



Independent Stock Idea

July 17, 2015, Intraday

Dorchester Minerals, L.P. (DMLP) Top Line Distribution Support

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 6/30/16 (US\$mm)</i>	48
<i>Rating</i>	Positive	<i>North American Natural Gas/Ebitda (%)</i>	28
<i>Price (US\$/sh)</i>	18.79	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	7/17/15	<i>Adjusted Reserves/Production NTM</i>	7.7
<i>Units (mm)</i>	30.68	<i>EV/Ebitda</i>	11.9
<i>Market Capitalization (US\$mm)</i>	576	<i>PV/Ebitda</i>	17.8
<i>Debt (US\$mm)</i>	0	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	576	<i>Natural Gas and Oil Ebitda (US\$/mcfe)</i>	3.91
<i>Present Value (PV) (US\$mm)</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>	77%
<i>Debt/Present Value</i>	0.00	<i>Earnings Next Twelve Months (US\$/un)</i>	0.78
<i>McDep Ratio - EV/PV</i>	0.67	<i>Price/Earnings Next Twelve Months</i>	24
<i>Distribution Yield (%/year)</i>	4.7	<i>Distribution Next Twelve Months (US\$/sh)</i>	0.89
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

At less than \$19, the lowest price since the Panic of 2008, the common units of **Dorchester Minerals (DMLP)** are attractive for investment at less than Net Present Value (NPV) of \$28 and at a cash distribution yield near 5% for the next year. Estimated NPV takes account of our lower long-term oil price of \$70 a barrel and natural gas price of \$4.50 a million btu. Estimated distribution for the next twelve months takes account of the actual amount for the second quarter, declared July 16, and recent futures quotes for oil and gas. NPV recognizes a premium for the partnership's Top Line properties where investment and operating costs are borne by others and reserves are understated (see table Present Value on page 2). Actual production and year-end reserves exceeded estimates from ten years ago by about 140% for both oil and natural gas (see charts Production Exceeds Reserves on page 3). Meanwhile, the latest distribution of \$0.17 a unit was below our most recently published estimate of \$0.21 (see Industry Idea, May 28, 2015). Estimated future distributions are supported primarily by Top Line revenue that is more predictable compared to Bottom Line net revenue and lease bonus that can be important though not predictable in timing (see table Operating and Financial Estimates on page 3). Finally, while we don't like seeing our oil and gas stocks go down, we remind ourselves that some of the best buy opportunities occur when we are most nervous about the outcome.

