



Dorchester Minerals

NASDAQ: DMLP

Dorchester Minerals, LP Annual Meeting

May 16, 2012



Forward-Looking Statements

Portions of this document may constitute "forward-looking statements" as defined by federal law. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. Examples of such uncertainties and risk factors include, but are not limited to, changes in the price or demand for oil and natural gas, changes in the operations on or development of the Partnership's properties, changes in economic and industry conditions and changes in regulatory requirements (including changes in environmental requirements) and the Partnership's consolidated financial position, business strategy and other plans and objectives for future operations. These and other factors are set forth in the Partnership's filings with the Securities and Exchange Commission.



Presentation Outline

- Overview of 2011
 - Distributions and Financial Results
 - Production
 - Reserves
- Royalty Overview
- Net Profits Interest Overview
 - Minerals NPI
- Property Highlights
 - Barnett Shale
 - Hugoton Operations
 - Fayetteville Shale
 - Bakken/Three Forks
 - Permian Basin
- Developing Plays



Dorchester Minerals

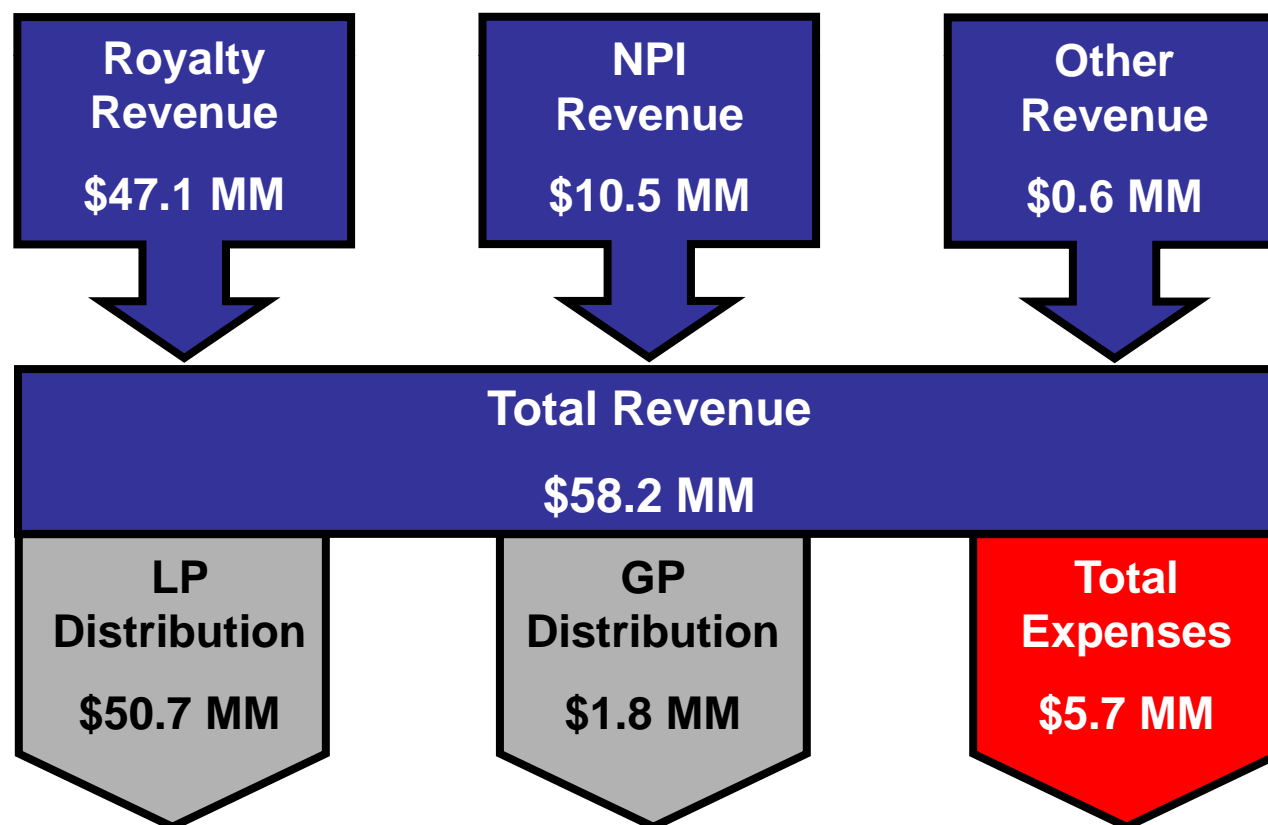
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Overview of 2011 Results



2011 Distributions

- Cash Distributions Paid in Calendar 2011
 - Reflects Q4 2010 to Q3 2011 activity



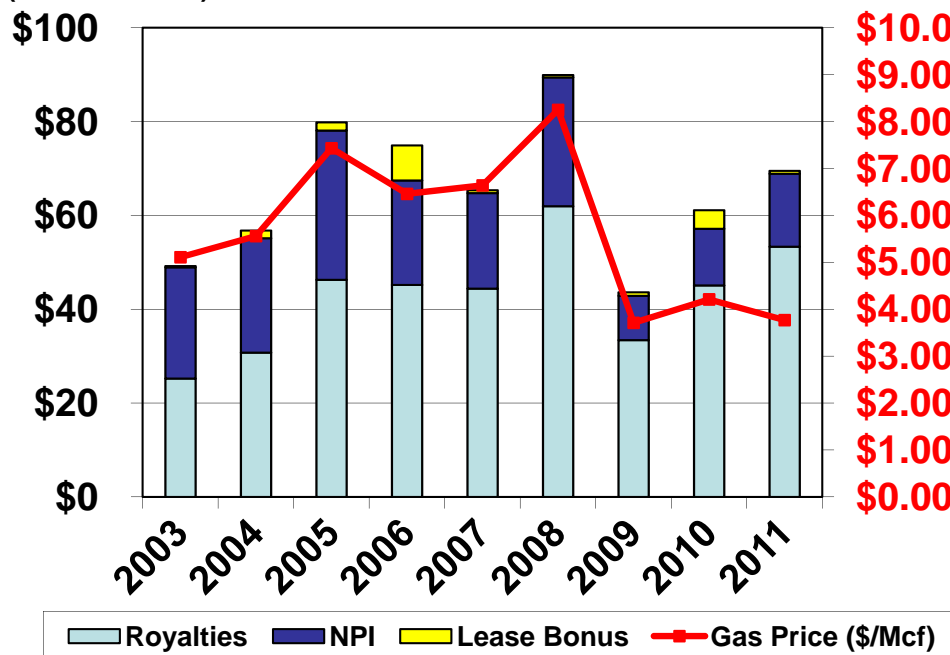


2011 Financial Results

- Revenue – Price – Distributions
 - Royalty properties contributed 78% to total operating revenues
 - Gross Revenue → 51% gas & plant product sales, 48% oil sales, 1% other revenue
 - NPI and lease bonuses have become a smaller portion of total revenues

Operating Revenue (\$MM)

(Accrual Basis)

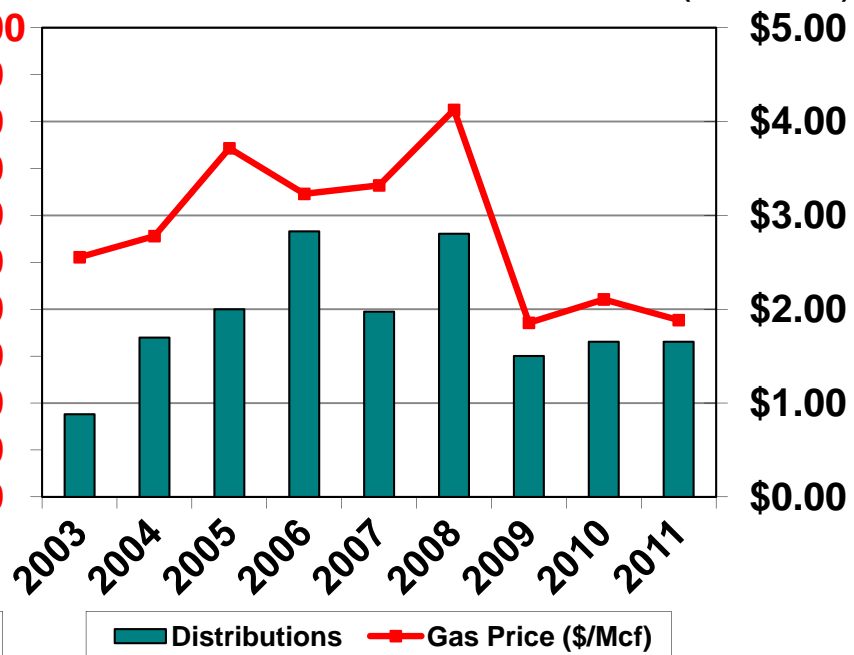


Gas Price (\$/Mcf)

\$10.00
\$9.00
\$8.00
\$7.00
\$6.00
\$5.00
\$4.00
\$3.00
\$2.00
\$1.00
\$0.00

Distributions (\$/unit)

(Cash Basis)



Note: Operating Revenue does not reflect production costs or other expenses incorporated in calculating the net profits interest payments

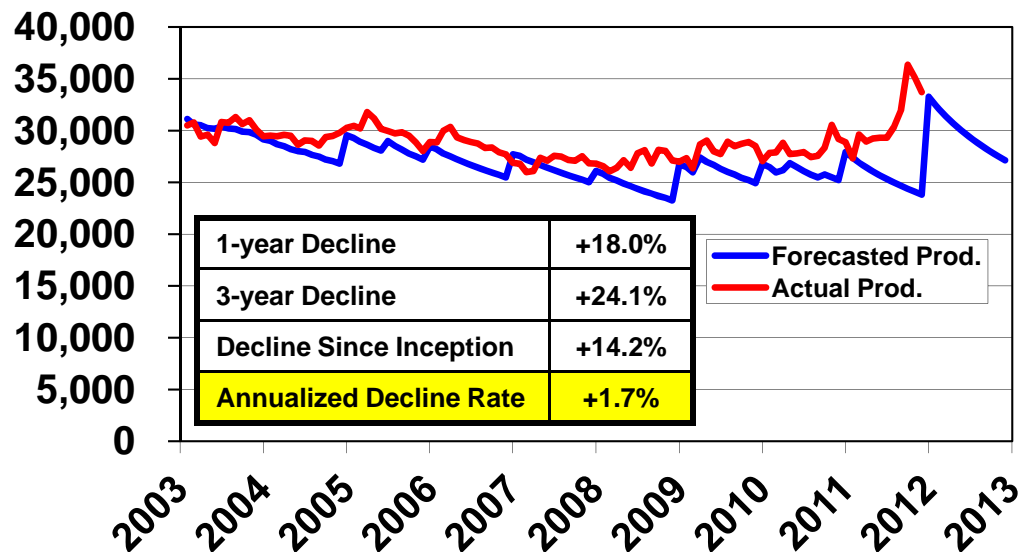


2011 Production Overview

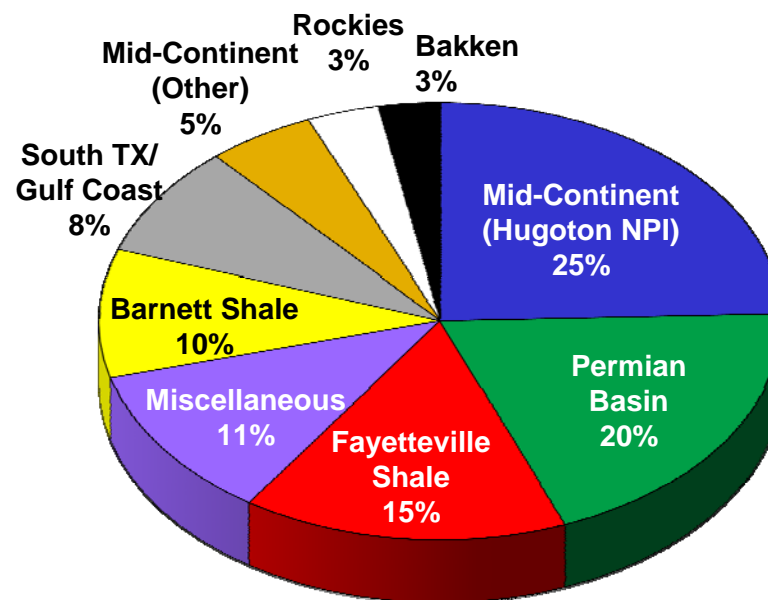
- Total Production of 12.7 Bcfe
 - 82% of total production was gas and plant products, 18% oil and condensate
 - High quality properties + Diverse portfolio → Low decline rate
 - Year-over-year production rate increased 18% → Inclusion of Minerals NPI

Production Profile

Daily Production (MMcfepd)



Geographic Breakdown



Note: Total production on wellhead basis, daily production on sales basis, gas-oil equivalency of 6:1 ratio used throughout this presentation

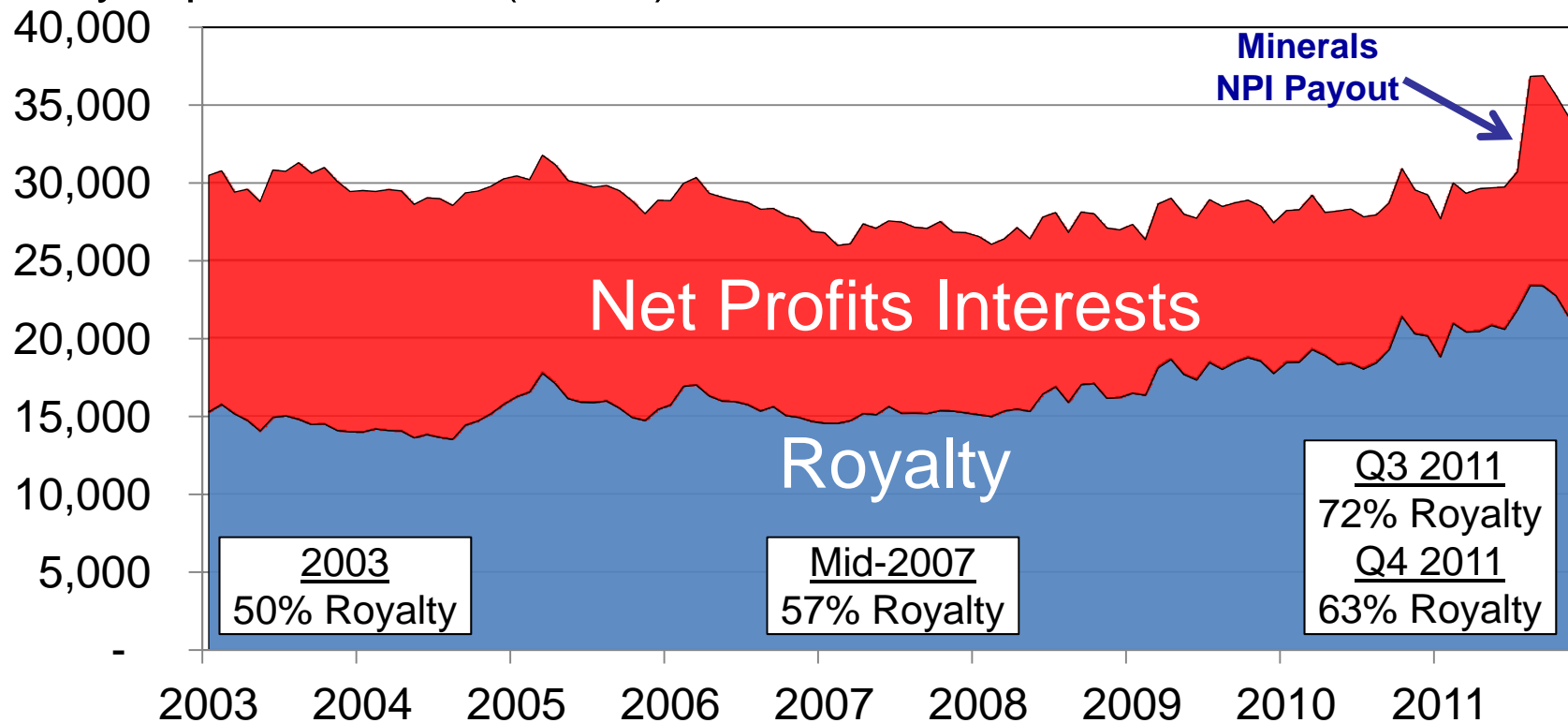


2011 Production Overview

- Historical Production Profile

- Portfolio has shifted toward royalties over time, but net profits interests have a new source of production growth after inclusion of the Minerals NPI

