



Dorchester Minerals

NASDAQ: DMLP

Dorchester Minerals, LP Annual Meeting

May 15, 2013

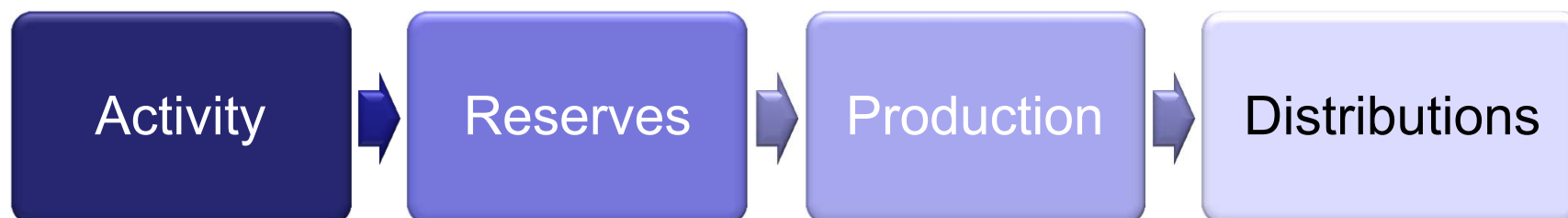


Forward-Looking Statements

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.

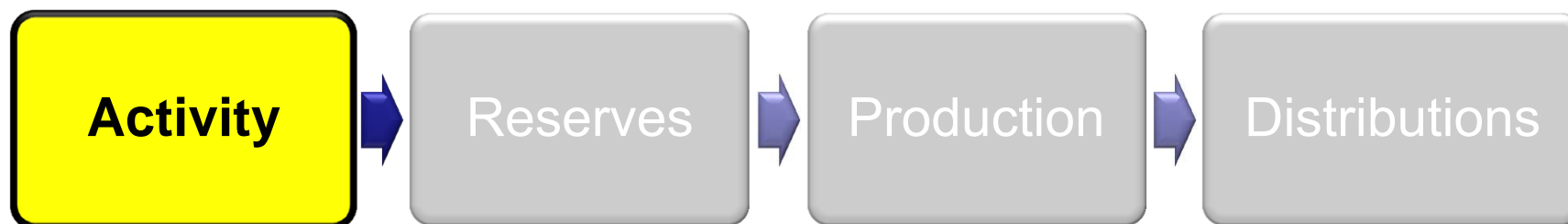


Overview of 2012 Results





Overview of 2012 Results



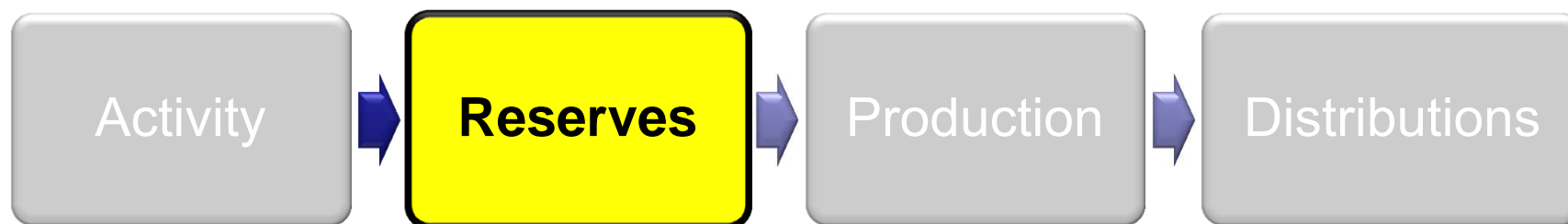


2012 Activity

- Decreased activity in dry gas plays
 - Fayetteville Shale and Barnett Shale
- Increased activity in liquids-rich gas plays
 - Anadarko Basin
- Impactful development in oil plays
 - Bakken and Permian Basin
- Initial activity on partnership's Marcellus acreage
 - Lycoming County, Pennsylvania
- Continue to capture value through the Minerals NPI



Overview of 2012 Results

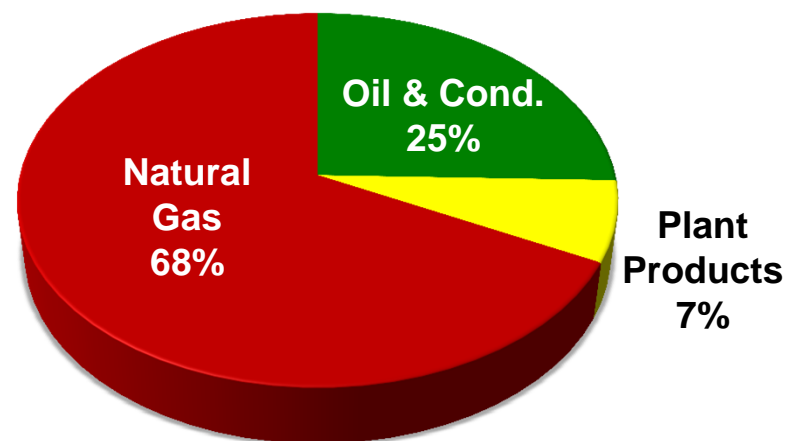
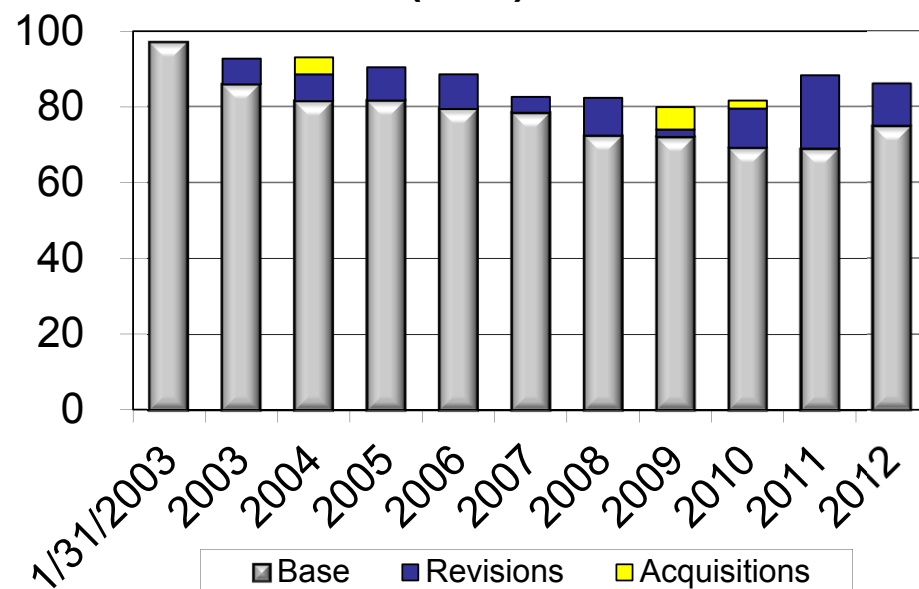




2012 Reserves

- Total Proved Reserves of 86.0 Bcfe on 12/31/2012
 - All reserves are Proved Developed Producing (PDP)
 - Demonstrated history of positive revisions
 - Cumulative revisions since inception account for 103% of total reserves at year-end
 - Driving factors including new plays, field extensions, infill drilling, and new technology

Year-end Reserves (Bcfe)