Kurt H. Wulff, CFA



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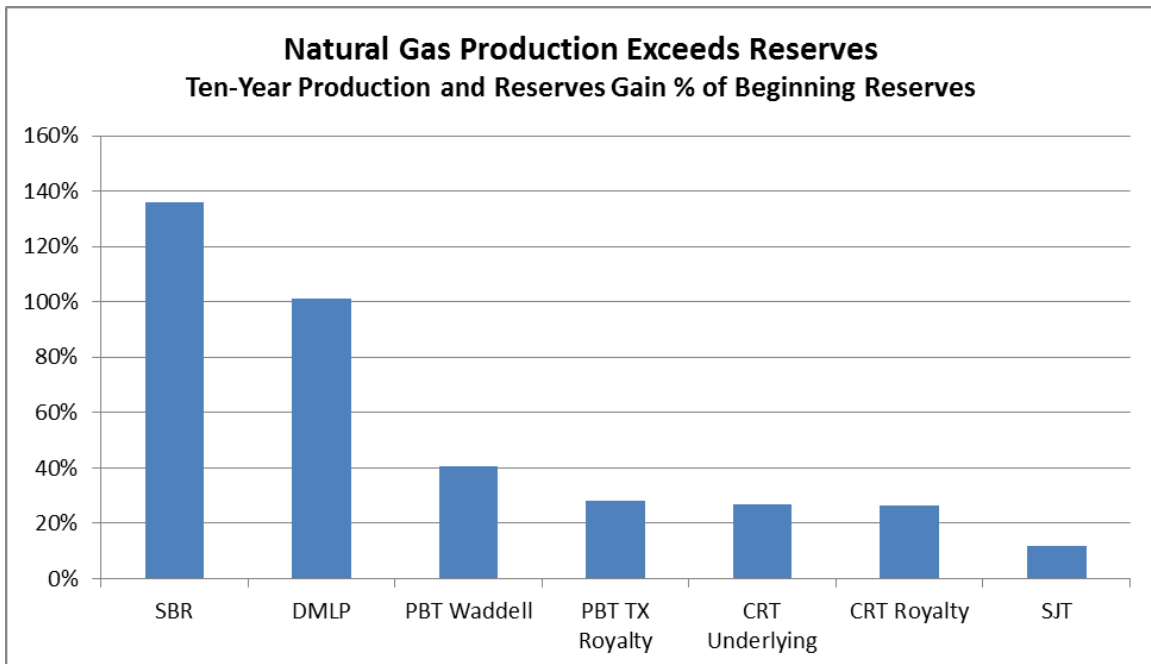
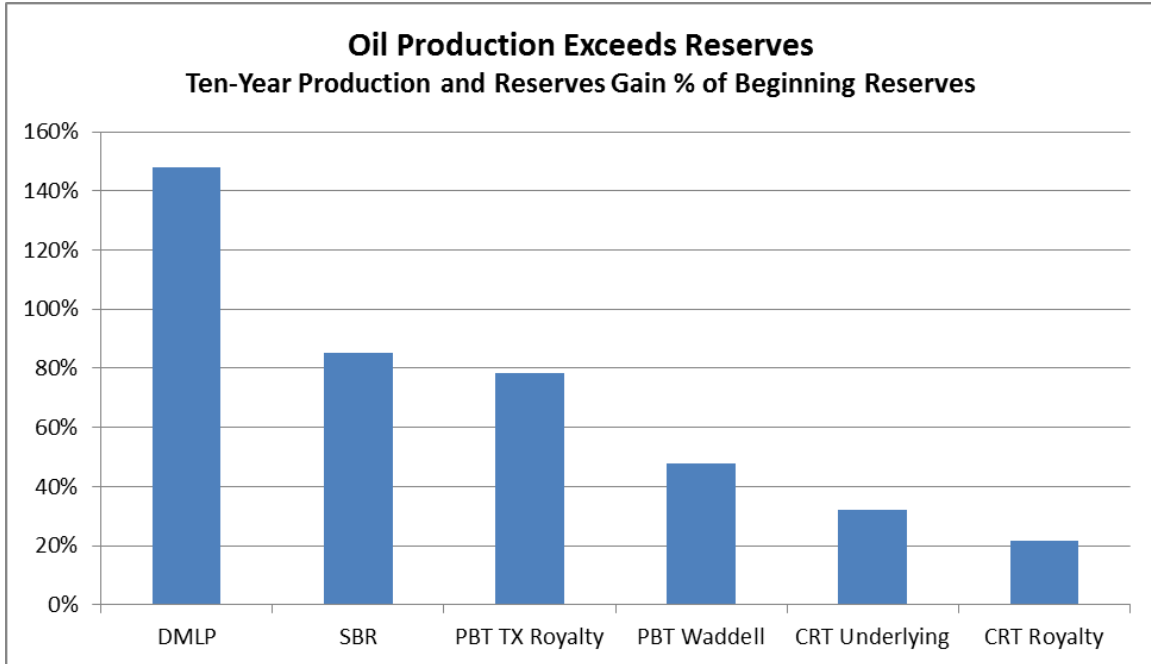
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Dorchester Minerals, L.P.					
Functional Cash Flow and Present Value					
				<i>Present</i>	
	<i>NTM Ebitda</i>	<i>Adjusted</i>	<i>PV/</i>	<i>Value</i>	
	<i>(US\$mm)</i>	<i>R/P</i>	<i>Ebitda</i>	<i>(US\$mm)</i>	
<u>Top Line - Royalty Interests</u>					
North American Natural Gas	8	7.3	29.5	240	28%
Oil	23	8.8	18.9	440	51%
<u>Bottom Line - Net Profits Interests</u>					
North American Natural Gas	5	8.7	14.8	80	9%
Oil	12	4.5	8.7	100	12%
<u>Total Top and Bottom</u>					
North American Natural Gas	14	8.0	22.9	320	37%
Oil	34	7.3	15.9	540	63%
	48	7.7	17.9	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)					32
Top Line Approximation at 2 times Cash Flow Multiple Depending on Reserve Life					