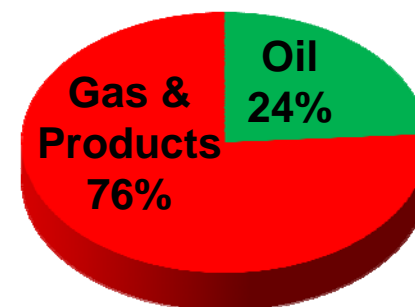
Daily Equivalent Rate (Mcfed)



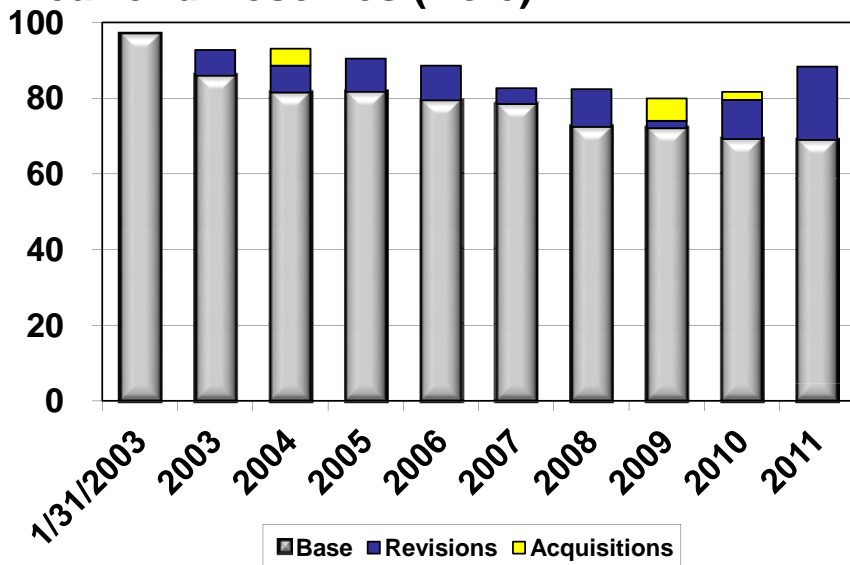


2011 Reserves Overview

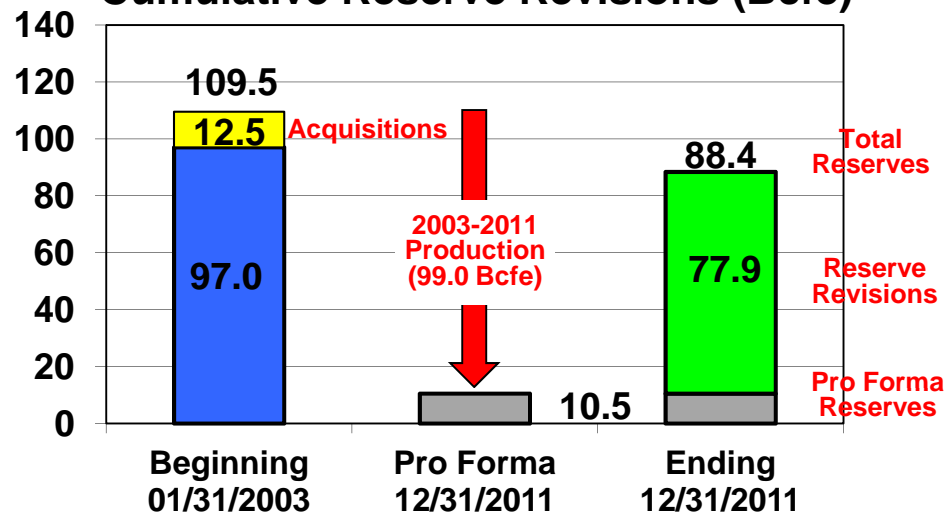
- Total Proved Reserves of 88.4 Bcfe on 12/31/11
 - All reserves are Proved Developed Producing
 - Demonstrated history of positive revisions
 - Revisions accounted for 88% of total reserves at year-end
 - Driven by new plays, field extensions, infill drilling, new technology, etc.
 - Fayetteville Shale (RI & WI) represent 13% of reserves



Year-end Reserves (Bcfe)



Cumulative Reserve Revisions (Bcfe)



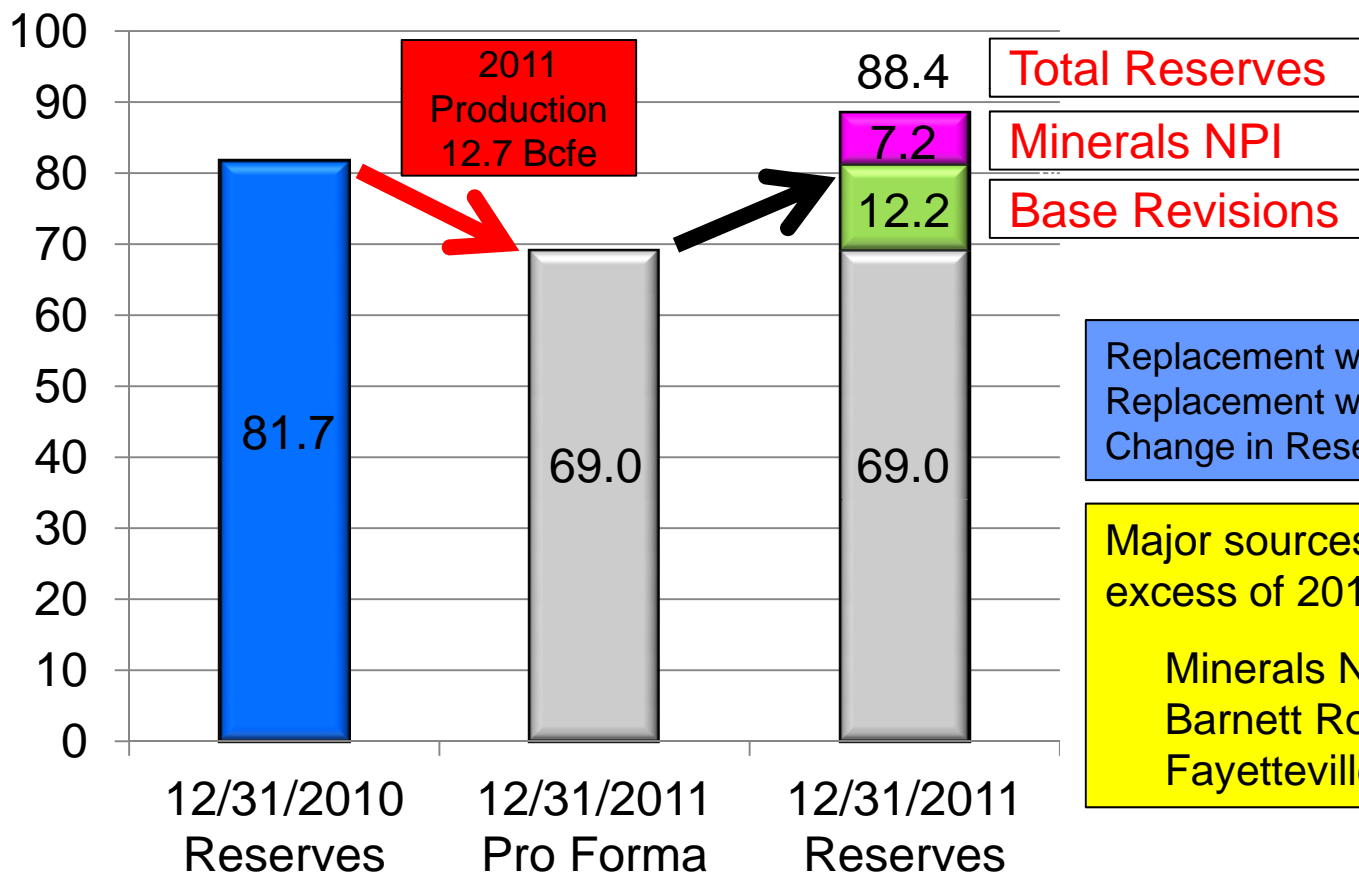
Note: 12.5 Bcfe of acquired reserves at time transactions closed. 9



2011 Reserves Overview

- 12/31/2011 Revisions to Reported PDP Reserves

Equivalent Reserves (Bcfe)



Replacement w/o Minerals NPI	96%
Replacement w/ Minerals NPI	153%
Change in Reserves (2010-2011)	+8.2%

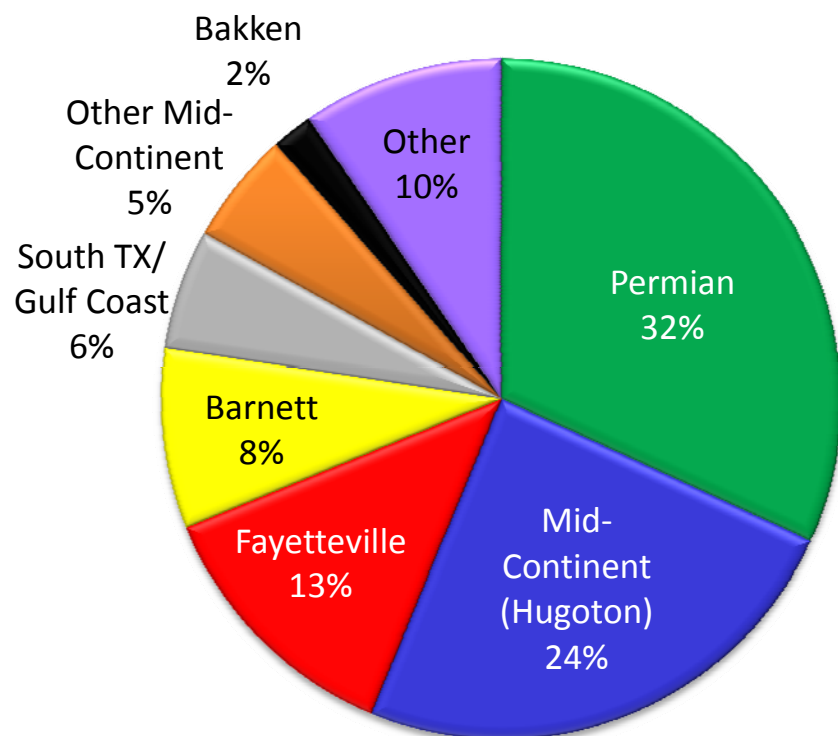
Major sources of upward revisions in excess of 2011 production:	
Minerals NPI	+7.2 Bcfe
Barnett Royalty	+3.4 Bcfe
Fayetteville Royalty	+3.0 Bcfe



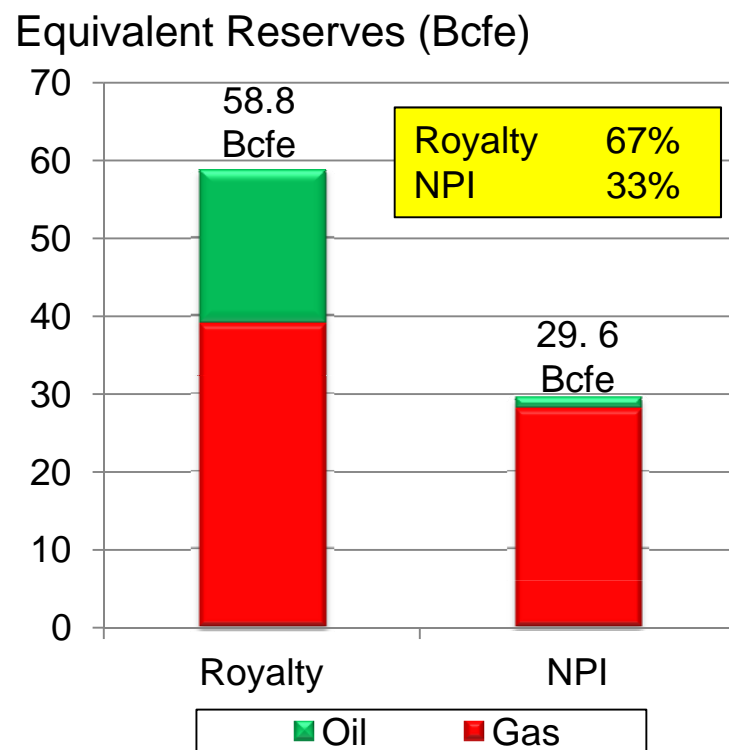
2011 Reserves Overview

- Composition of DMLP reserves

Geographic Breakdown



Royalty-NPI Split



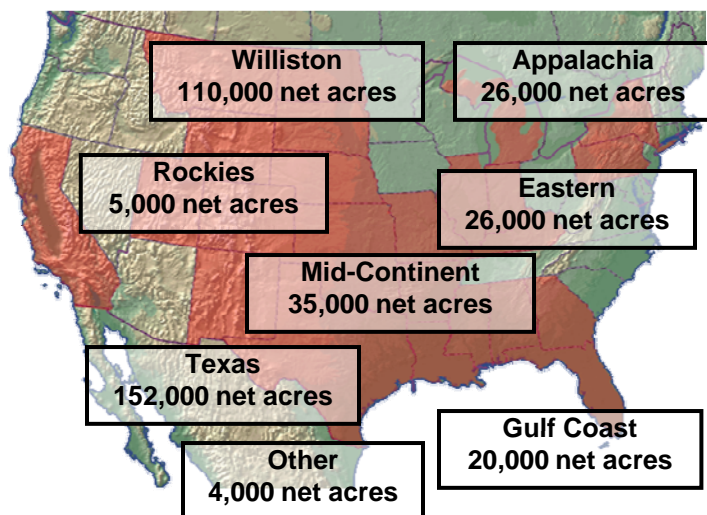


Royalty Overview



Royalty Overview

- Diverse Portfolio – 574 counties in 25 states
 - 378,000 net mineral acres (2,308,000 gross acres)
 - Varying NPRI's, ORRI's and leasehold interests in 862,000 gross acres
 - Majority of acreage is undeveloped
 - Wide geographic spread including most major producing basins
 - Assets range from mature legacy production to areas with exploratory potential



