh)					32
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					32
Top Line Approximation at 2 times Cash Flow Multiple Depending on Reserve Life					

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

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