



Independent Stock Idea

September 10, 2015

Dorchester Minerals, L.P. (DMLP) Raise Distribution to 6.3% Cash Yield

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 9/30/16 (US\$m)</i>	39
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	31
<i>Price (US\$/sh)</i>	15.04	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	9/10/15	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	11.7
<i>Market Capitalization (US\$m)</i>	461	<i>PV/Ebitda</i>	21.8
<i>Debt (US\$m)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	461	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	3.40
<i>Present Value (PV) (US\$m)</i>	859	<i>Present Value Proven Reserves(US\$/boe)</i>	57.13
<i>Net Present Value (US\$/unit)</i>	28	<i>Oil and Gas Ebitda Margin (%)</i>	73%
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.61
<i>McDep Ratio - EV/PV</i>	0.54	<i>Price/Earnings Next Twelve Months</i>	24
<i>Distribution Yield (%/year)</i>	6.3	<i>Distribution Next Twelve Months (US\$/sh)</i>	0.95
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\$70 a barrel and natural gas, \$4.50 a million bt			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

We recommend current purchase of the common units of **Dorchester Minerals (DMLP)** for 86% unlevered upside to \$70 oil catalyzed by a boost in cash distribution next year from recent new drilling. Along with downside protection from a debt-free financial position, the stock has appreciation potential to estimated Net Present Value (NPV) of \$28 (see table Present Value on page 2). About 79% of NPV is concentrated on Top Line royalty properties free of operating cost. The remaining 21% of NPV contributes little to distribution currently because low natural gas price is close to operating cost on legacy natural gas properties (see table Operating and Financial Estimates on page 3). In addition, all the cash flow from the Mineral Net Profits Interest (NPI) properties is being applied to finance drilling of new shale oil wells in the Bakken of North Dakota and Permian of West Texas. As drilling may be slowing, we estimate that half of Minerals NPI cash flow will be distributed and the remaining half applied to drilling beginning in the first quarter next year. That would add some \$.05 a unit each quarter to cash distributions and raise cash yield to 6.3% for the next twelve months ending September 30, 2016. Should more intense drilling continue, that would be positive also as it would likely add to volume and long-term value. In any case, the timing looks good to us to make new commitments to DMLP and other oil and gas stocks. We think oil price has bottomed and that gains lie ahead.

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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	7	8.8	35.3	230	27%
Oil	19	8.4	23.5	450	52%
<u>Bottom Line - Net Profits Interests</u>					
North American Natural Gas	5	8.5	18.6	100	12%
Oil	8	3.8	9.5	80	9%
<u>Total Top and Bottom</u>					
North American Natural Gas	12	8.6	27.5	330	38%
Oil	27	6.7	19.6	530	62%
	39	7.8	22.1	860	100%
Debt (US\$mm)					-
Net Present Value (US\$mm)					860
Shares (mm)					31
Net Present Value - Standard Estimate (US\$/sh)					28
NPV Approximation by Cash Flow Multiple Depending on Reserve Life (US\$/sh)					30
Top Line Approximation at 2 times Cash Flow Multiple Depending on Reserve Life					