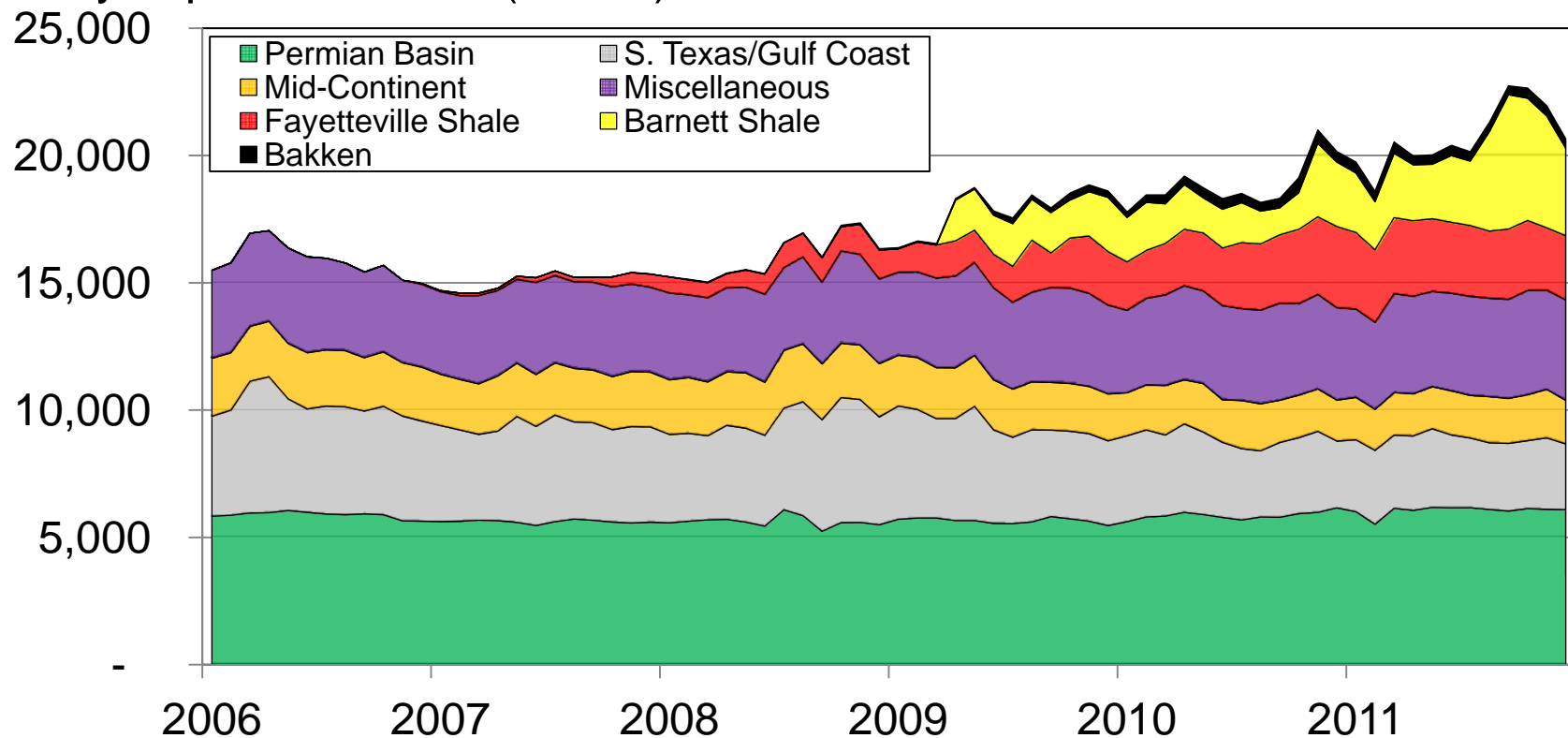
Basin/Area	Legacy Production	Ongoing Development	Expansion Potential
West Texas Southeast NM	Denver Unit Wasson	Wolfberry Bone Springs	Delaware Basin West TX Overthrust
Gulf Coast South Texas	Jeffress McAllen Ranch		Horizontal Wilcox
Mid-Continent	Hugoton	Fayetteville	Horizontal Granite Wash
Williston Basin	Nesson Anticline	Bakken Red River	Three Forks Sanish
Appalachia			Marcellus/Utica Upper Devonian



Royalty Overview

- Diverse Sources of Production
 - New plays are replacing declines in legacy assets
 - Opportunities for production growth in mature basins

Daily Equivalent Rate (Mcfed)



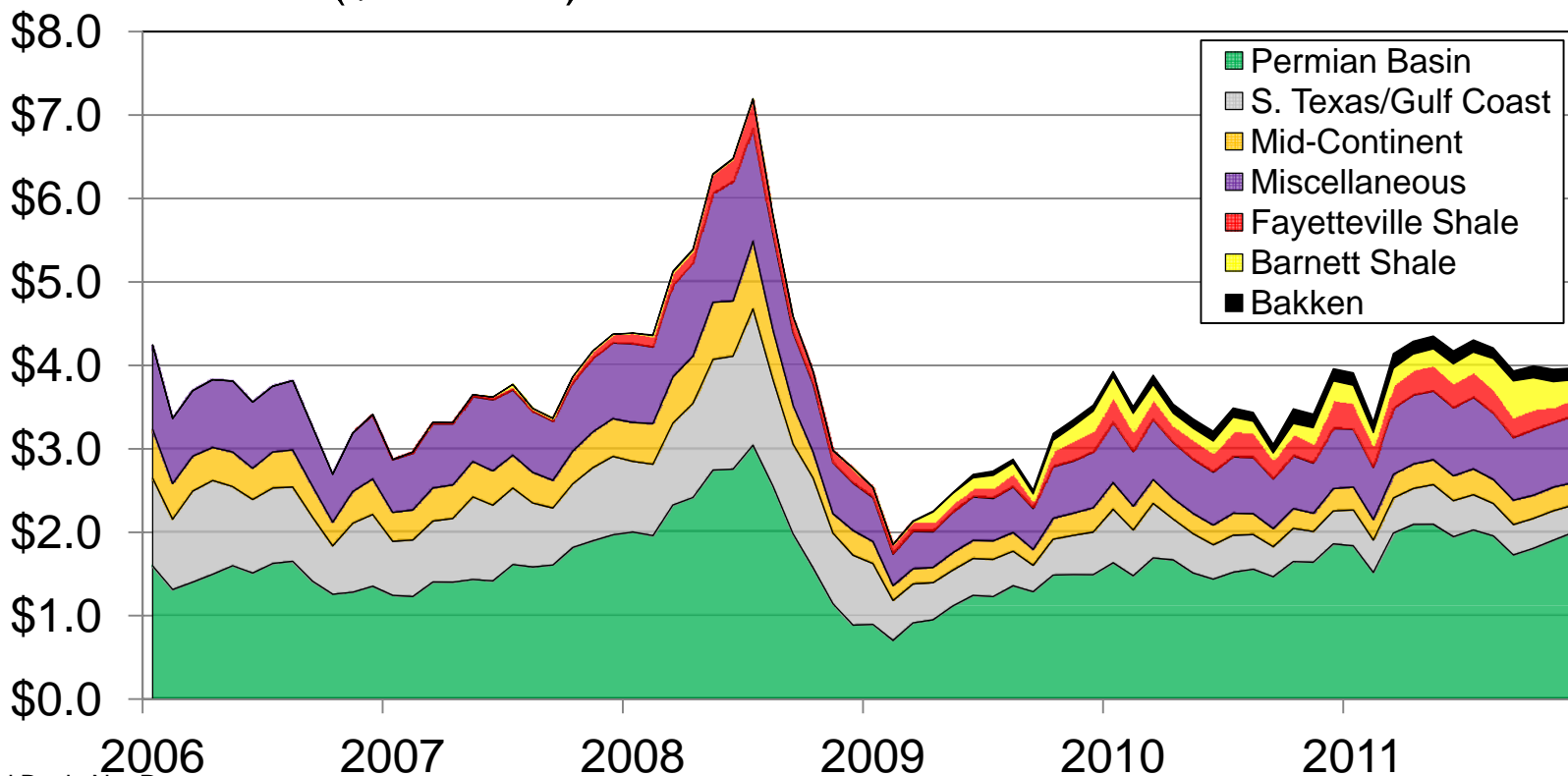


Royalty Overview

- Revenue by Geographic Area

- Permian Basin revenue share: 32% in March 2009 → 50% in December 2011
- South Texas/Gulf Coast share: 30% in March 2009 → 8% in December 2011

Net Revenue (\$ millions)



Note: Journal Basis Net Revenue



Royalty Overview

- Leasing and Development Activity
 - Consummated 42 leases/elections on 1,127 net acres in 26 counties/ parishes in seven states
 - Lease bonus payments up to \$2,500/acre
 - Initial royalty terms up to 26%
 - Identified 356 new wells on royalty properties in nine states
 - Fayetteville Shale activity decreased in 2011
 - The price disparity between oil and gas has redistributed activity
 - Low gas prices → significant reduction of activity on legacy gas assets
 - High oil prices → increased infill drilling and redevelopment on legacy oil assets
 - 85 active lease offers as of May 2012



Net Profits Interests Overview



Net Profits Interests Overview

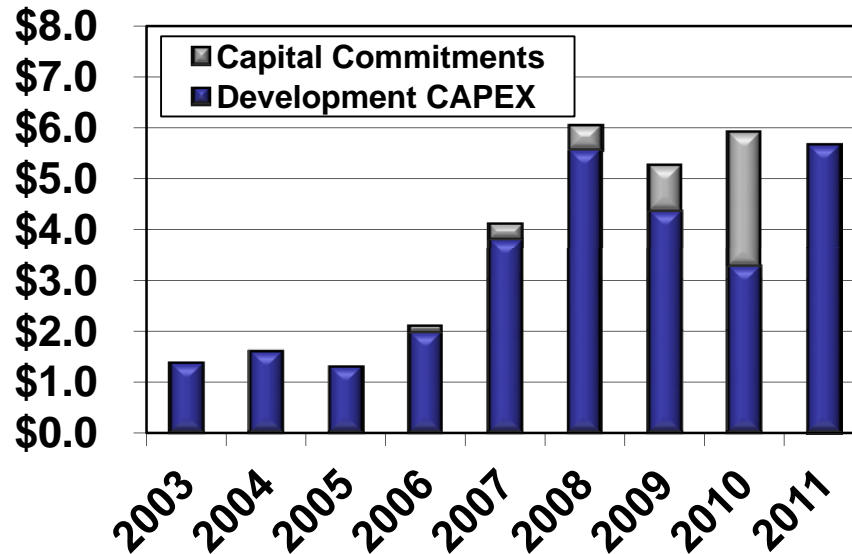
- NPI Provides LP Exposure to Working Interest Potential Without Generating UBTI
 - Four NPI groups were created at the time of formation in 2003 and two additional NPI groups created subsequently
 - Capitalize on strong negotiating position to capture additional value
 - Leverage information franchise
 - Optional working interest participation in numerous leases
 - Minerals NPI represents the majority of new development activity
 - Added 75 new wells located in Alabama, Arkansas, North Dakota, Oklahoma and Texas



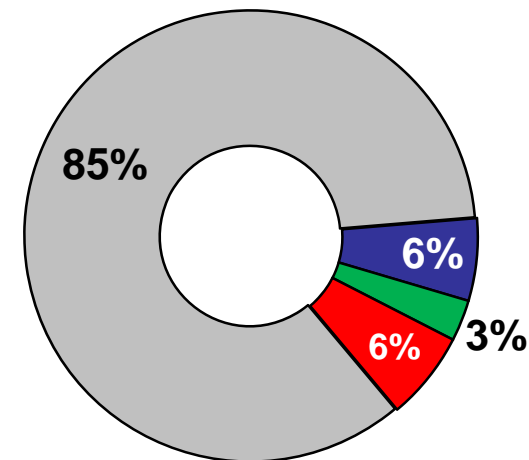
Net Profits Interests Overview

- Actual Capital Expenditures Through Year-end 2011
 - \$33.3 million of cumulative investments in all net profits interest properties
 - Majority of CAPEX was used to drill new wells in the Minerals NPI
 - Continue to reinvest Minerals NPI cash flow

Historical NPI CAPEX (\$MM)



2011 NPI CAPEX



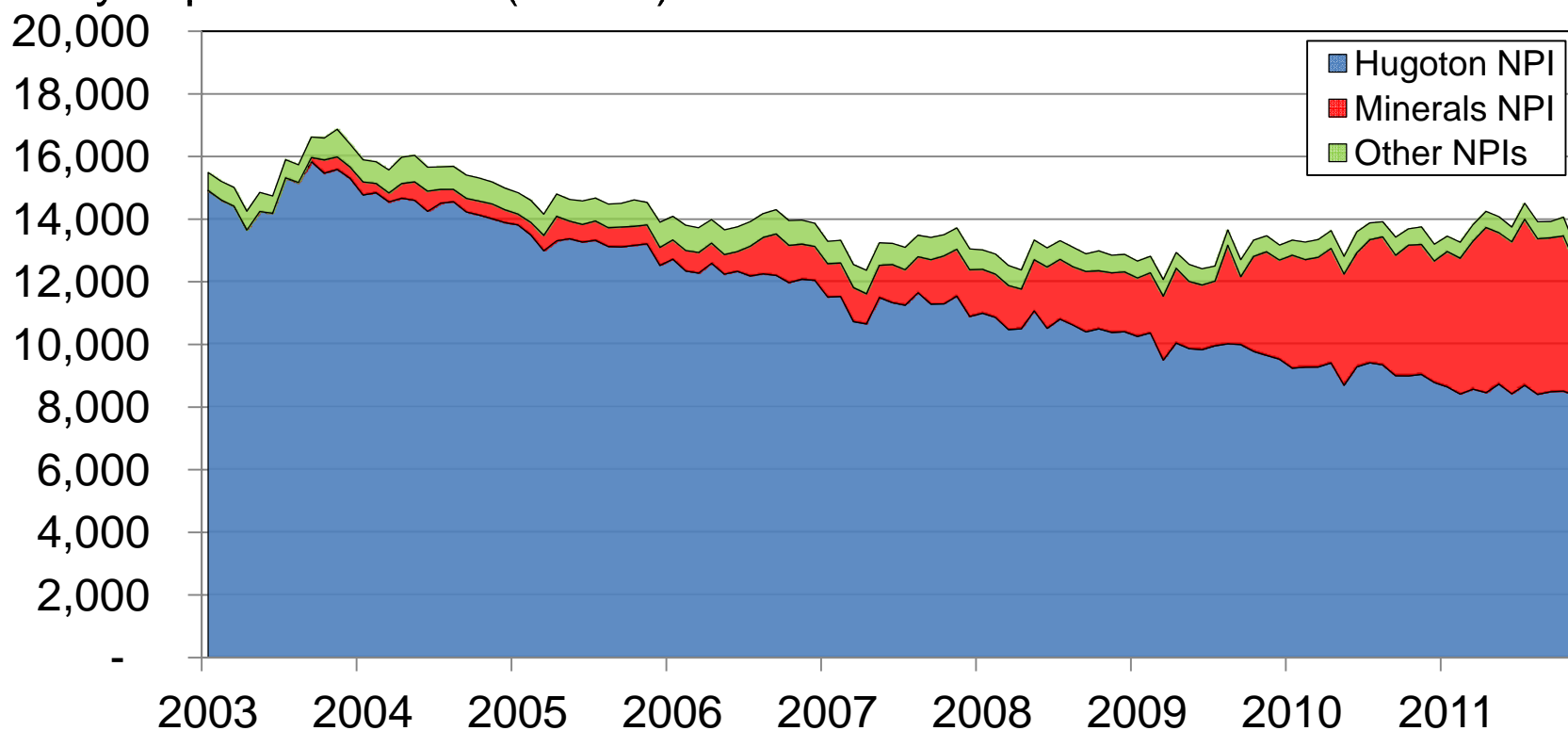
Note: CAPEX incurred by the operating partnership on a cash basis. Capital commitments are included in calculating the Minerals NPI payout status.