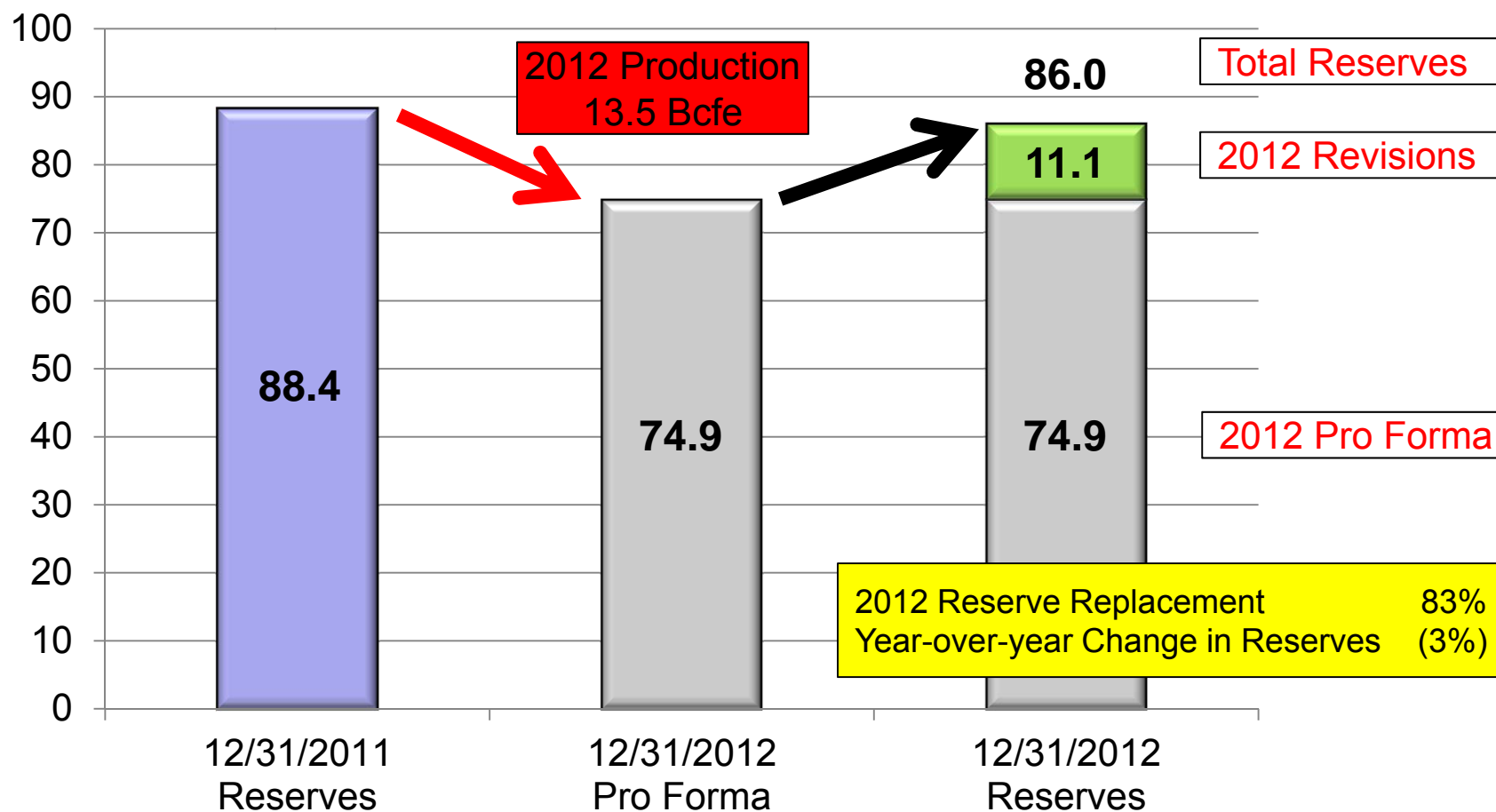
Note: 12.5 Bcfe of acquired reserves at time transactions closed. Gas-Oil equivalency of 6:1 ratio is used throughout this presentation



2012 Reserves

- Revisions to Reported PDP Reserves

Equivalent Reserves (Bcfe)

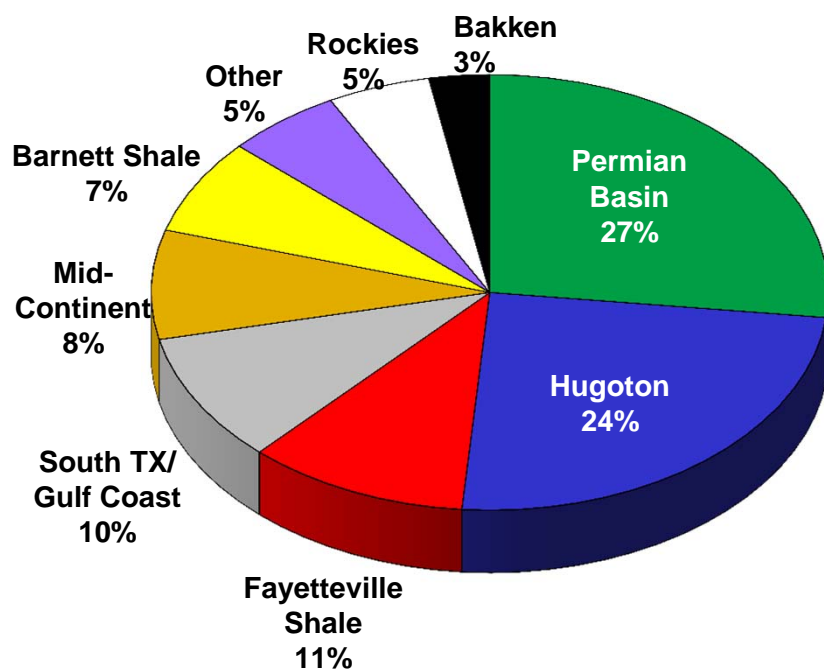




2012 Reserves

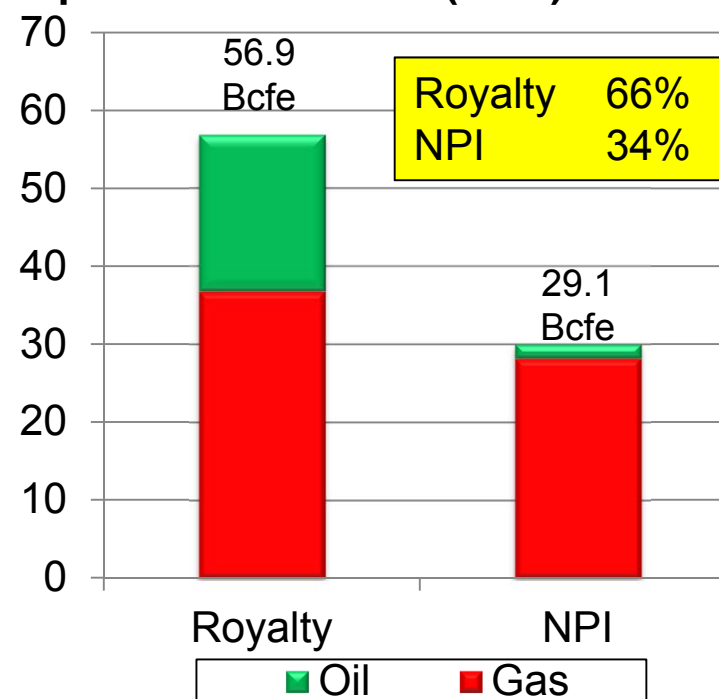
- Composition of DMLP Reserves

Geographic Breakdown



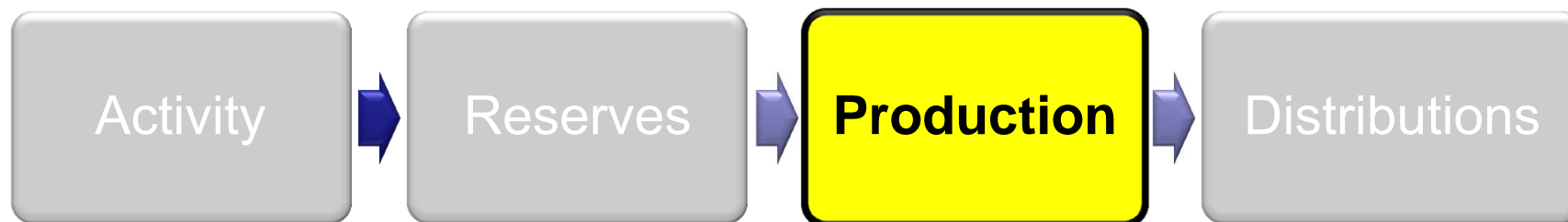
Royalty-NPI Split

Equivalent Reserves (Bcfe)