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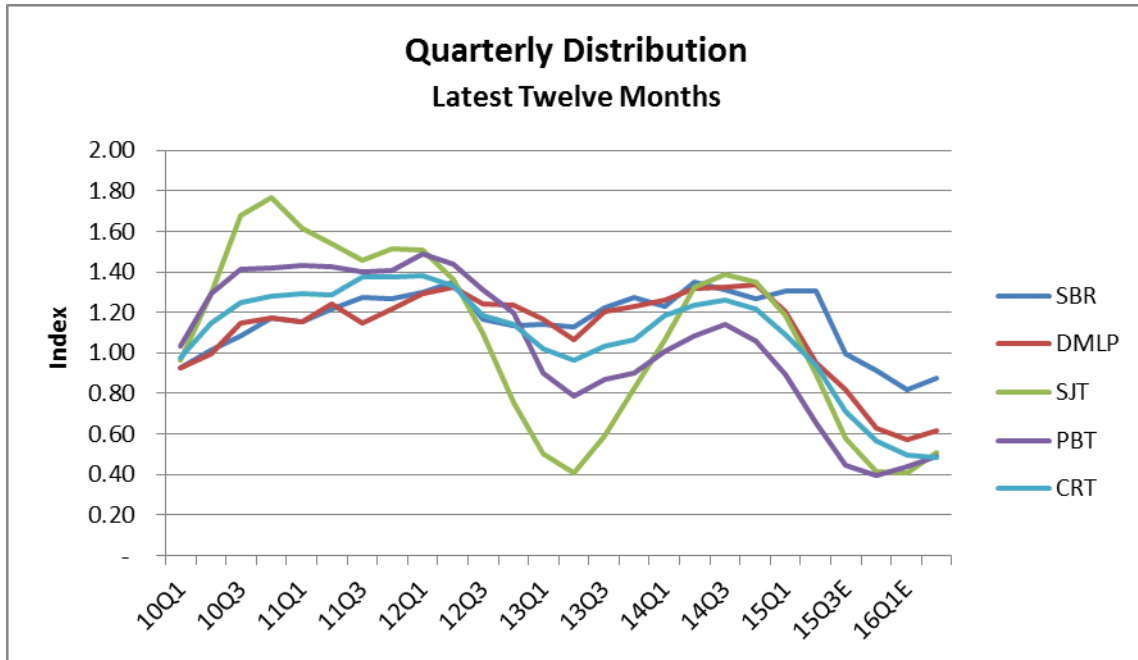
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Dorchester Minerals, L.P.										
Operating and Financial Performance										
	Q2	Year	Q1	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Next Twelve Months
	6/30/14	2014	3/31/15	6/30/15	9/30/15	12/31/15	2015	3/31/16	6/30/16	6/30/16
Volume										
Nat Gas (mmcf) - Top Line	11.3	9.7	10.4	10.0	9.9	9.8	10.0	9.7	9.6	9.8
Nat Gas (mmcf) - Btm Line	10.1	9.2	8.3	8.8	8.8	8.7	8.6	8.7	8.6	8.7
Oil (mbd) - Top Line	1.38	1.37	1.49	1.45	1.48	1.51	1.48	1.54	1.57	1.52
Oil (mbd) - Bottom Line	0.51	0.60	1.14	0.94	0.98	1.02	1.02	1.06	1.10	1.04
Days	91	367	90	91	92	92	365	91	91	366
Total (bcfe)	3.0	11.2	3.1	3.0	3.1	3.1	12.3	3.1	3.1	12.4
Total (mmcf)	33	31	34	33	33	34	34	34	34	34
Price										
Henry Hub (\$/mmbtu)	4.67	4.43	2.99	2.66	2.77	2.95	2.84	3.21	3.06	3.00
Top Line (\$/mcf)	4.58	4.18	2.66	2.37	2.47	2.62	2.53	2.86	2.72	2.67
Bottom Line (\$/mcf)	4.47	5.02	2.63	2.34	2.44	2.60	2.50	2.83	2.69	2.64
WTI Cushing (\$/bbl)	102.98	93.04	48.62	57.94	52.90	54.14	53.40	55.59	56.68	54.83
Top Line (\$/bbl)	86.17	78.64	43.26	51.55	47.07	48.17	47.50	49.46	50.43	48.79
Bottom Line (\$/bbl)	84.77	80.83	41.74	49.74	45.42	46.48	45.66	47.73	48.66	47.07
Total (\$/mcf)	7.92	7.94	4.69	5.00	4.79	5.00	4.87	5.27	5.31	5.09
Revenue (\$mm)										
Natural Gas - Top Line	4.7	15.0	2.5	2.2	2.2	2.4	9.2	2.5	2.4	9.5
Oil - Top Line	10.9	39.5	5.8	6.8	6.4	6.7	25.7	6.9	7.2	27.2
Total - Top Line	15.6	54.4	8.3	9.0	8.7	9.1	34.9	9.5	9.6	36.7
Natural Gas - Bottom Line	4.1	17.0	2.0	1.9	2.0	2.1	7.9	2.2	2.1	8.4
Oil - Bottom Line	3.9	17.7	4.3	4.3	4.1	4.3	17.0	4.6	4.9	17.9