Net Profits Interests Overview

- Relative contribution of NPI's has shifted over time
 - Hugoton accounted for 96% of NPI production at inception → 64% at year-end 2011
 - Minerals NPI volumes prior to Q3 2011 were not included in DMLP results

Daily Equivalent Rate (Mcfed)



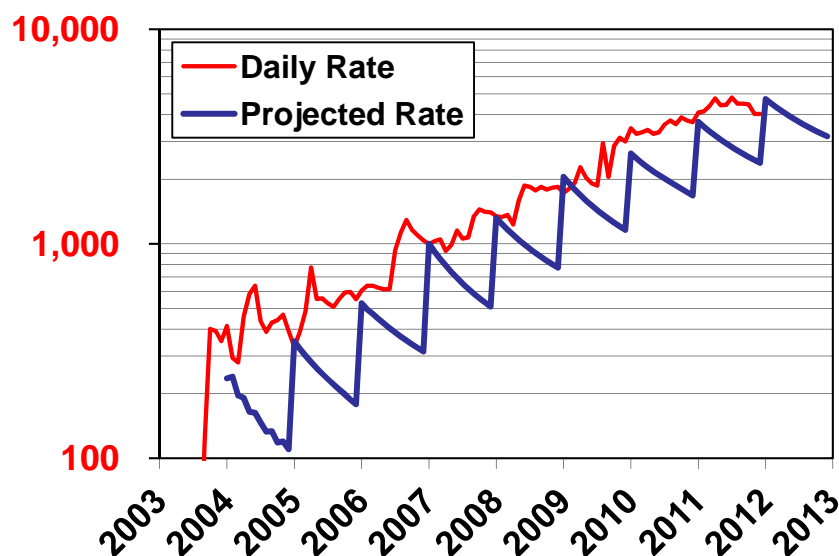


Net Profits Interests Overview

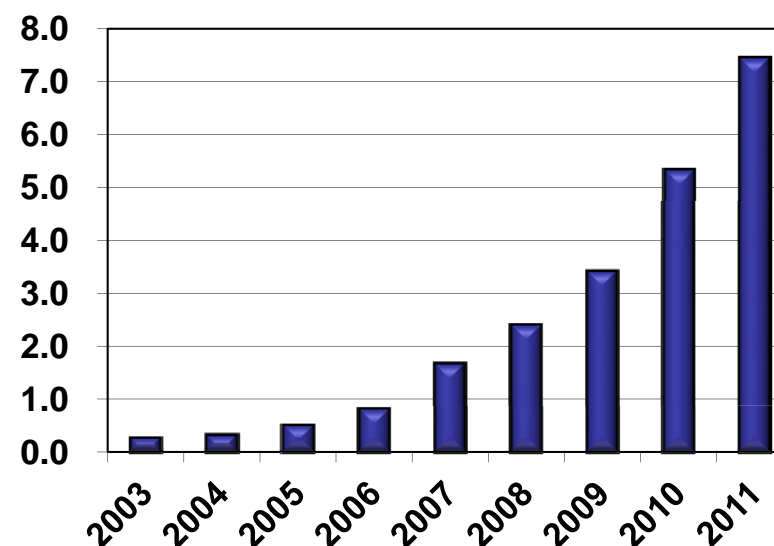
- Minerals NPI Performance

- Production and reserves have grown steadily since inception
- 337 wells/units producing in Q4 2011 (301 in pay status)
- 5.5 Bcfe in production receipts through year-end 2011
- Total proved reserves of 7.5 Bcfe at year-end 2011, a 40% increase over 2010
- Minerals NPI production and reserves are now included in DMLP results

Net Daily Gas Rate (Mcf/d)



Proved Reserves (Bcfe)



Note: Gas rate based on sales volumes

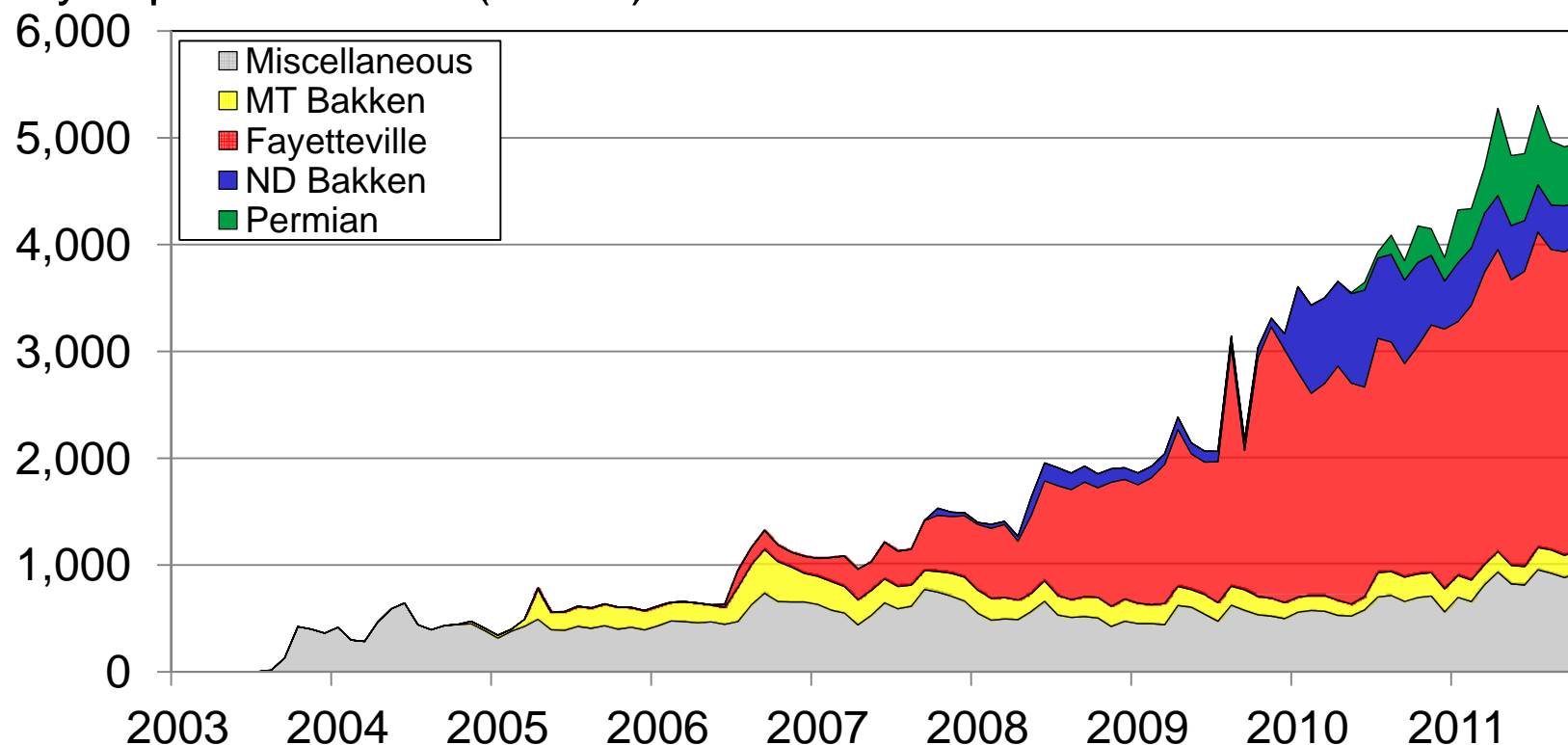


Net Profits Interests Overview

- Minerals NPI Production

- New Areas: MT Bakken (2005), Fayetteville (2006), ND Bakken (2008), Permian (2010)
- Additional participation opportunities in West Texas

Daily Equivalent Rate (Mcfed)



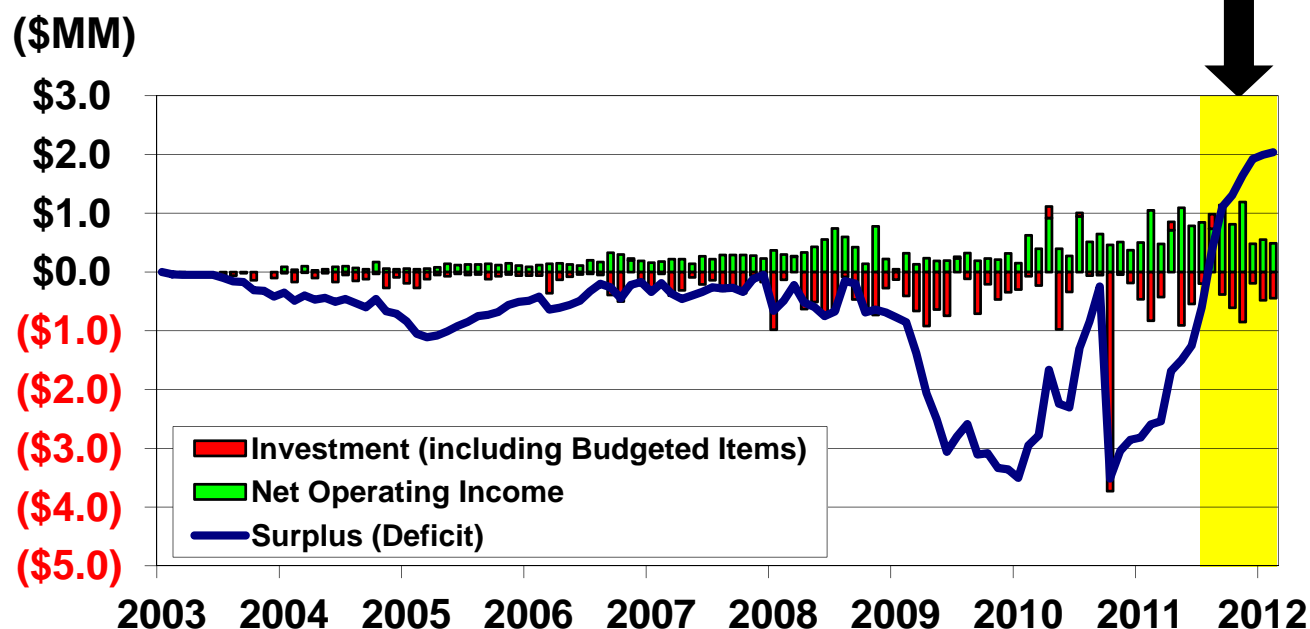


Net Profits Interests Overview

- Minerals NPI Cash Flow – Inception through Q1 2012

Cumulative Revenue	\$39.4 MM
Cumulative Expense (LOE, taxes, etc)	(\$7.4 MM)
<hr/>	
Cumulative Operating Income	\$32.0 MM
Cumulative Investment/Commitments	(\$30.0 MM)
<hr/>	
Cumulative Surplus (Deficit)	\$2.0 MM

Cumulative Operating Income exceeded Cumulative Investments in Q3 2011 and the Minerals NPI began contributing to LP distributions



Note: Figures provide on a cash basis



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Property Highlights

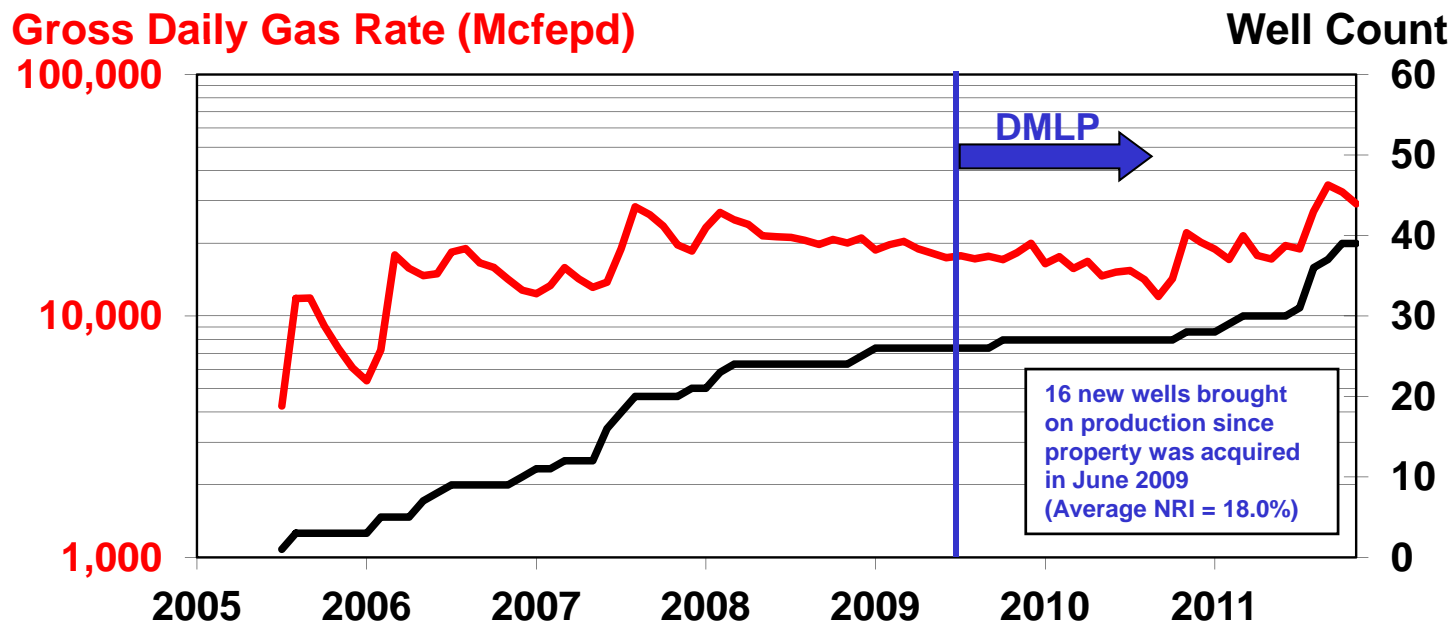
Barnett Shale



Barnett Shale (Royalty)