Overview of 2012 Results



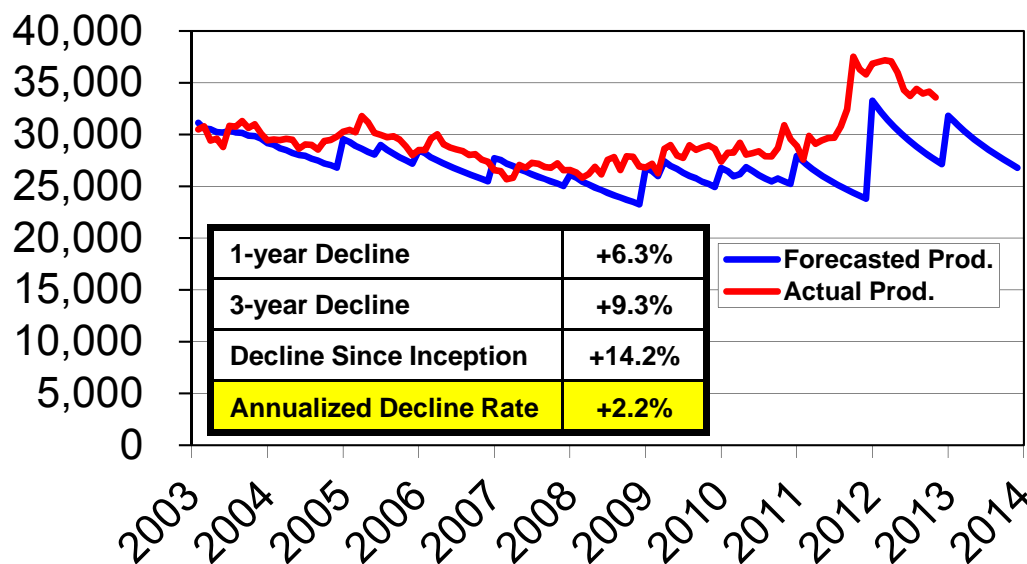


2012 Production

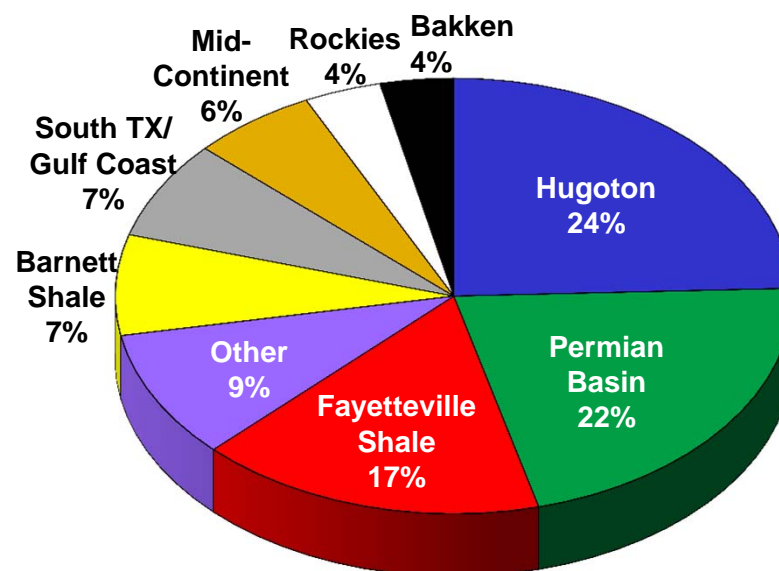
- Total Production of 13.5 Bcfe
 - 80% of total production was gas and plant products, 20% oil and condensate
 - High quality properties + Diverse portfolio → Low decline rate

Historical Production

Daily Production (Mcfed)



Geographic Breakdown



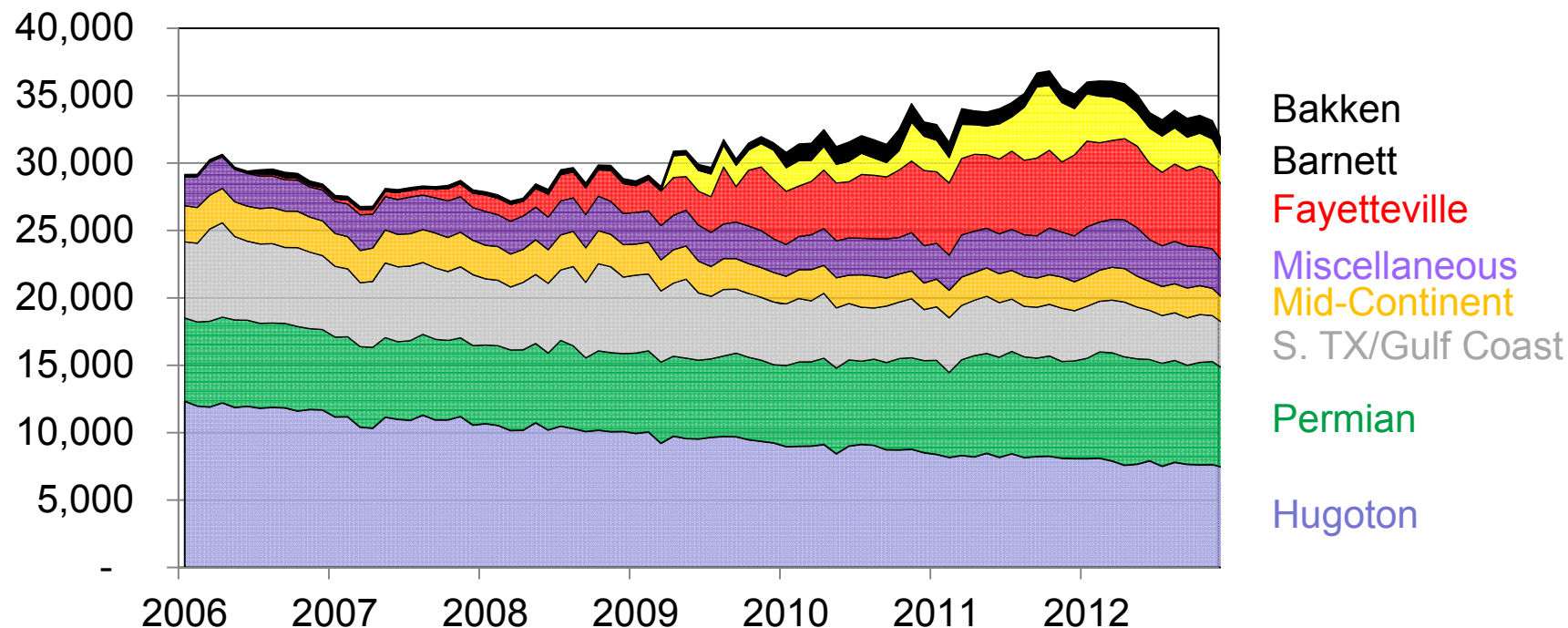
Note: Total production on wellhead basis, daily production on sales basis



2012 Production

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

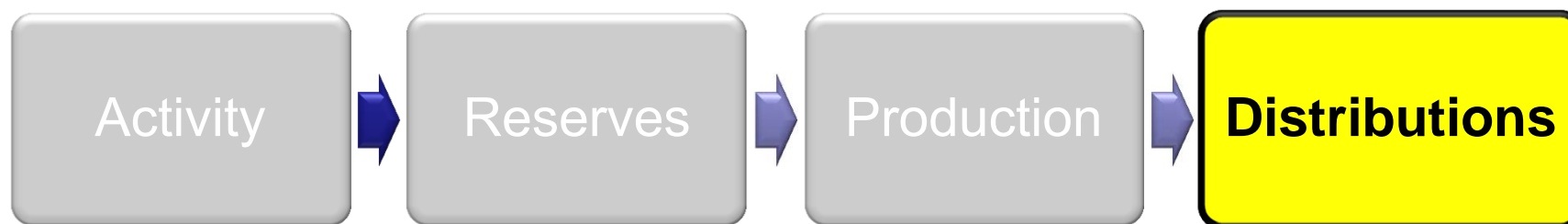
Daily Equivalent Rate (Mcfed)



Note: Volumes attributable to NPI's are burdened by lease operating costs and capital expenses



