



Independent Stock Idea

April 19, 2018

Dorchester Minerals, L.P. (DMLP) 11% Distribution Yield Reinforced

<i>Symbol</i>	DMLP	<i>Ebitda Next Twelve Months ending 3/31/19 (US\$m)</i>	66
<i>Rating</i>		<i>Natural Gas/Ebitda (%)</i>	47
<i>Price (US\$/sh)</i>	18.20	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	4/19/18	<i>Developed Reserves/Production NTM</i>	6.4
<i>Units (mm)</i>	32.30	<i>EV/Ebitda</i>	8.9
<i>Market Capitalization (US\$m)</i>	588	<i>PV/Ebitda</i>	11.7
<i>Debt (US\$m)</i>	0	<i>Undeveloped/Developed Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$m)</i>	588	<i>Natural Gas and Oil Ebitda (US\$/mcf)</i>	4.37
<i>Present Value (PV) (US\$m)</i>	775	<i>Downstream Uplift (US\$/boe)</i>	0
<i>Net Present Value (US\$/unit)</i>	24	<i>Oil and Gas Ebitda Margin (%)</i>	71
<i>EV/Market Cap</i>	1.00	<i>Top Line/Ebitda (%)</i>	83
<i>McDep Ratio - EV/PV</i>	0.76	<i>Price/Earnings Next Twelve Months</i>	11
<i>Distribution Yield (%/year)</i>	10.8	<i>Distribution Next Twelve Months (US\$/sh)</i>	1.96
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, \$4.00 a million btu.			
For historical analysis of DMLP since 2000 see www.mcdep.com/4dhulz.htm			

Summary and Recommendation

Estimated distribution yield remains high for low McDep Ratio **Dorchester Minerals (DMLP)** despite rising stock price and a first quarter distribution declared today a few cents less than our estimate. Reflecting cash accounting, the latest distribution is \$0.42 a unit compared to our estimate of \$0.46. More detailed accrual accounting results will not be disclosed until Form 10-Q is filed with the regulators in early May. At the same time, the latest press release included the remark that \$4 million (\$0.12 a unit) of cash received from the sale of leases would be added to the June distribution. Pending more disclosure on operating trends, our estimate of next twelve months, or year ahead, distribution remains unchanged from earlier except for weekly adjustments for latest oil futures prices that have been rising (see table Operating and Financial Performance on page 2). McDep Income Payers offer direct participation in commodity price because cash distributions rise and fall with oil and gas price subject to a few months lag (see charts Price and Distribution on page 3). We think DMLP is undervalued at a stock price of \$18 compared to estimated Net Present Value of \$24 a unit calculated for a long-term oil price of \$70 a barrel.