- Fort Worth Basin – Tarrant County, Texas

- NRIs range from 0.5% to 20% in 1,824 net mineral acres
 - Current Development Activity (CHK Operated)
 - 42 producing wells (5 currently S/I)
 - 1 well waiting on completion or pipeline
 - 1 permitted location
- 44 wells/permits**
- Upside potential in undeveloped acreage, downspacing and improved stimulation





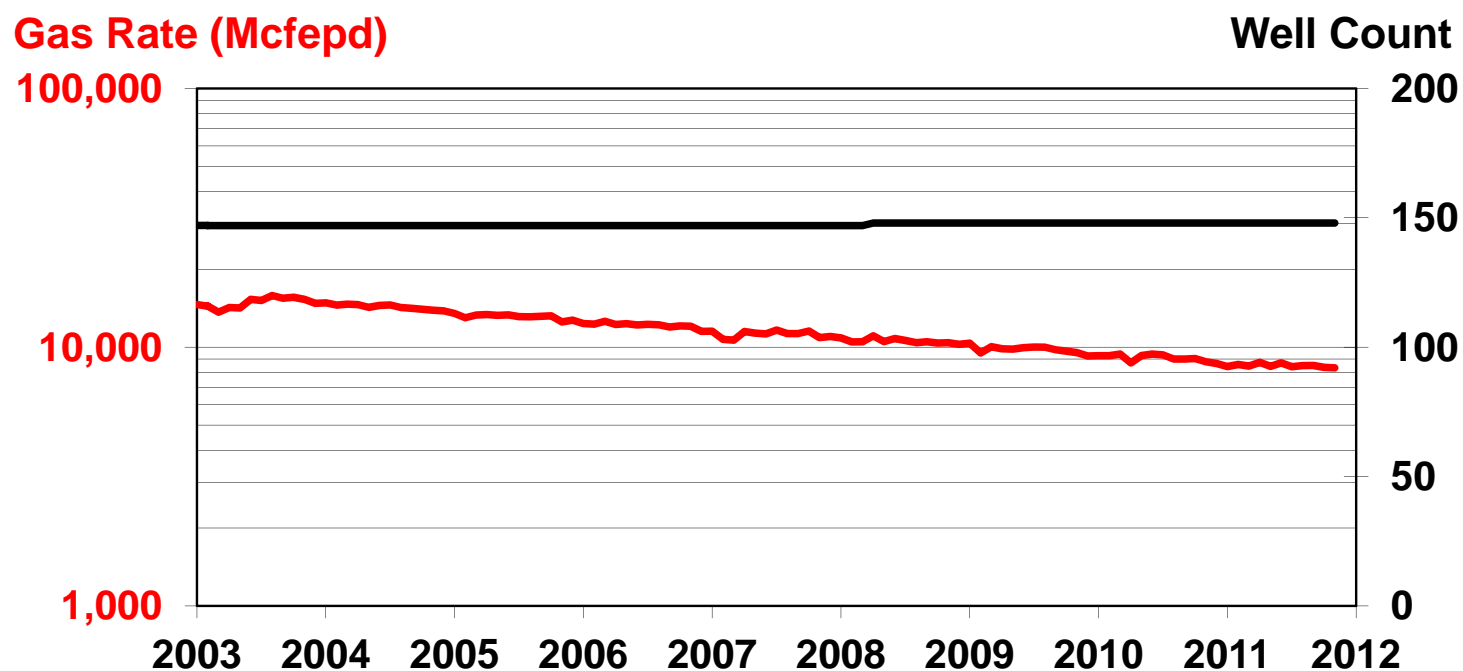
Property Highlights

Hugoton Operated Properties



Hugoton Operated Properties (NPI)

- Hugoton Field – Oklahoma Panhandle & SW Kansas
 - 2011 production within 4% of projection
 - Year-over-year production decline of 7.5% with a 11% decrease in net reserves
 - World-class asset but limited upside potential
 - Ongoing well optimization and cost-saving initiatives



Note: Gas rate based on sales volumes



Property Highlights

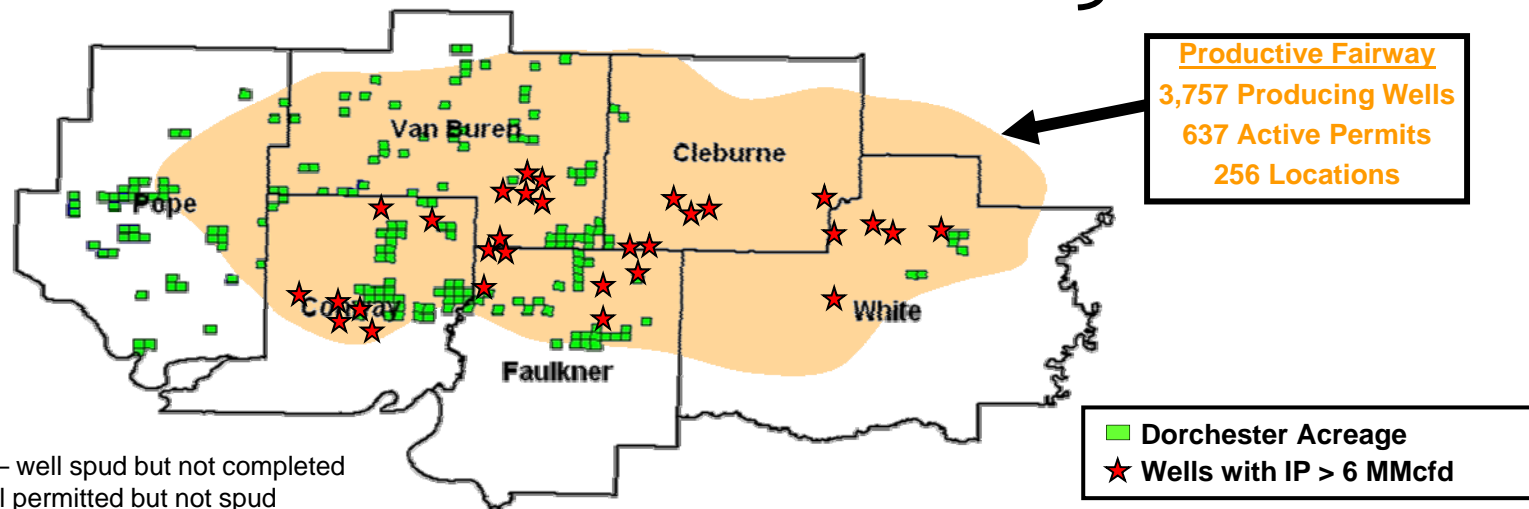
Fayetteville Shale



Fayetteville Shale (Royalty & NPI)

- Eastern Arkoma Basin – Northern Arkansas
 - Ownership Summary
 - 23,336 gross/11,464 net acres in 196 sections
 - June 2006: Leased 9,800 net acres in 179 sections for 25% royalty with optional participation in 111 sections (subject to Minerals NPI)
 - June 2011: Leases covering 5,300 net acres expired with remainder of acreage HBP
 - Current development activity on DMLP acreage
 - 337 wells completed (276 in pay status)
 - 7 wells in various stages of drilling, completion or WOPL
 - 31 wells permitted and/or proposed by operator

375 wells/permits

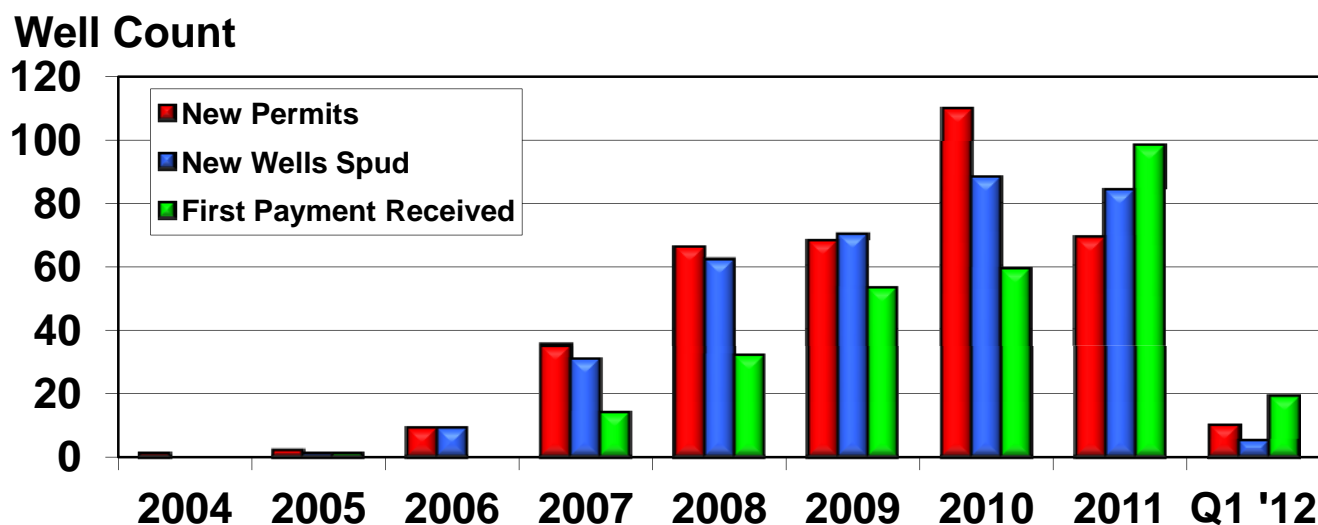
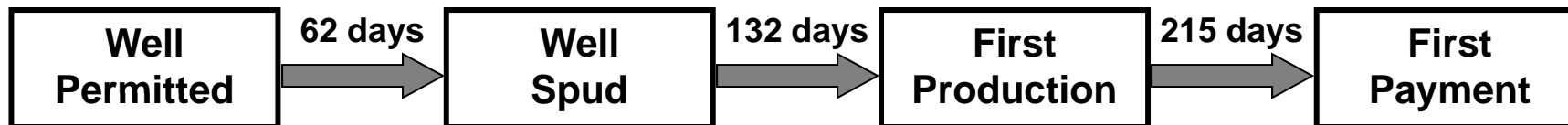


“Active Permit” – well spud but not completed
 “Location” – well permitted but not spud



Fayetteville Shale (Royalty & NPI)

- Permitting, Drilling and Payment History
 - Development activity by major operators (SWN, BHP, XOM) has slowed
 - In 2011 well spuds outpaced new permits → drilling up permit inventory
 - Operators have put many old wells into pay status in 2011
 - Substantial time-lag between permit and first payment → 408 days



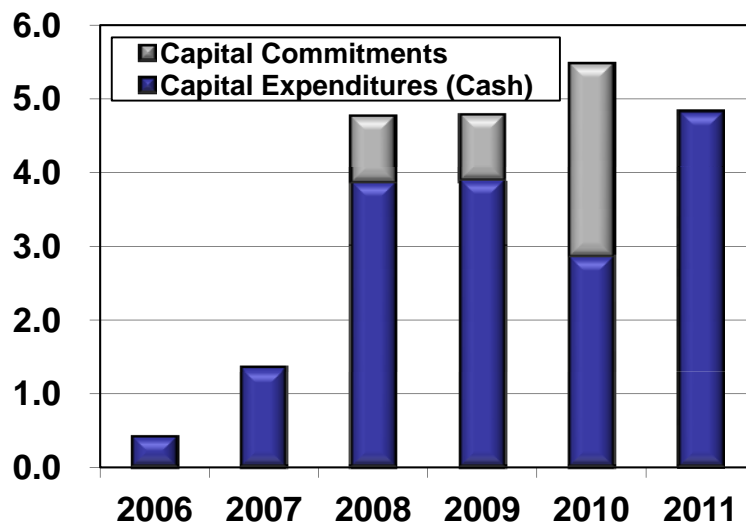


Fayetteville Shale (Royalty & NPI)

- Capital Expenditures

- Total Fayetteville investments of \$21.6 MM through year-end 2011
- All expenditures within Minerals NPI
- Average \$3.0 MM per well in 2011
- Drilling and completion costs increase with longer lateral lengths

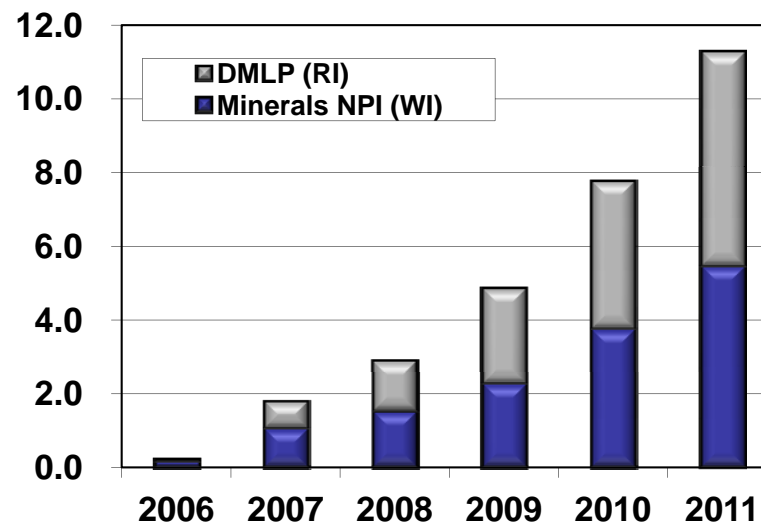
Capital Expenditures (\$MM)



- 2011 Reserves

- Year-end reserves of 11.3 Bcf (285 wells)
 - 5.5 Bcf (WI)
 - 5.8 Bcf (RI)
- 47% Year-over-year reserve increase
- Only completed wells with test rates are included in reserve estimates (no PUDs)

Proved Reserves (Bcf)





Fayetteville Shale (Royalty & NPI)

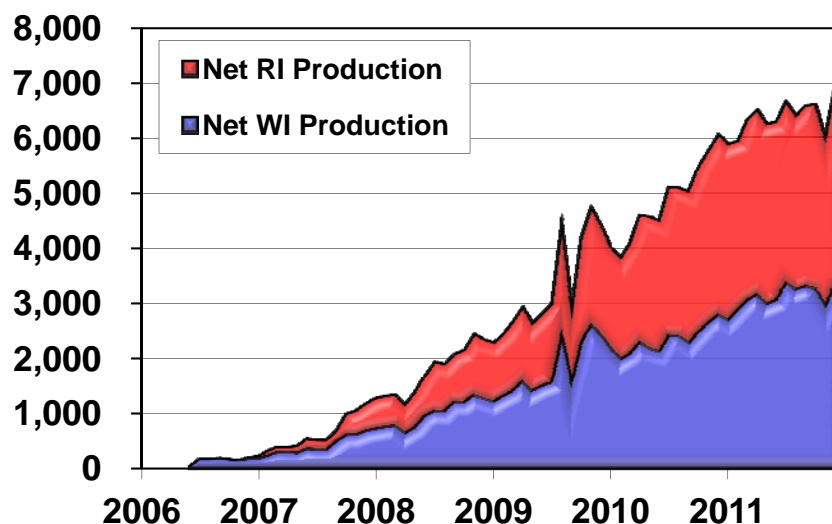
• Production Results

- 301 wells producing at year-end 2011
 - 3.3 MMcfd (WI)
 - 3.5 MMcfd (RI) } **6.8 MMcfd**
- 31% Year-over-year rate increase
- Produced 2.3 Bcf in 2011
- 51% of production from royalty interest