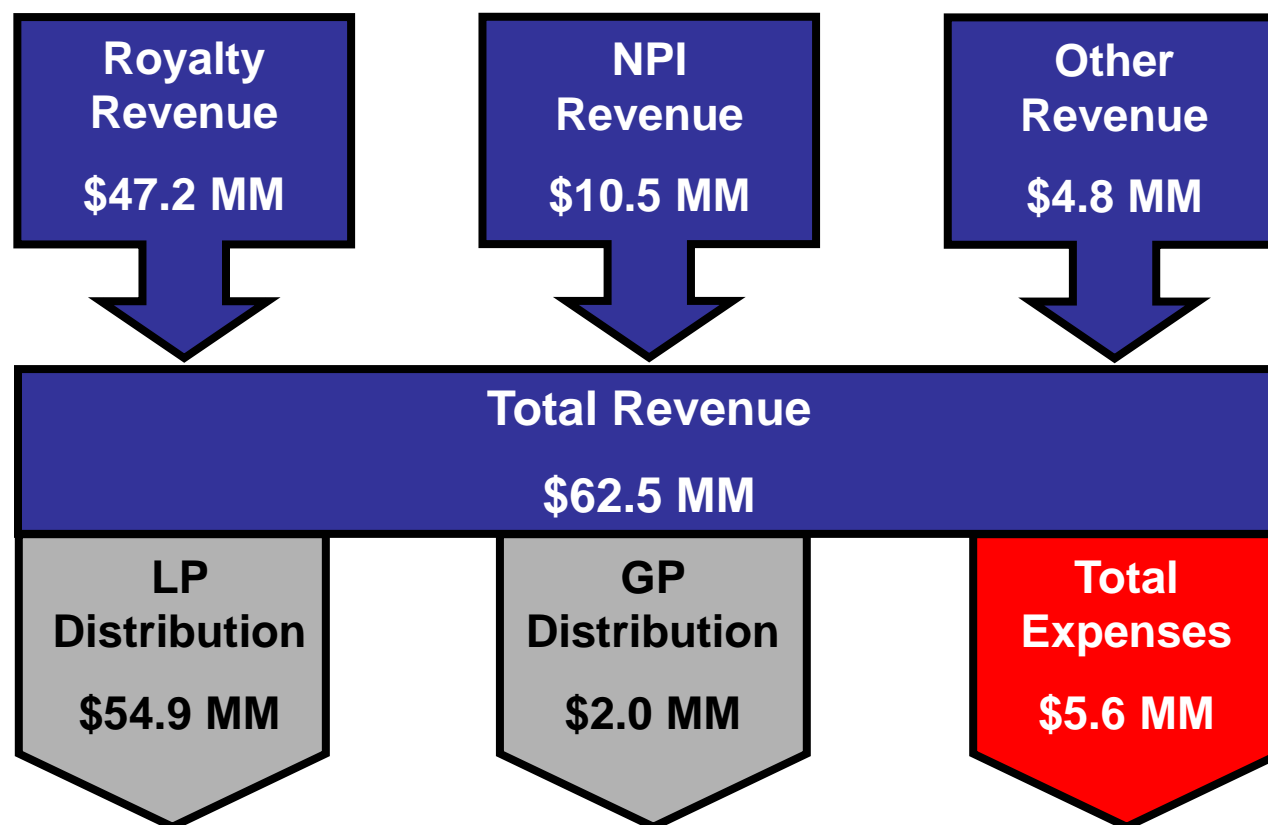
Overview of 2012 Results





2012 Distributions

- Cash Distributions Paid in Calendar 2012
 - Reflects Q4 2011 to Q3 2012 activity



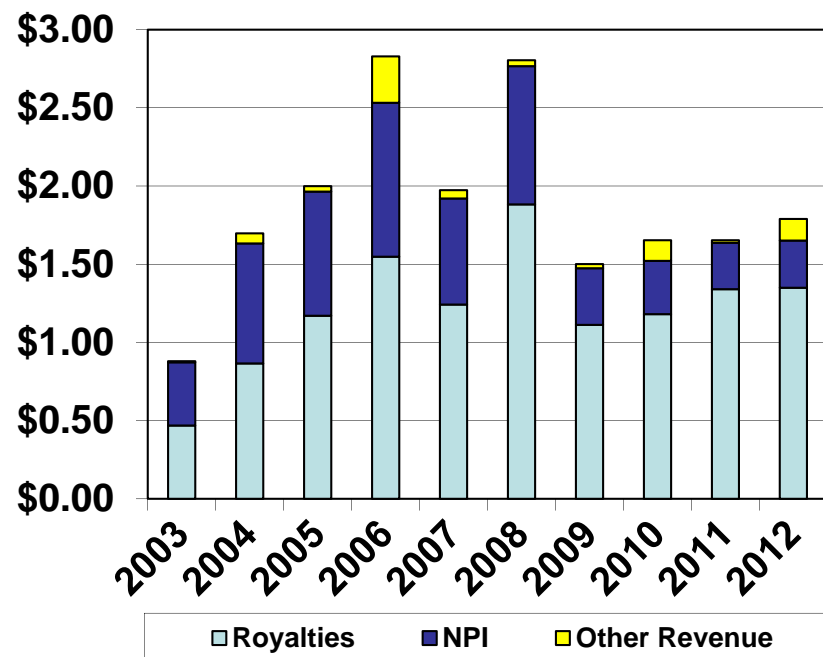


2012 Distributions

- Distribution Components and Prices

- Royalty properties contributed 75% to total 2012 distributions
- Gross Revenue → 30% gas & plant product sales, 61% oil sales, 9% other revenue
- Relative contributions from NPI's has decreased → heavily weighted to gas

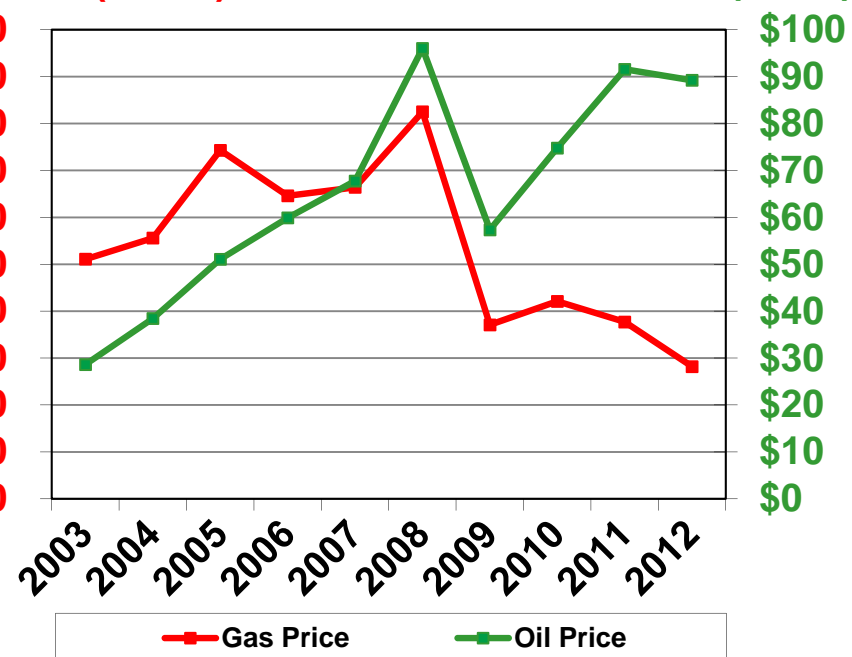
Distribution History (\$/unit)



Gas Price (\$/Mcf)



Oil Price (\$/bbl)



Note: Oil and gas prices represent realized prices from royalty properties.