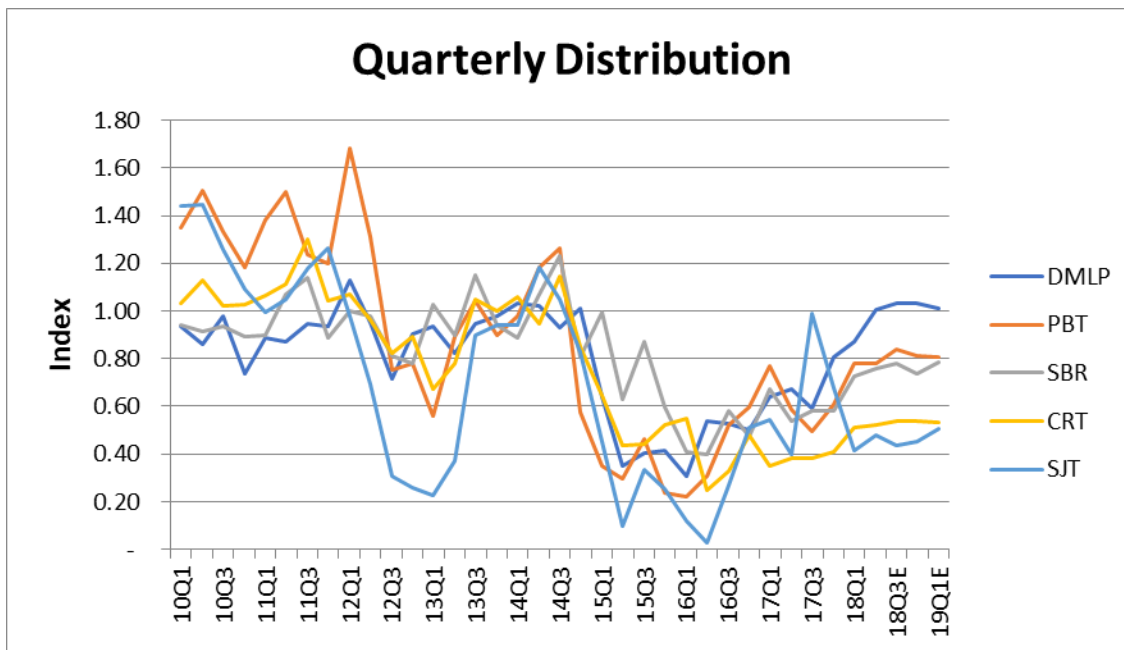
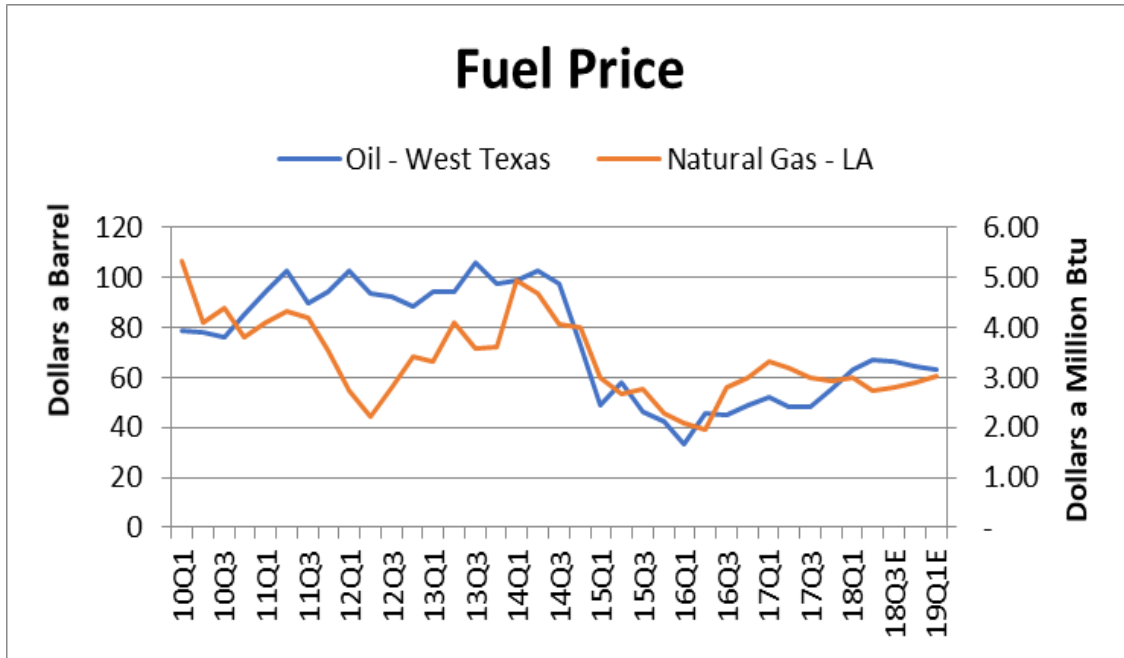
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Dorchester Minerals, L.P.											
Operating and Financial Performance											
	Year	Q1	Q4	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Next Twelve Months
	2016	3/31/17	12/13/17	2017	3/31/18	6/30/18	9/30/18	12/31/18	2018	3/31/19	3/31/19
TOP LINE											
Volume											
Natural Gas (mmcf)	8.9	9.5	11.7	10.3	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Oil (mbd)	1.69	1.94	2.34	2.15	2.38	2.43	2.48	2.53	2.46	2.58	2.51
Price											
Henry Hub (\$/mmbtu)	2.46	3.32	2.93	3.11	3.01	2.73	2.81	2.90	2.86	3.02	2.87
WTI Cushing (\$/bbl)	43.31	51.92	55.40	50.94	62.88	66.92	66.43	64.68	65.23	63.00	65.26
Natural Gas (\$/mcf)	2.05	3.31	2.56	2.83	2.63	2.39	2.46	2.54	2.50	2.64	2.51
Oil (\$/bbl)	37.18	44.44	50.06	45.27	56.60	60.23	59.79	58.21	58.57	56.70	58.73
Revenue (\$mm)											
Natural Gas	6.7	2.8	2.7	10.6	2.8	2.5	2.6	2.7	10.7	2.8	10.7
Oil	23.1	7.8	10.8	35.5	12.1	13.3	13.6	13.5	52.7	13.2	53.7
Total Revenue	29.8	10.6	13.5	46.1	14.9	15.9	16.3	16.3	63.3	16.0	64.4
Expense (allocated)	5.3	2.0	2.3	8.5	2.3	2.4	2.4	2.4	9.6	2.4	9.7
Ebitda	24.4	8.6	11.2	37.6	12.6	13.5	13.9	13.8	53.8	13.5	54.7
BOTTOM LINE											
Volume											
Natural Gas (mmcf)	7.7	6.4	10.3	7.5	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Oil (mbd)	1.04	0.74	1.62	0.96	1.10	1.12	1.14	1.17	1.13	1.19	1.16
Price											
Natural Gas (\$/mcf)	2.08	2.71	2.57	2.60	2.35	2.13	2.20	2.27	2.23	2.36	2.24
Oil (\$/bbl)	34.64	40.55	50.64	44.71	50.31	53.54	53.15	51.74	52.06	50.40	52.21
Revenue (\$mm)											