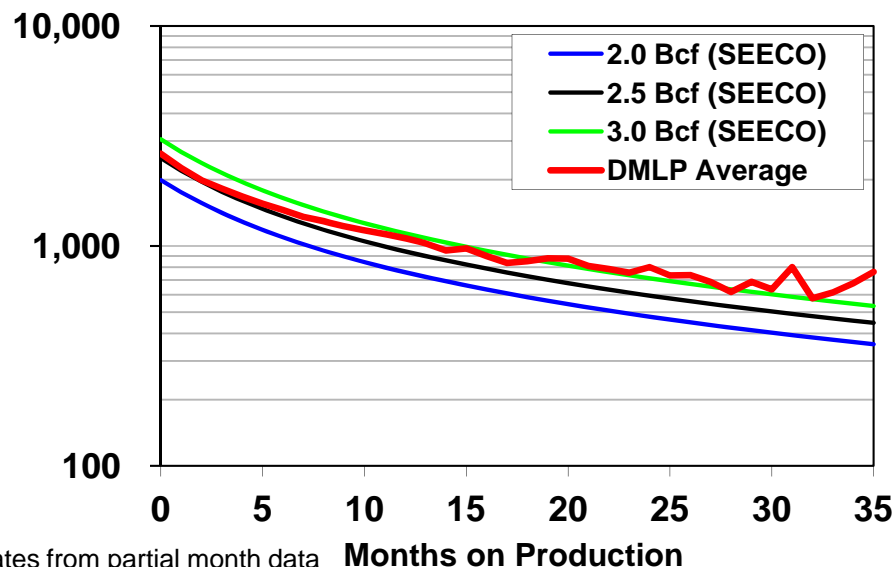
• Well Performance

- Results indicate that average initial test rates have reached a plateau
 - 2008 2.4 MMcfd (Max 5.5 MMcfd)
 - 2009 3.1 MMcfd (Max 5.9 MMcfd)
 - 2010 3.0 MMcfd (Max 7.3 MMcfd)
 - 2011 3.1 MMcfd (Max 5.5 MMcfd)

Net Daily Production (Mcf/d)



Normalized Production Rate (Mcf/d)

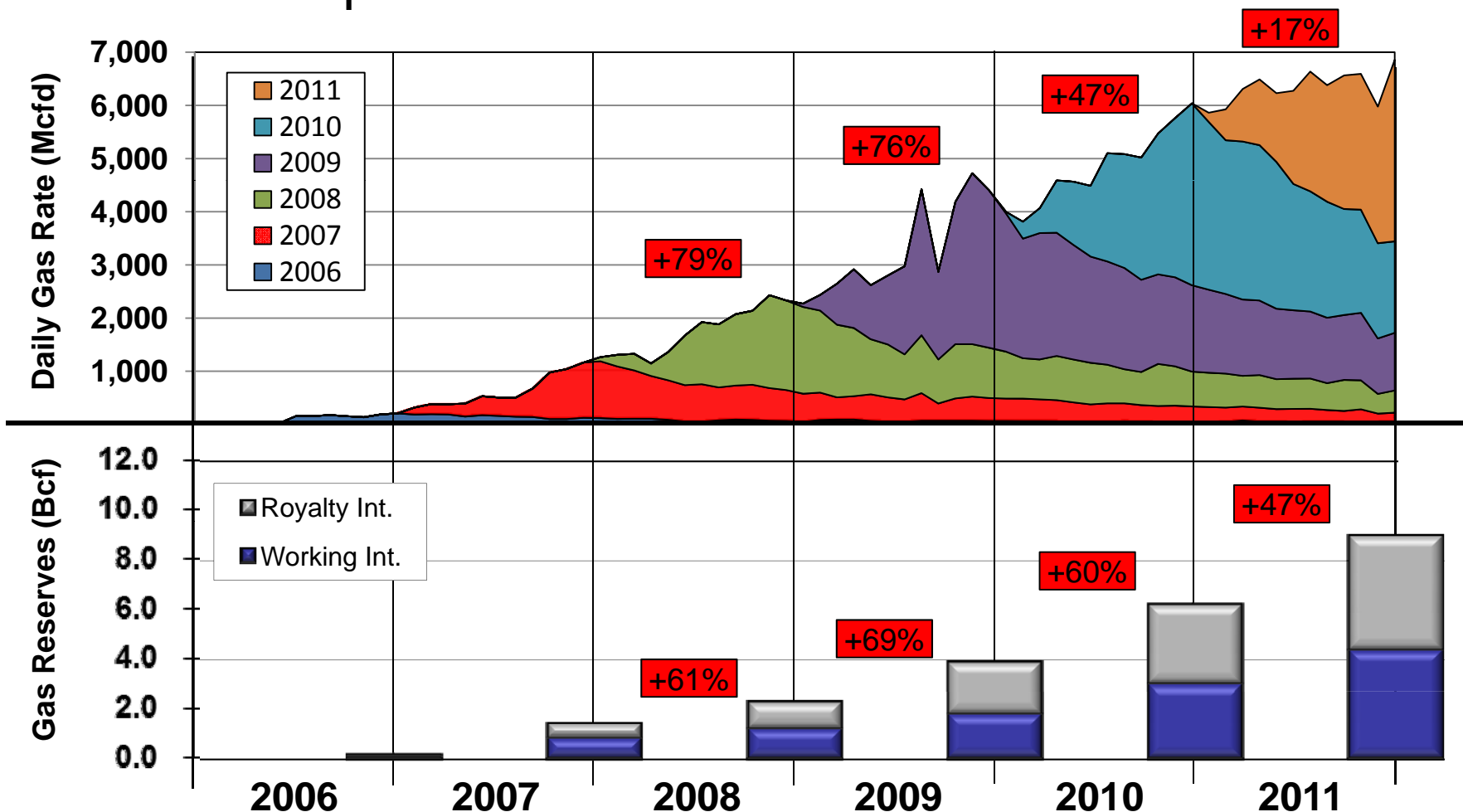


Note: Volumes from AOGC, 1st point on DMLP normalize curve based on estimates from partial month data



Fayetteville Shale (Royalty & NPI)

- Historical production and reserve additions

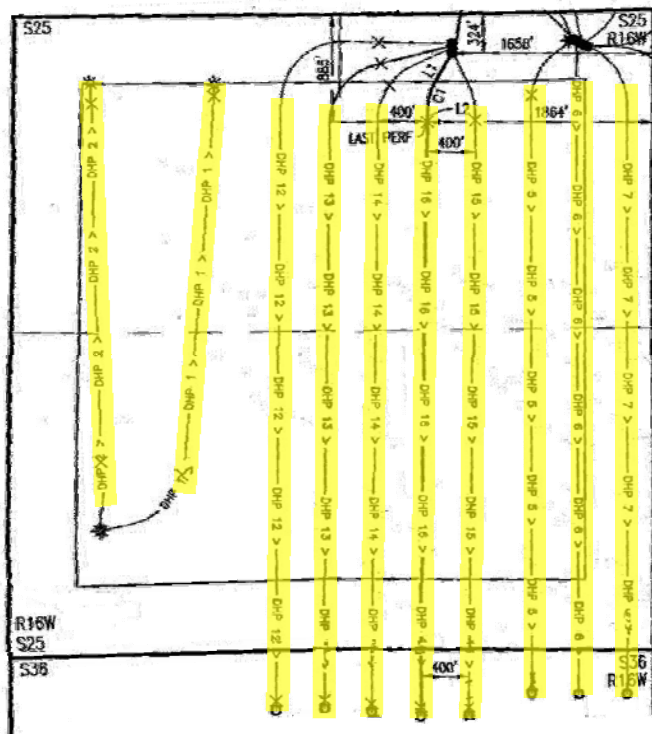


Note: Volumes from AOGC, not all wells in production graph are currently in pay status



Fayetteville Shale (Royalty & NPI)

- Future Development Potential - Downspacing
 - Example: 25-9N-16W, Conway Co, AR (SWN) → 400 ft offsets (50 ac spacing)
 - DMLP (RI) Ownership: 1.563% NRI
 - DMOLP (WI) Ownership: 0.980% NRI



Deltic Timber 9-16 Unit

Well Number	Test Date	Test Rate (Mcf/d)
#5-25H36	12/11/2011	3,237
#6-25H36	12/10/2011	3,356
#7-25H36	12/10/2011	3,457
#12-25H36	2/25/2012	3,236
#13-25H36	2/25/2012	3,442
#14-25H36	2/26/2012	3,881
#15-25H36	2/26/2012	3,345
#16-25H36	2/26/2012	4,228



Property Highlights

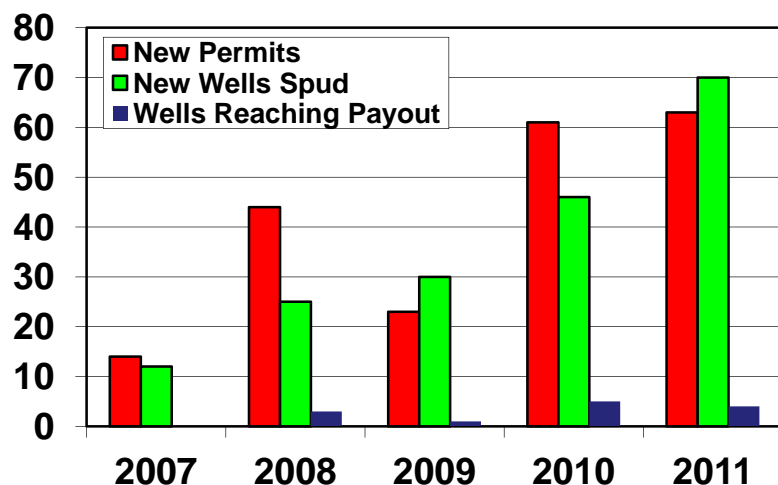
Bakken/Three Forks



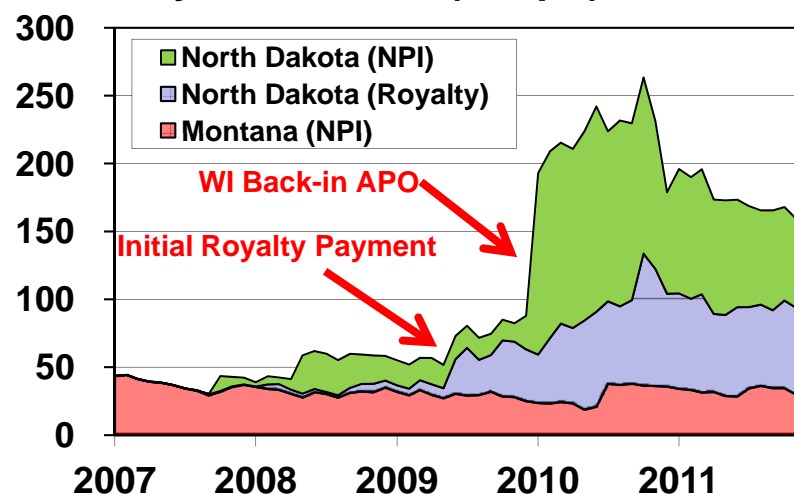
Bakken/Three Forks (Royalty & NPI)

- Williston Basin – Northwestern North Dakota
 - Diversified acreage position
 - 70,390 gross acres/8,905 net acres
 - Operators: Continental, COP, EOG, Hess, Marathon
 - Elected non-consent option in 215 wells to date (125 in pay status)
 - Average royalty of all leases in unit (~16% royalty)
 - Back-in for 100% WI after payout + 50% penalty
 - Working interest subject to Minerals NPI

Well Count



Net Daily Production (boepd)





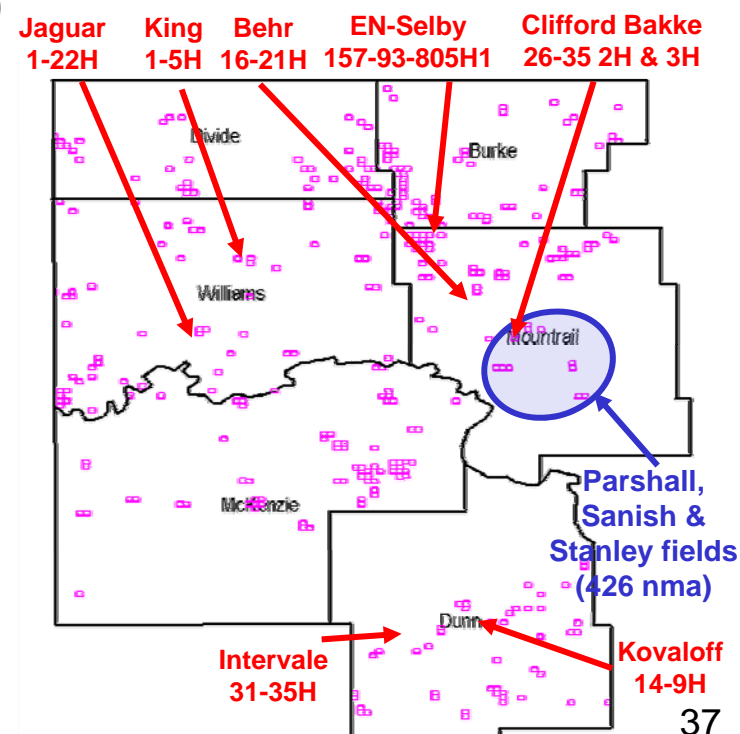
Bakken/Three Forks (Royalty & NPI)

- Six County Core Area

- Current development activity on DMLP acreage
 - 161 wells completed as producers (13 reached payout status)
 - 34 wells in various stages of drilling or completion (or confidential)
 - 22 wells permitted and/or proposed by operator
- Rig count has increased +570% since May 2009
- Eight rigs currently drilling on DMLP acreage

} **217 wells/permits**

Well Name (Operator)	Test Rate (boepd)	BPO NRI	APO NRI
Clifford Bakke 26-35 2H (BEXP)	4,291	1.10%	4.94%
Clifford Bakke 26-35 3H (BEXP)	2,807	1.10%	4.94%
Kovaloff 14-9H (Marathon)	1,285	1.88%	11.76%
Behr 16-21H (Fidelity)	1,500	1.00%	4.64%
Intervale 31-35H (COP)	2,750	0.47%	2.91%
EN-Selby 157-93-805H1 (Hess)	591	1.86%	11.65%
Jaguar 1-22H (Zavanna)	1,475	0.75%	4.66%
King 1-5H (Continental Resources)	808	1.16%	7.28%