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Annual Meeting

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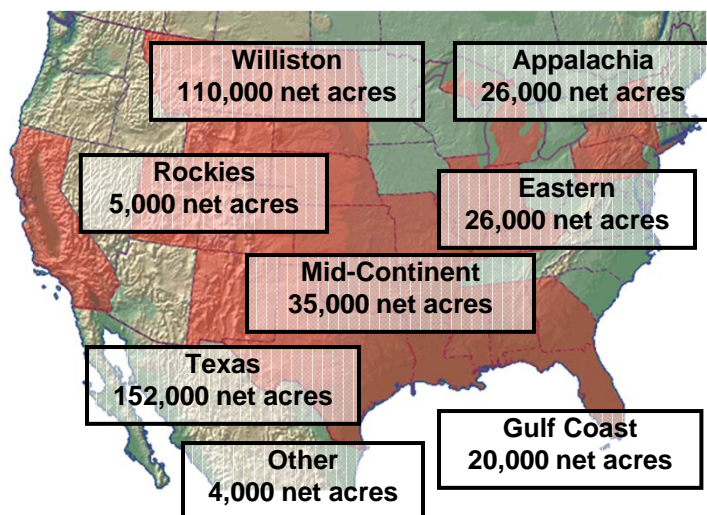


Appendix



Portfolio Overview

- Geographically Diverse – 574 counties in 25 states
 - 378,000 net mineral acres (2,308,000 gross acres)
 - Varying NPRI's, ORRI's and leasehold interests in an additional 860,000 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



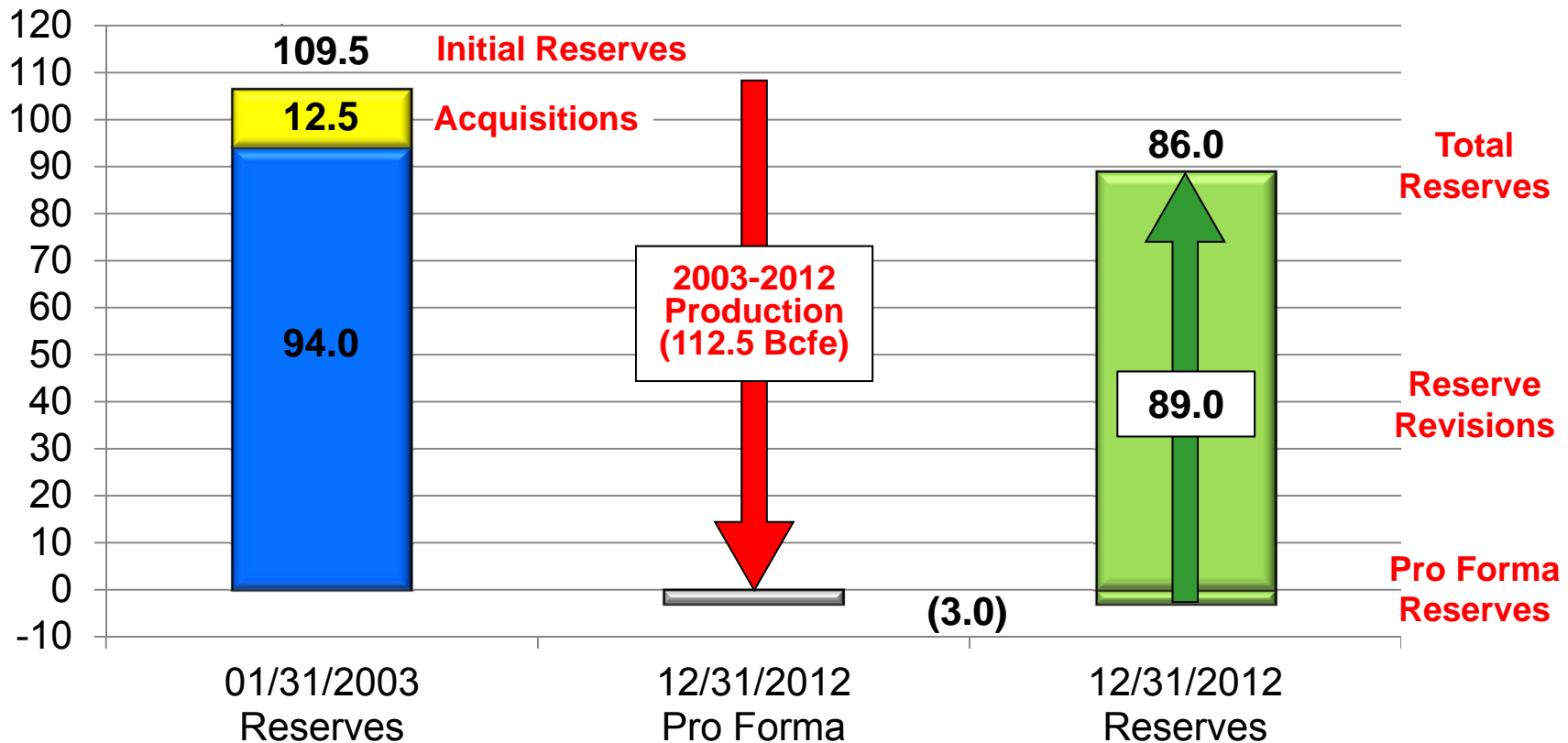
Basin/Area	Legacy Production	Ongoing Development	Expansion Potential
West Texas Southeast NM	Denver Unit Wasson	Wolfberry Bone Springs	Delaware Basin West TX Overthrust
Gulf Coast South Texas	Jeffress McAllen Ranch		Horizontal Wilcox
Mid-Continent	Hugoton	Fayetteville	Horizontal Granite Wash
Williston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



2012 Reserves

- History of Positive Reserve Revisions
 - Cumulative Reserve Revisions have exceeded 100% of Current Reserves

Equivalent Reserves (Bcfe)



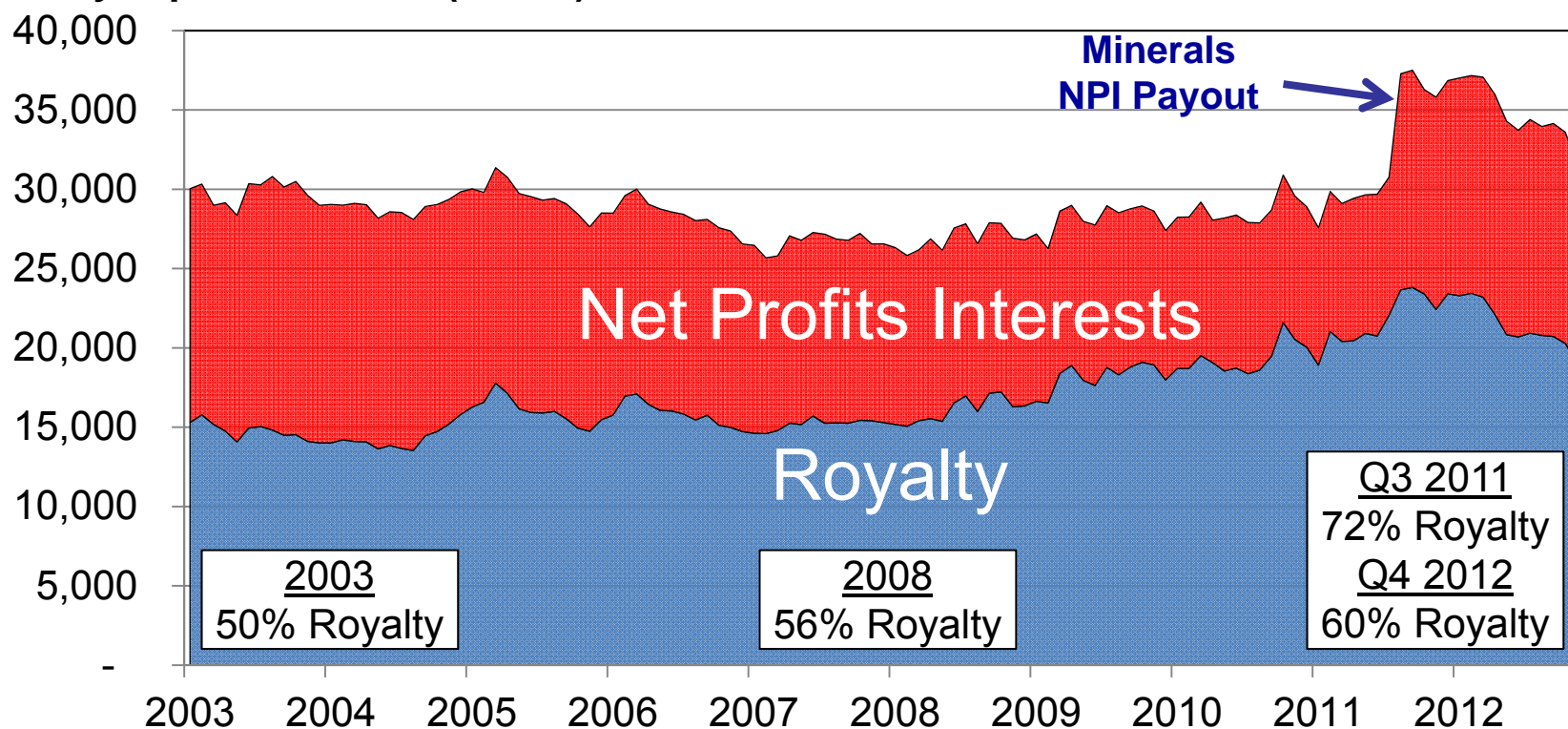


2012 Production

- Historical Production Profile

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

Daily Equivalent Rate (Mcfed)