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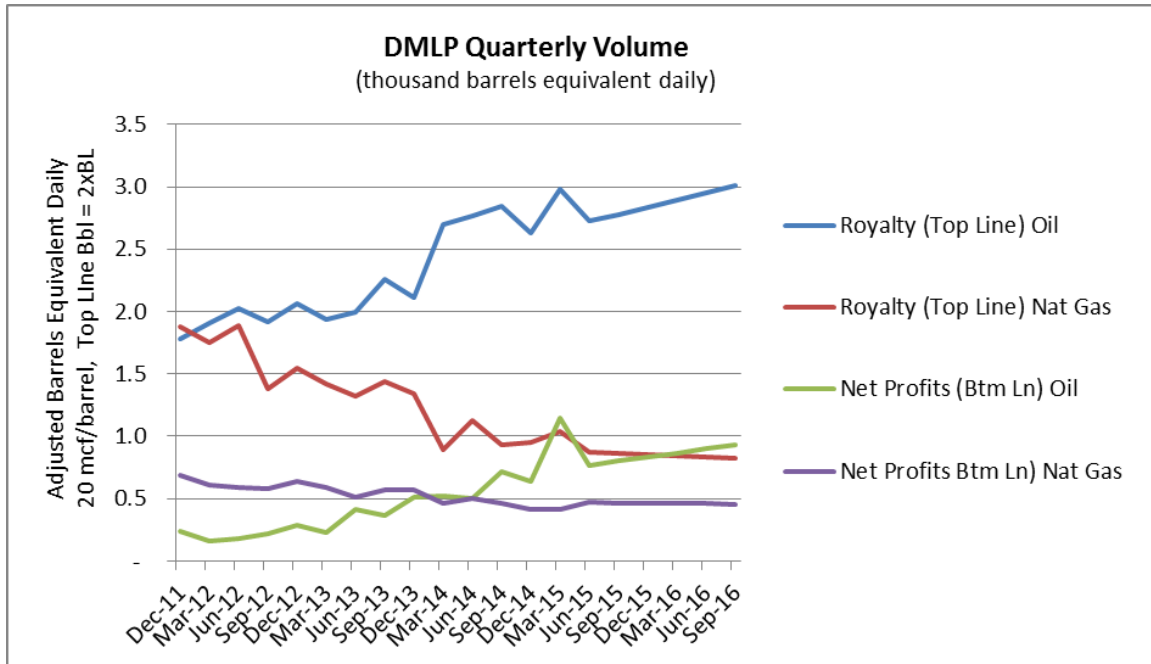
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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q4	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Next Twelve Months
	12/31/14	3/31/15	6/30/15	9/30/15	12/31/15	2015	3/31/16	6/30/16	9/30/16	9/30/16
Volume										
Nat Gas (mmcf) - Top Line	9.5	10.4	8.7	8.6	8.5	9.0	8.4	8.4	8.3	8.4
Nat Gas (mmcf) - Btm Line	8.4	8.3	9.4	9.3	9.3	9.1	9.2	9.2	9.1	9.2
Oil (mbd) - Top Line	1.32	1.49	1.36	1.39	1.42	1.41	1.45	1.47	1.50	1.46
Oil (mbd) - Bottom Line	0.64	1.14	0.77	0.80	0.83	0.89	0.87	0.90	0.94	0.88
Days	92	90	91	92	92	365	91	91	92	366
Total (bcfe)	2.7	3.1	2.8	2.9	2.9	11.6	2.9	2.9	2.9	11.6
Total (mmcf)	30	34	31	31	31	32	32	32	32	32
Price										
Henry Hub (\$/mmbtu)	4.02	2.99	2.66	2.76	2.76	2.79	3.00	2.85	2.92	2.88
Top Line (\$/mcf)	3.50	2.66	2.31	2.40	2.40	2.45	2.61	2.48	2.54	2.51
Bottom Line (\$/mcf)	6.24	2.63	2.56	2.66	2.66	2.63	2.89	2.75	2.81	2.78
WTI Cushing (\$/bbl)	73.18	48.62	57.94	46.61	46.64	49.95	48.44	49.81	50.68	48.89
Top Line (\$/bbl)	62.84	43.26	50.07	40.28	40.30	43.41	41.87	43.05	43.80	42.25
Bottom Line (\$/bbl)	63.93	41.74	53.65	43.16	43.19	44.99	44.86	46.13	46.93	45.28
Total (\$/mcf)	7.06	4.69	4.98	4.38	4.42	4.61	4.69	4.75	4.88	4.69
Revenue (\$mm)										
Natural Gas - Top Line	3.1	2.5	1.8	1.9	1.9	8.1	2.0	1.9	1.9	7.7
Oil - Top Line	7.6	5.8	6.2	5.2	5.3	22.4	5.5	5.8	6.1	22.6
Total - Top Line	10.7	8.3	8.0	7.1	7.1	30.5	7.5	7.7	8.0	30.3
Natural Gas - Bottom Line	4.8	2.0	2.2	2.3	2.3	8.7	2.4	2.3	2.4	9.4
Oil - Bottom Line	3.8	4.3	3.8	3.2	3.3	14.5	3.5	3.8	4.0	14.7
Total - Bottom Line	8.6	6.3	5.9	5.5	5.6	23.2	6.0	6.1	6.4	24.0