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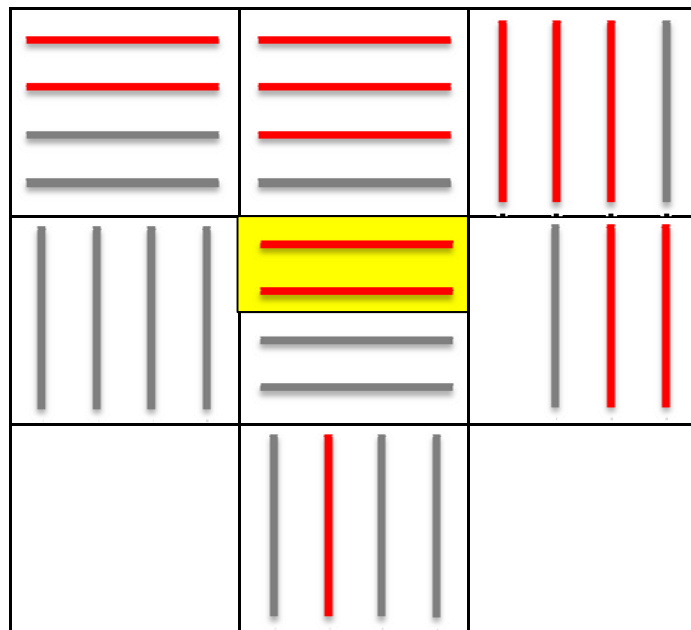
Property Highlights

Permian Basin

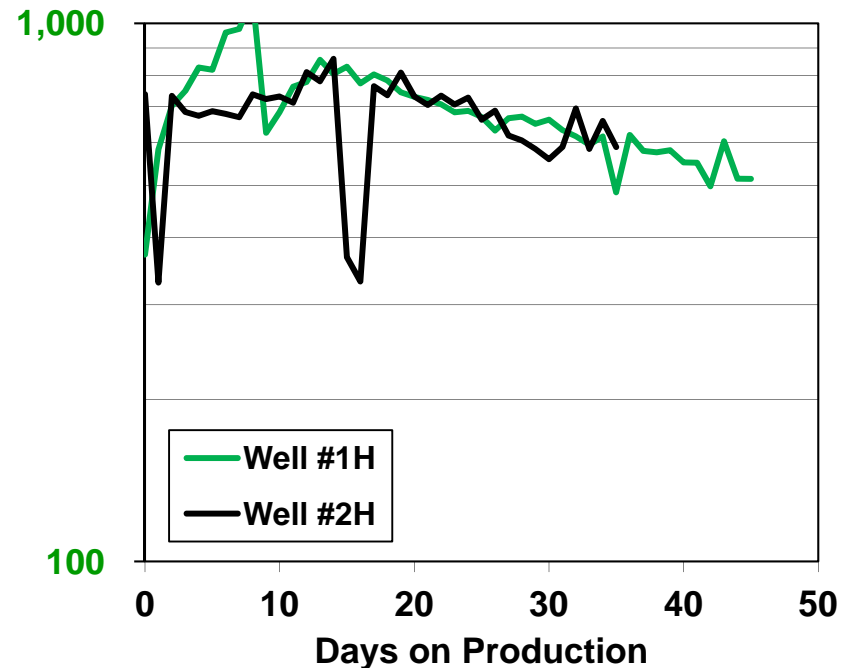


Permian Basin (NPI)

- Bone Springs Play – Eddy County, New Mexico
 - DMOLP owns a 6.25% working interest in 320 acres
 - Declined farm-out offer and elected to participate with full interest (Minerals NPI)
 - Active operators include Cimarex, COG, Devon and Yates
 - Drilled two horizontal wells testing 859 and 977 boepd in Q1 2012



Gross Daily Rate (boepd)





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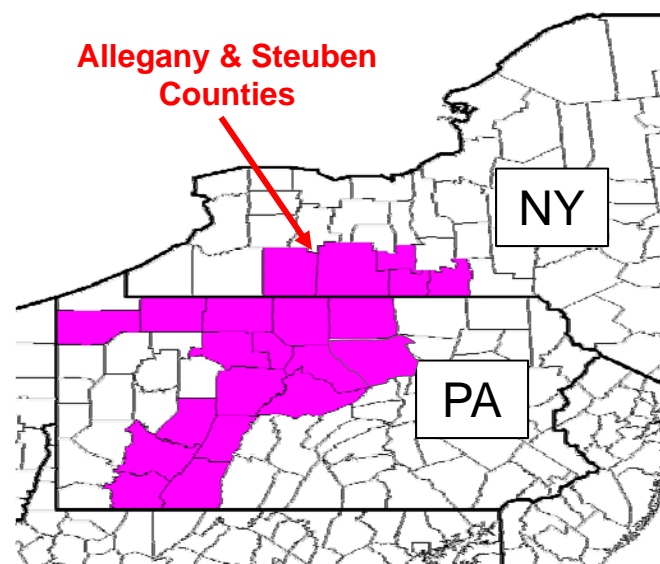
Developing Plays



Developing Plays

- Devonian Shale – Appalachia

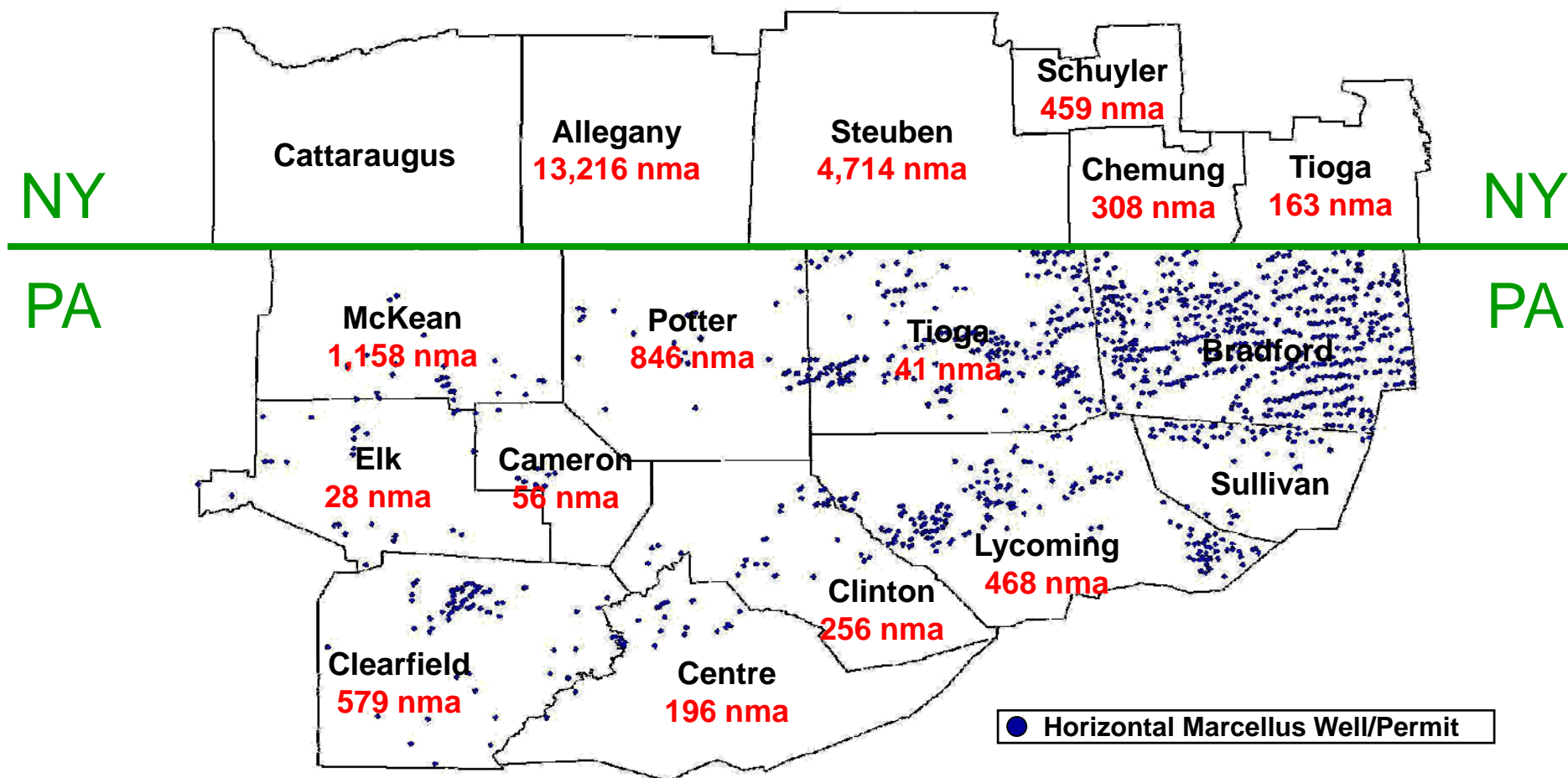
- New York and Pennsylvania
- Concentrated acreage position
 - 32,395 gross acres
 - 24,494 net acres
 - 70% in Allegany and Steuben Counties, NY
- Challenging political environment in New York has limited activity relative to Pennsylvania
- Potential targets
 - Upper Devonian oil (shallow)
 - Marcellus/Utica/Devonian shale gas (middle)
 - Trenton-Black River gas (deep)
- Operators: Anadarko, Chesapeake, EOG, EQT, EXCO, Range, Seneca, Shell, Talisman
- No reserves booked in 2011





Developing Plays

- Southern Tier NY & Northern Tier PA





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May 16, 2012



Appendix



Appendix

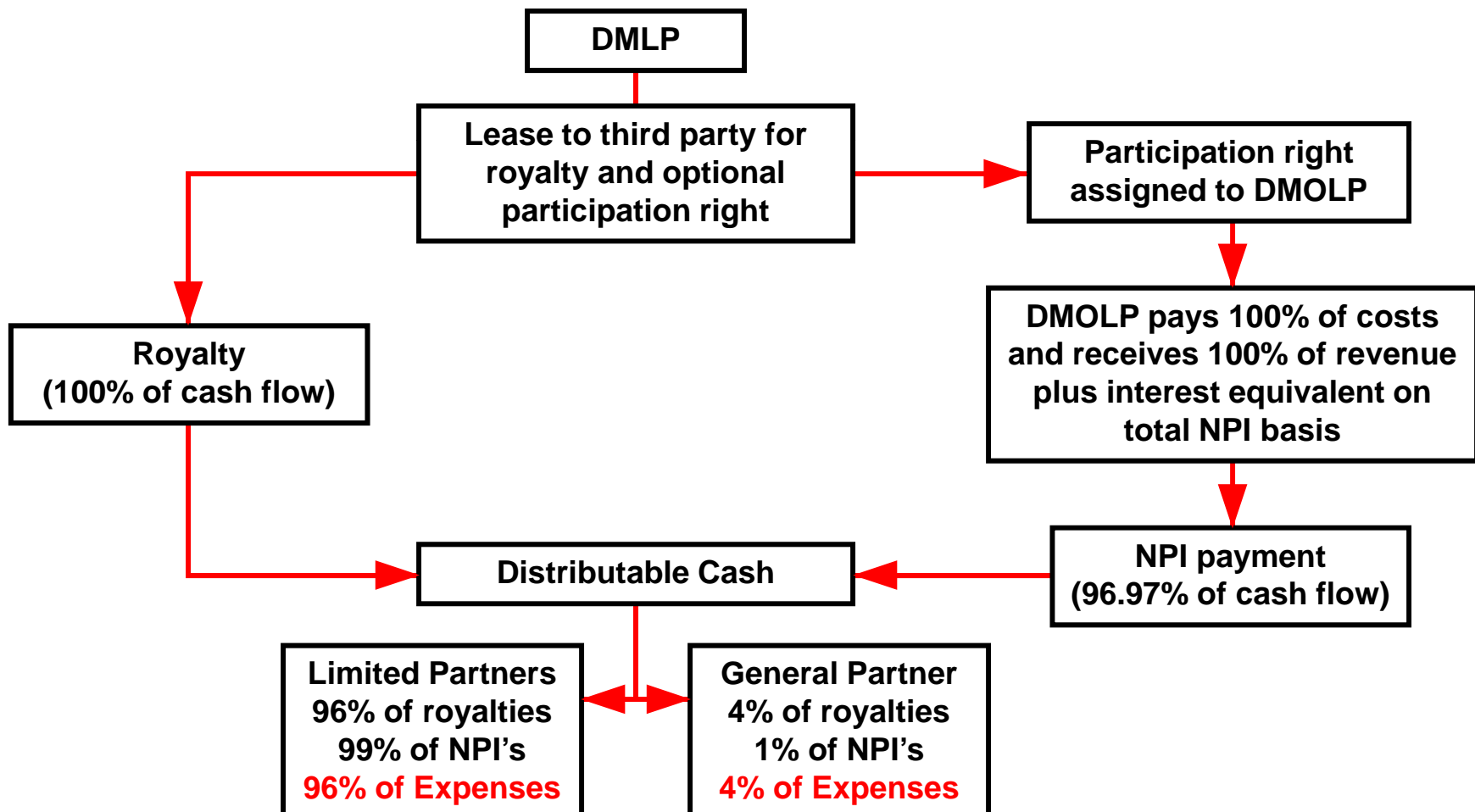
• What is the Minerals NPI and How Does it Work?

- Upon its formation, Dorchester Minerals, LP (DMLP, the public partnership and owner of the mineral interests) provided for future development opportunities on its undeveloped mineral interests by the creation of the Minerals Net Profits Interest (Minerals NPI).
- DMLP has negotiated and may continue to negotiate the right but not the obligation to participate in development activity in addition to retaining a royalty interest.
- This right may take the form of an optional heads-up (unpromoted) working interest, carried working interest or reversionary (back-in) working interest. In some instances, an unleased mineral interest may be treated as a working interest subject to statutory non-consent provisions.
- DMLP assigns this right to Dorchester Minerals Operating LP (the operating partnership or DMOLP) subject to the terms of the Minerals NPI.
- DMOLP is an indirect wholly owned affiliate of DMLP's General Partner.
- DMOLP funds all costs associated with this right, including drilling and completion costs.
- DMLP and its partners are not liable for any costs or expenses.
- DMOLP pays to DMLP 96.97% of the monthly "Net Proceeds" attributable to the properties subject to the Minerals NPI.
- Net Proceeds is defined as total revenues less total expenses plus an amount equivalent to interest at a prevailing rate on any prior period deficit balance. In other words, DMOLP pays 100% of all costs, receives 100% of all revenues plus interest, and thereafter (sometimes called "Payout") pays 96.97% of net cashflow to DMLP.
- LP distributions reflect 96% of royalty net cashflow and 99% of NPI net cashflow → $99\% \times 96.97\% = 96\%$.
- The Minerals NPI achieved payout status in September 2011 and contributed to our Q4 2011 distribution.



Appendix

- What is the Minerals NPI and How Does it Work?