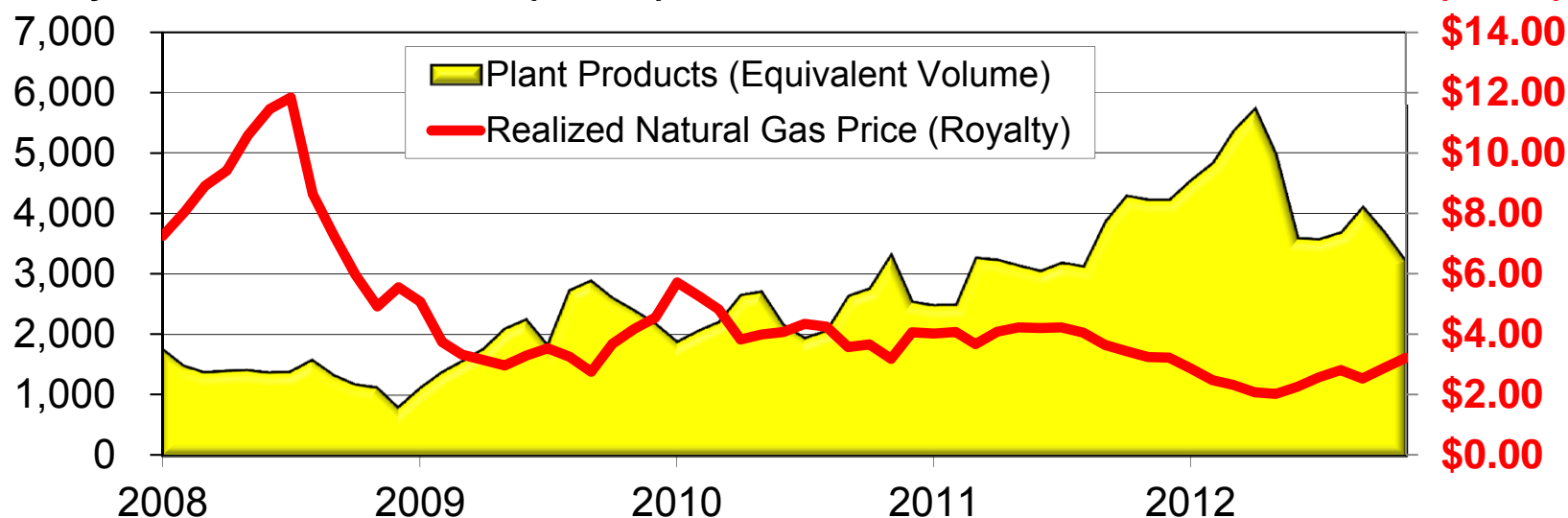


2012 Production

- Plant Products Contribution

- Plant Products (PP) includes all production revenue other than that from oil and gas
- Volume may be reported in barrels, cubic feet, gallons, bushels, etc. (or none)
- Equivalent PP volumes are estimated based on the ratio of total PP revenue to total gas revenue
- Equivalent PP volumes are sensitive to numerous factors including: gas prices, NGL prices, gas-oil price ratio, and gas composition

Daily Plant Products Rate (Mcfed)





Royalty Overview

- Leasing and Development Activity
 - Consummated 66 leases/elections on 3,382 net acres in 24 counties/ parishes in seven states
 - Lease bonus payments up to \$7,000/acre
 - Initial royalty terms up to 25%
 - Identified 404 new wells on royalty properties in eight states
 - Fayetteville Shale activity decreased in 2012
 - The price disparity between oil and gas has redistributed activity
 - Low gas prices → significant reduction of activity on gas assets
 - High oil prices → increased infill drilling and redevelopment on oil assets
 - 80 active lease offers as of May 2013



Net Profits Interests Overview

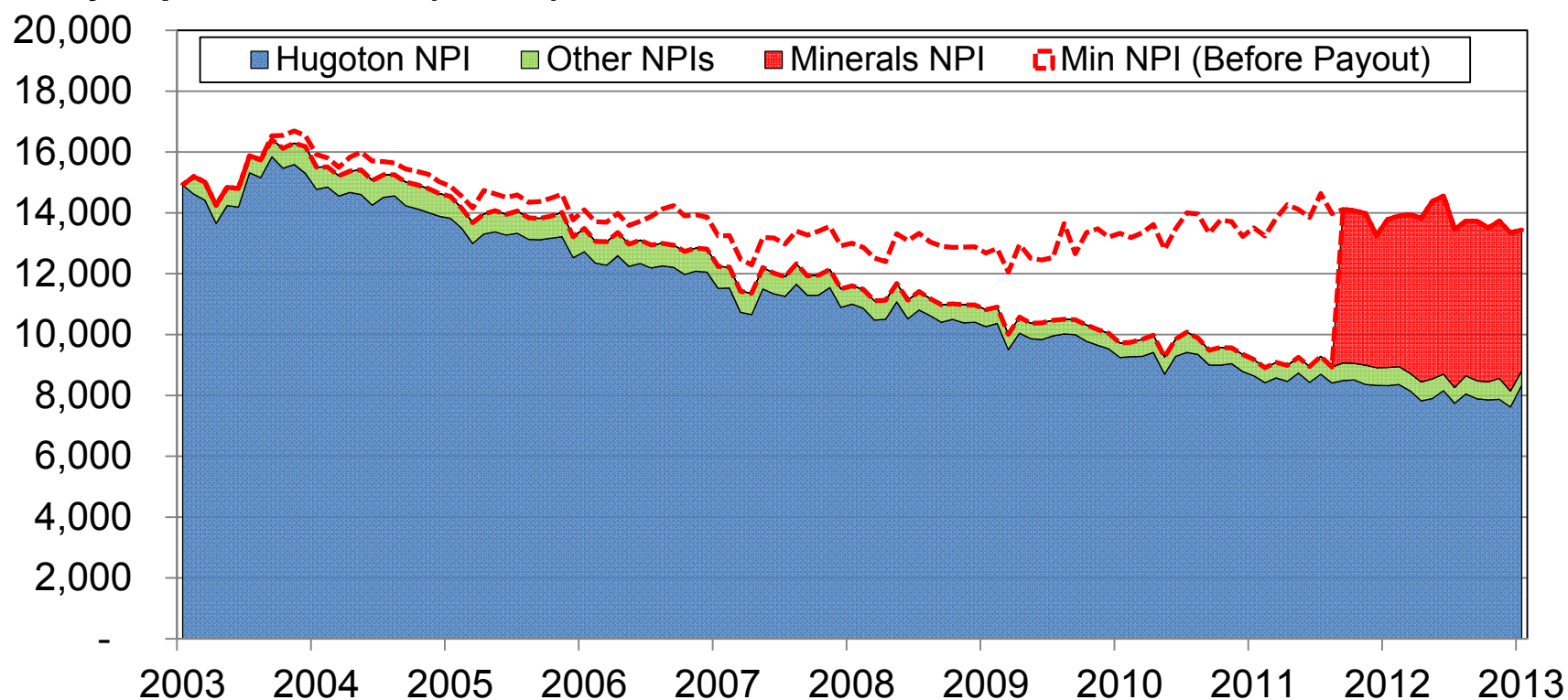
- NPI Provides LP Exposure to Working Interest Potential Without Generating UBTI
 - Four NPI groups were created at the time of formation in 2003 and two additional NPI groups created subsequently
 - Capitalize on strong negotiating position to capture additional value
 - Leverage information franchise
 - Optional working interest participation in numerous leases
 - Minerals NPI represents the majority of new development activity
 - Added 86 new wells located in Arkansas, Montana, North Dakota, New Mexico, Oklahoma and Texas



Net Profits Interests Production

- Relative contribution of NPI's has shifted over time
 - Hugoton accounted for 96% of NPI production at inception → 57% at year-end 2012
 - Minerals NPI volumes prior to Q3 2011 were not included in DMLP results

Daily Equivalent Rate (Mcfed)