Total - Bottom Line	8.0	34.7	6.3	6.1	6.1	6.4	24.9	6.8	7.0	26.3
Total	23.6	89.1	14.5	15.1	14.7	15.5	59.8	16.3	16.6	63.0
Expense										
Minerals NPI (estimated)	1.1	5.0	1.4	1.4	1.4	1.4	5.6	1.4	1.4	5.6
Operating, incl. Prod Tax	1.5	5.5	1.0	1.1	1.0	1.1	4.2	1.1	1.2	4.4
General and Administrative	1.1	5.1	1.3	1.0	1.0	1.0	4.3	1.0	1.0	4.0
General Partner	0.5	1.6	0.2	0.2	0.2	0.2	0.6	0.2	0.2	0.7
Total	4.2	17.2	3.9	3.6	3.6	3.6	14.7	3.7	3.7	14.7
Ebitda										
Top Line	13.5	47.0	6.9	7.6	7.4	7.7	29.6	8.1	8.2	31.4
Bottom Line	5.9	24.9	3.8	3.8	3.8	4.1	15.5	4.5	4.6	16.9
Total Ebitda	19.4	71.9	10.7	11.5	11.1	11.8	45.1	12.6	12.8	48.3
Deprec., Deplet., & Amort.	2.8	10.1	2.5	3.6	3.7	3.7	13.5	3.7	3.7	14.9
Minerals NPI Capital (est)	5.1	21.8	4.4	4.4	2.8	3.1	14.7	3.5	3.6	12.9
Lease Bonus and Other	(0.4)	(3.5)	(0.2)	(0.2)	(0.2)	(1.0)	(1.6)	(1.0)	(1.0)	(3.2)
Ebit	12.0	43.6	4.0	3.6	4.9	6.0	18.5	6.4	6.5	23.8
Ebt	12.0	43.6	4.0	3.6	4.9	6.0	18.5	6.4	6.5	23.8
Net Income (\$mm)	12.0	43.6	4.0	3.6	4.9	6.0	18.5	6.4	6.5	23.8
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 (\$)	0.39	1.42	0.13	0.12	0.16	0.20	0.60	0.21	0.21	0.78
Ebitda Margin - Top Line	87%	86%	83%	85%	85%	85%	85%	86%	86%	86%
Ebitda Margin - Bottom Line	73%	72%	61%	62%	62%	64%	62%	65%	66%	64%
Distribution - Cash Accounting (\$mm)										
Top Line Revenue	14.4	52.5	9.1	6.8	7.4	7.1	30.4	7.4	7.8	29.7
Bottom Line Net Revenue	2.4	13.1	2.5	0.4	1.0	1.0	4.9	1.0	1.0	4.0
Lease Bonus	0.5	2.7	0.1	0.0	(0.5)	(0.5)	(0.9)	(0.5)	(0.5)	(2.0)
Cash Expense	(2.2)	(9.4)	(2.3)	(2.1)	(2.1)	(2.1)	(8.5)	(2.1)	(2.1)	(8.3)
Distribution	15.1	58.9	9.4	5.1	6.8	6.5	27.8	6.9	7.2	27.3
Distribution Per Unit (\$)	0.49	1.92	0.31	0.17	0.22	0.21	0.91	0.22	0.23	0.89



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