Total	19.2	14.5	14.0	12.5	12.7	53.8	13.5	13.7	14.4	54.3
Minerals NPI	5.0	4.3	4.8	4.3	4.4	17.8	4.6	4.7	4.9	18.7
Total Rev - Min NPI	14.2	10.2	9.2	8.2	8.4	36.0	8.8	9.0	9.5	35.7
Expense										
Operating, incl. Prod Tax	1.1	1.0	1.0	0.9	0.9	3.8	0.9	1.0	1.0	3.8
General and Administrative	2.1	1.3	1.1	1.0	1.0	4.4	1.0	1.0	1.0	4.0
General Partner	0.3	0.2	0.1	0.1	0.1	0.6	0.1	0.1	0.2	0.6
Minerals NPI	1.3	1.4	1.7	1.5	1.5	6.1	1.6	1.7	1.7	6.5
Total	4.9	3.9	4.0	3.5	3.6	14.9	3.7	3.8	3.9	14.9
Ebitda										
Top Line	8.7	6.9	6.7	5.9	6.0	25.5	6.3	6.5	6.8	25.6
Bottom Line (ex. Min NPI)	2.0	0.9	0.2	0.3	0.3	1.7	0.4	0.4	0.5	1.7
Minerals NPI	3.7	2.9	3.1	2.8	2.8	11.6	3.0	3.1	3.2	12.1
Total Ebitda	14.4	10.7	10.0	9.0	9.2	38.8	9.8	10.0	10.5	39.4
Deprec., Deplet., & Amort.	2.2	2.5	2.3	2.4	2.4	9.6	2.4	2.4	2.4	9.6
Lease Bonus and Other	0.2	1.3	0.9	0.9	0.9	4.0	0.9	0.9	0.9	3.5
Minerals NPI Capital Spend	3.7	2.9	3.1	2.8	2.8	11.6	1.5	1.5	1.6	7.5
Ebit	8.3	4.0	3.7	2.9	3.0	13.7	5.0	5.2	5.6	18.8
Ebt	8.3	4.0	3.7	2.9	3.0	13.7	5.0	5.2	5.6	18.8
Net Income (\$mm)	8.3	4.0	3.7	2.9	3.0	13.7	5.0	5.2	5.6	18.8
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 (\$)	0.27	0.13	0.12	0.10	0.10	0.45	0.16	0.17	0.18	0.61
Distribution - Cash Accounting (\$mm)										
Top Line Revenue	11.4	9.1	6.8	7.1	7.1	30.1	7.5	7.7	8.0	30.3
Bottom Line Net Revenue	5.3	2.5	0.4	1.0	1.0	4.9	2.0	2.0	2.0	7.0
Lease Bonus	0.6	0.1	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.1
Cash Expense	(2.4)	(2.3)	(2.1)	(2.1)	(2.1)	(8.5)	(2.1)	(2.1)	(2.1)	(8.3)
Minerals NPI	-	-	-	-	-	-	1.5	1.5	1.6	4.6
Distribution	14.9	9.4	5.1	6.0	6.1	26.6	7.4	7.6	7.9	29.0
Distribution Per Unit (\$)	0.49	0.31	0.17	0.20	0.20	0.87	0.24	0.25	0.26	0.95



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