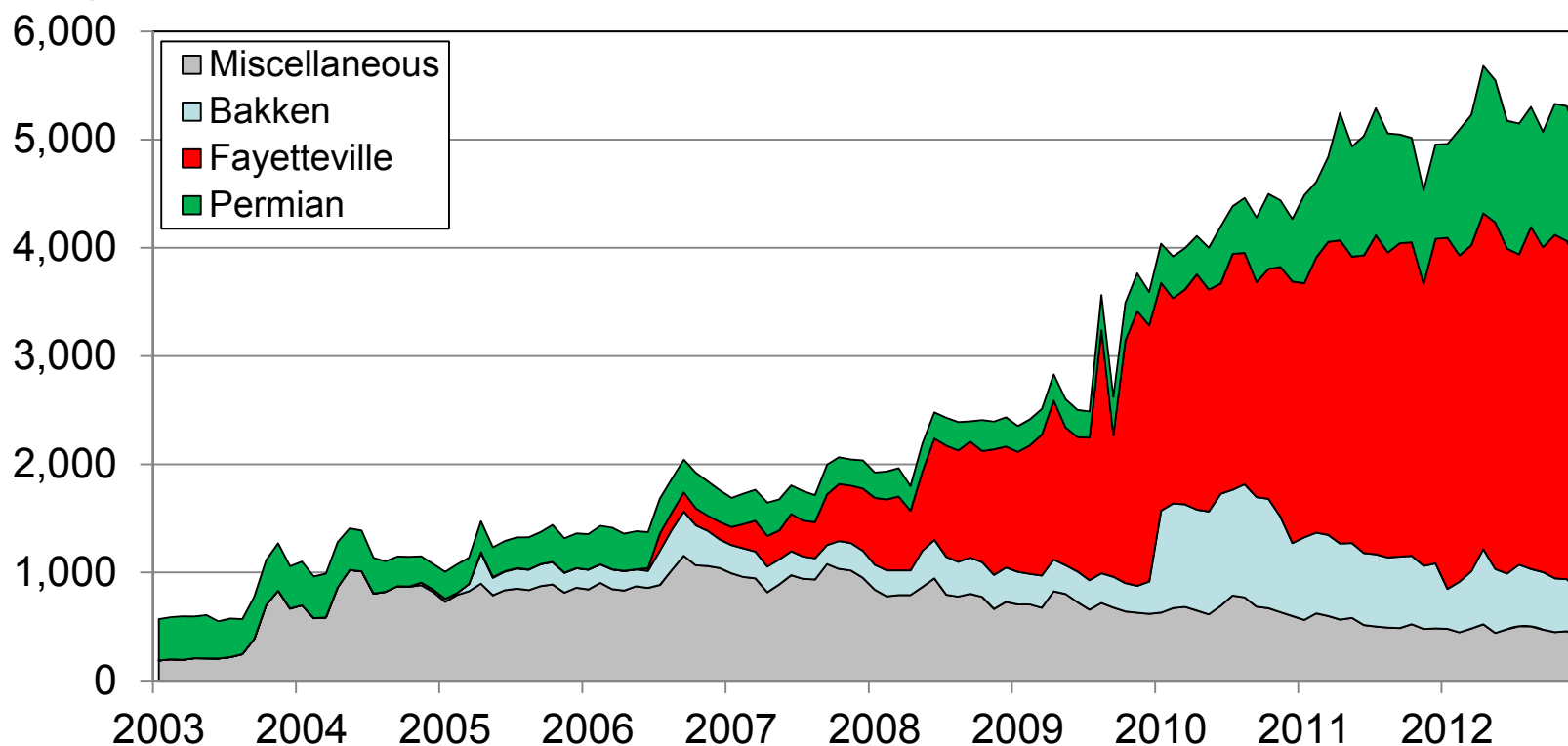


Net Profits Interests Production

- Non-Hugoton NPI Production

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

Daily Equivalent Rate (Mcfed)



Note: Includes pre-payout Minerals NPI production volumes



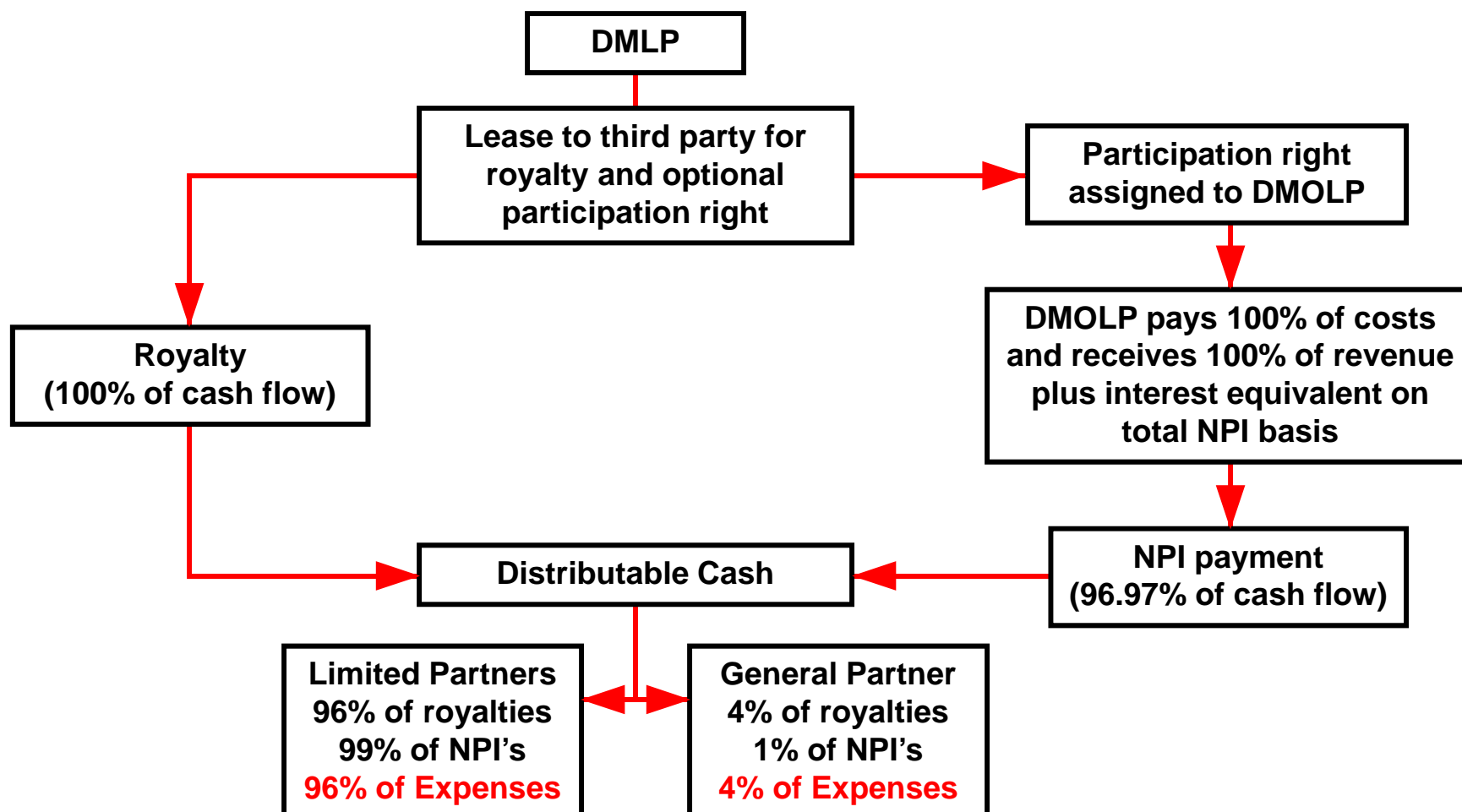
Minerals NPI

- **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.