Appendix

- Distribution Determinations

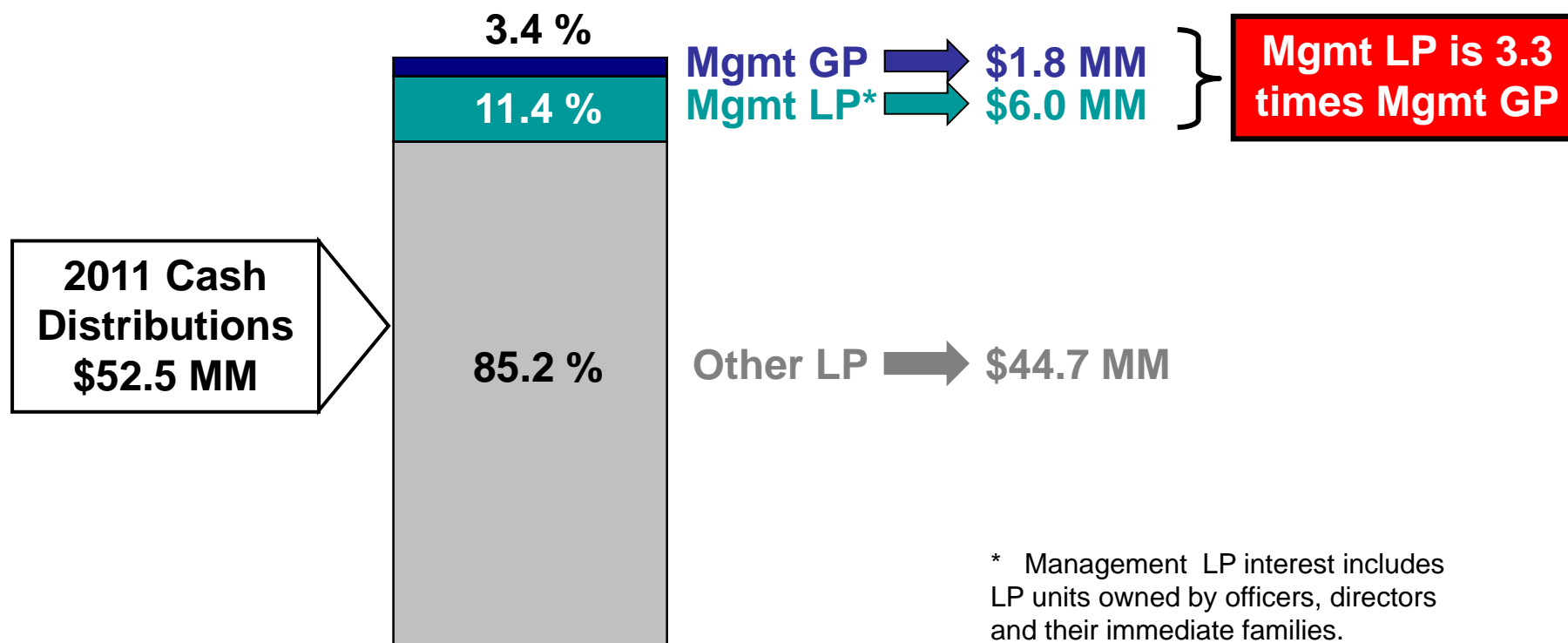
- Period from October 2010 through September 2011

	(\$ thousands)	
	Limited Partners	General Partner
4% of Net Cash Receipts from Royalty Properties	\$ -----	\$1,682
96% of Net Cash Receipts from Royalty Properties	\$40,365	\$ -----
1% of Net Profits Interests Paid to our Partnership	\$ -----	\$ 104
99% of Net Profits Interests Paid to our Partnership	\$10,354	\$ -----
Total Distributions	<u>\$50,719</u>	\$1,786
Operating Partnership Share (3.03% of Net Proceeds)	\$ -----	\$ 327
Total General Partner Share		<u>\$2,113</u>
% Total	96%	4%



Appendix

- Alignment of GP and LP interests
 - GP has no incentive distribution rights – fixed sharing ratio
 - Management's LP interest exceeds its GP interest
 - Not incentivized to make dilutive transactions





Appendix

- Operating Leverage – Royalty Interest vs. NPI

	Royalty Interest	Net Profits Interest
Production Volume	1,000 Mcf	1,000 Mcf
Gas Price	\$4.00/Mcf	\$4.00/Mcf
Revenue	\$4,000	\$4,000
Fixed Production Costs	(\$0)	(\$1,000)
Operating Income	\$4,000	\$3,000
Net Interest	25% Royalty	25% NPI
Net Cash Flow	\$1,000	\$750

25% Increase in Gas Price

Production Volume	1,000 Mcf	1,000 Mcf
Gas Price	\$5.00/Mcf	\$5.00/Mcf
Revenue	\$5,000	\$5,000
Fixed Production Costs	(\$0)	(\$1,000)
Operating Income	\$5,000	\$4,000
Net Interest	25% Royalty	25% NPI
Net Cash Flow	\$1,250	\$1,000

25% Increase in Royalty Cash Flow

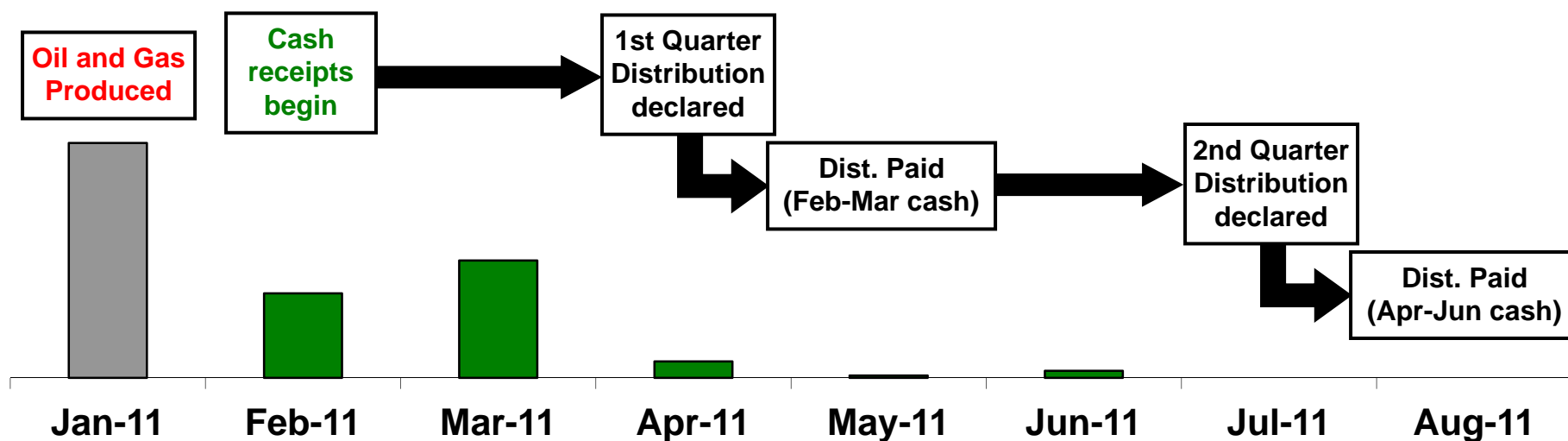
33% Increase in NPI Cash Flow



Appendix

- Royalty Cash Receipts

- Long delay between production and cash distribution
- Cash receipts extend over multiple months due to adjustments, releases, etc.
- Prices can change dramatically between production and payment of distribution
- Example of a typical cash receipt cycle :



LP distribution of all cash attributable to January production may occur as late as August, a 7-month time lag

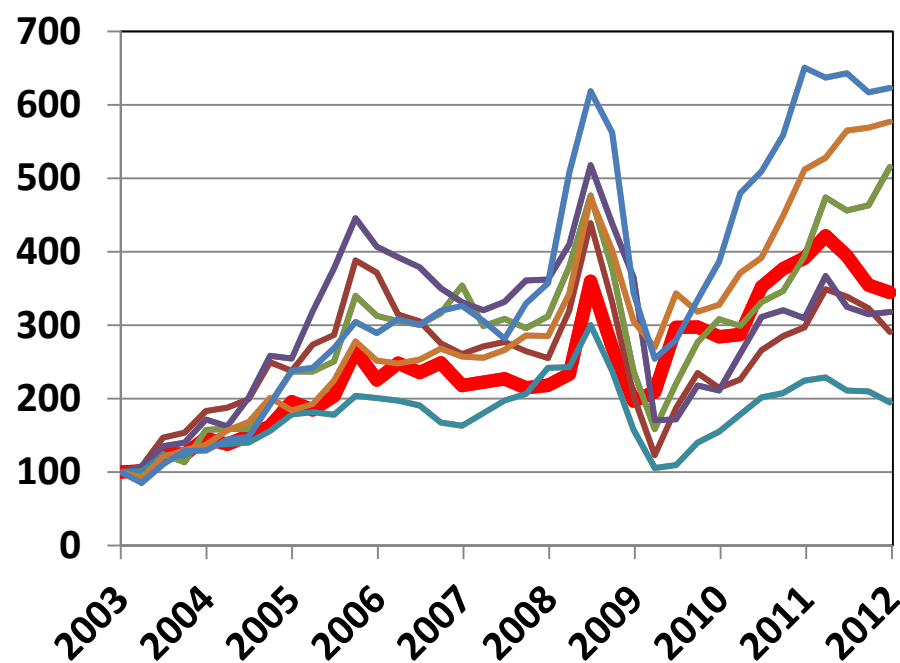


Peer Group Comparison

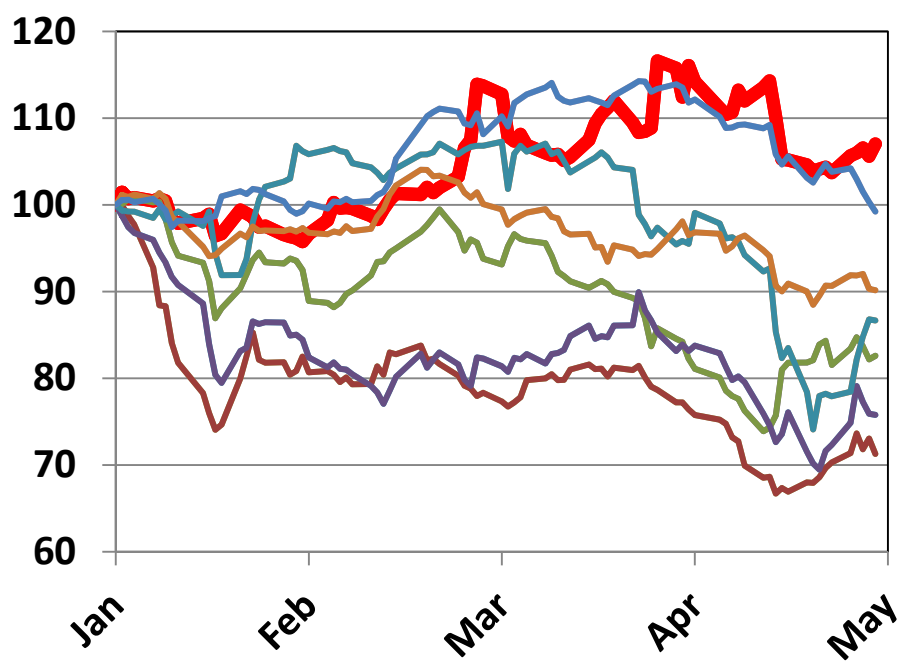
- Market Performance

- Pure royalties lack operating leverage inherent in net profits interests → Less volatility
 - Underperforming in high price environment (mid-2008)
 - Outperforming in low price environment (mid-2009) due to lower fixed cost structure

2003-2011 Normalized Returns (reinvested)



YTD 2012 Normalized Returns (reinvested)



Note: Dist. reinvested on last day of quarter



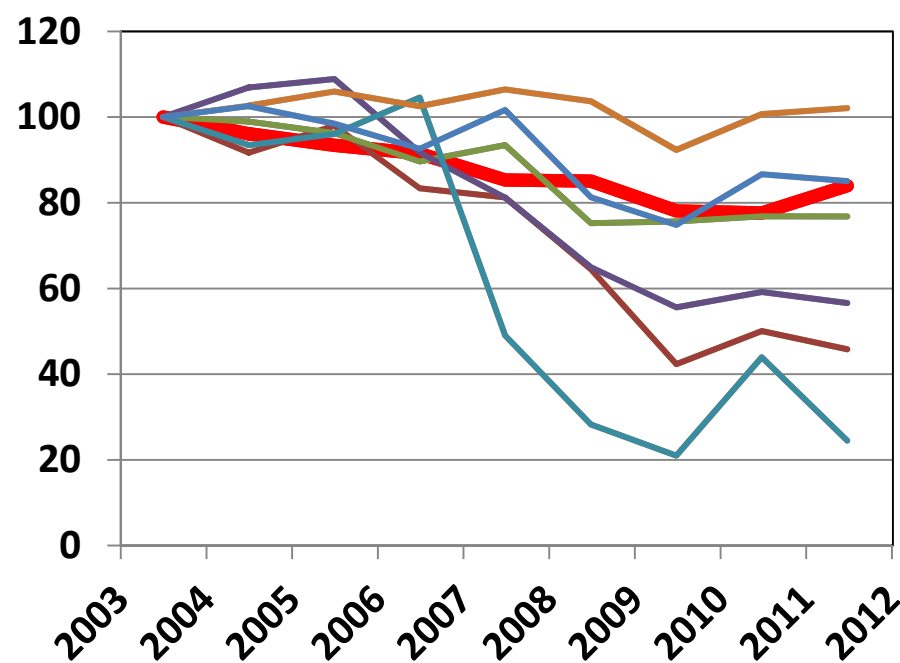


Peer Group Comparison

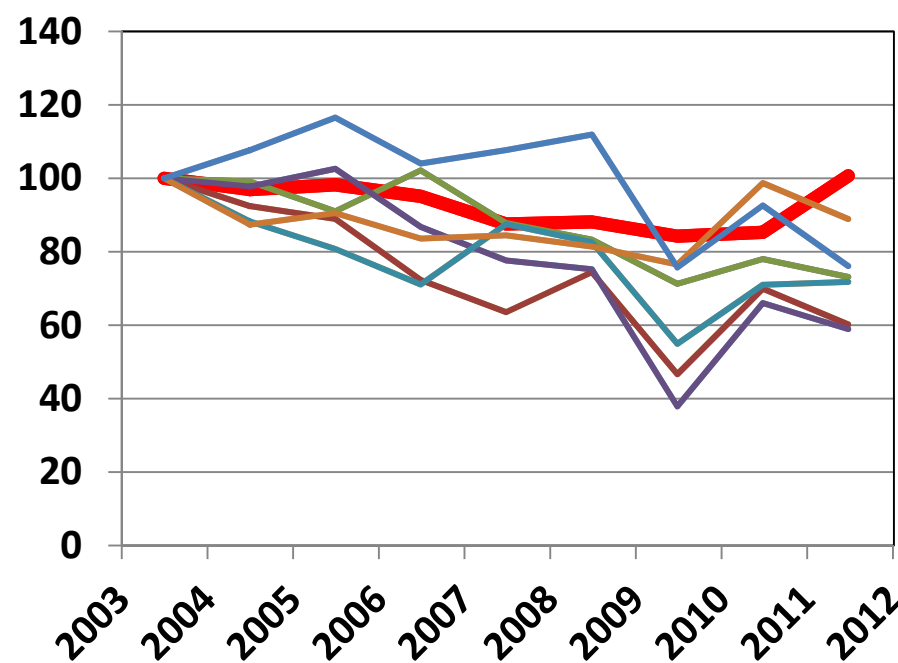
- Reserves and Production Performance

- DMLP is a cross between a royalty trust with 100% net profits interests (SJT) and one with 100% royalties (SBR), plus the upside of a large non-producing mineral portfolio with potential for future drilling and development
- DMLP has the ability to expand its portfolio of assets through acquisitions

Normalized Reserves (Indexed to 2003)



Normalized Production (Indexed to 2003)



DMLP adjusted for issuance of additional units