Natural Gas	5.8	1.6	2.4	7.2	1.6	1.5	1.6	1.6	6.3	1.6	6.3
Oil	13.2	2.7	7.5	15.6	5.0	5.5	5.6	5.6	21.6	5.4	22.0
Total Revenue	19.0	4.3	10.0	22.8	6.6	7.0	7.2	7.2	27.9	7.0	28.3
Expense (allocated)											
Partnership	3.5	0.8	0.6	2.4	0.7	0.7	0.7	0.7	2.7	0.7	2.7
Net Profits Interests	9.5	2.1	5.0	11.4	3.3	3.5	3.6	3.6	13.9	3.5	14.2
Total Expense	12.9	2.9	5.6	13.8	4.0	4.2	4.3	4.3	16.7	4.2	16.9
Ebitda	6.1	1.3	4.4	9.0	2.6	2.8	2.9	2.9	11.2	2.8	11.4
Development (estimated)	4.8	0.5	1.5	3.2	1.0	1.0	1.1	1.1	4.2	1.1	4.2
NET INCOME											
Top Line	24.4	8.6	11.2	37.6	12.6	13.5	13.9	13.8	53.8	13.5	54.7
Bottom Line	1.4	0.9	2.9	5.7	1.6	1.8	1.8	1.8	7.0	1.8	7.2
Lease Bonus and residual	(3.0)	(0.5)	(2.6)	(3.2)					-		-
Deprec., Deplet., & Amort.	8.5	1.8	2.9	9.3	2.5	2.5	2.6	2.6	10.2	2.6	10.3
Total Net Income	20.2	8.3	13.9	37.2	11.7	12.7	13.1	13.0	50.6	12.7	51.6
Units (mm)	30.7	30.7	32.3	31.6	32.3	32.3	32.3	32.3	32.3	32.3	32.3
Net Income Per Unit (\$)	0.66	0.27	0.43	1.18	0.36	0.39	0.41	0.40	1.57	0.39	1.60
DISTRIBUTION											
Top Line Revenue	26.2	10.2	11.6	41.8	11.9	15.2	15.6	15.6	58.4	15.3	61.8
Bottom Line Net Revenue	5.6	0.8	2.3	5.0	3.8	2.4	2.5	2.5	11.2	2.5	9.9
Lease Bonus and Other	2.8	0.2	0.6	2.8	-	0.1	0.1	0.1	0.3	0.1	0.4
Cash Expense	(7.1)	(1.8)	(2.0)	(8.1)	(2.2)	(2.2)	(2.2)	(2.2)	(8.8)	(2.2)	(8.8)
Distribution	27.5	9.4	12.5	41.5	13.5	15.6	16.0	16.0	61.1	15.7	63.3
Distribution Per Unit (\$)	0.90	0.31	0.39	1.30	0.42	0.48	0.50	0.50	1.89	0.49	1.96
TIMING DIFFERENCE (\$/unit)											
Dist - Net Inc - DDA	(0.04)	(0.02)	(0.13)	(0.17)	(0.02)	0.01	0.01	0.01	0.01	0.01	0.04





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