Minerals NPI

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



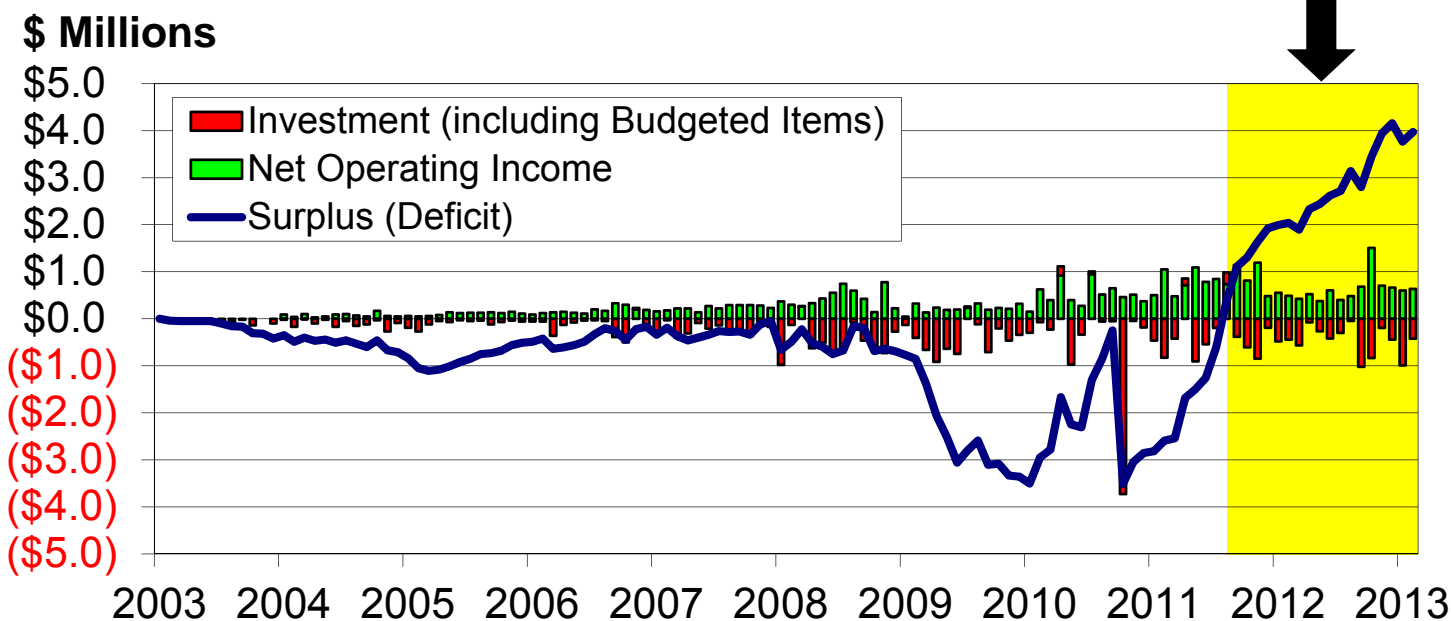


Minerals NPI

- Minerals NPI Cash Flow – Inception through Q1 2013

Cumulative Revenue	\$49.6 MM
Cumulative Expense (LOE, taxes, etc)	(\$9.9 MM)
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Cumulative Operating Income	\$39.7 MM
Cumulative Investment/Commitments	(\$35.6 MM)
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Cumulative Surplus (Deficit)	\$4.1 MM

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

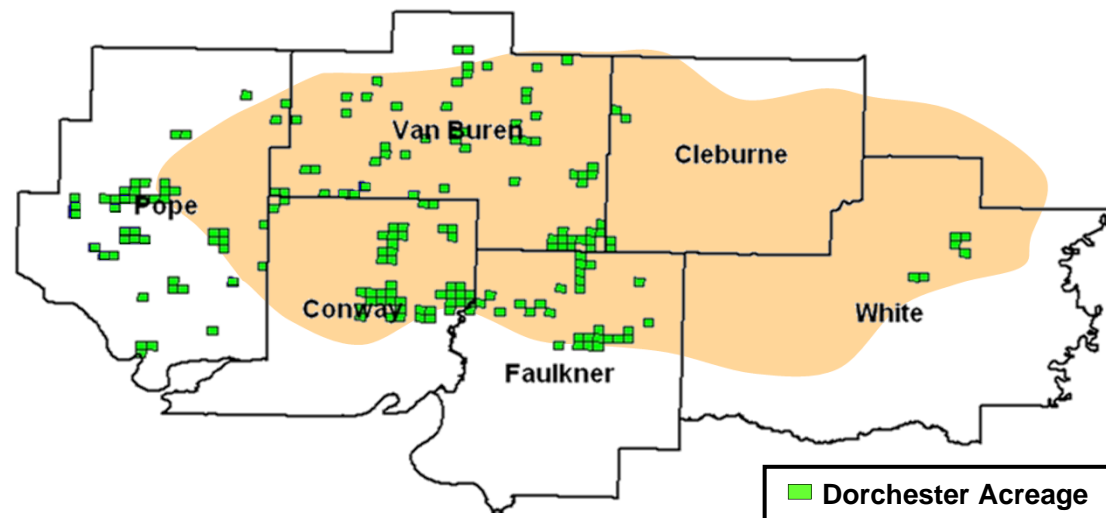


Note: Figures provide on a cash basis



Fayetteville Shale

- Eastern Arkoma Basin – Northern Arkansas
 - DMLP owns 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



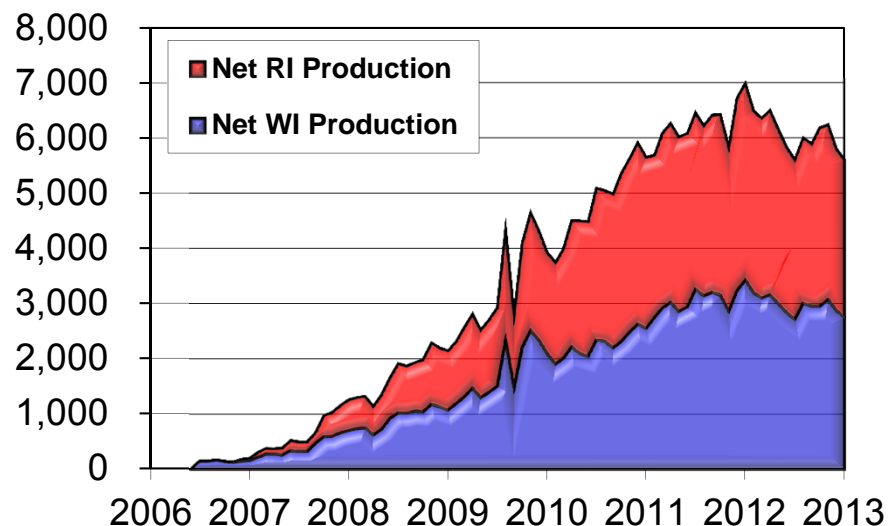


Fayetteville Shale

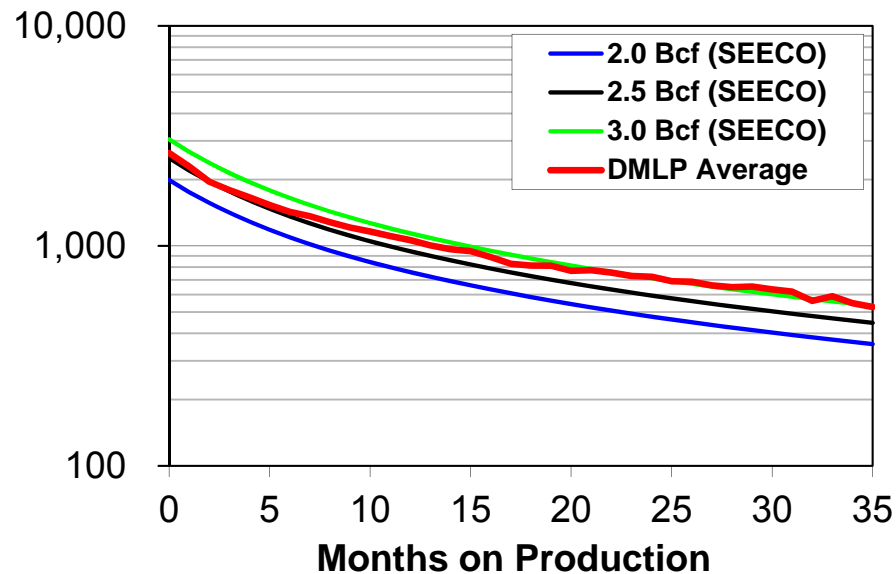
- 2012 Production Results

- 374 wells producing at year-end 2012
 - 2.9 MMcfd (WI)
 - 2.9 MMcfd (RI) } **5.8 MMcfd**
- Produced 2.3 Bcf in 2012 □ 52% from wells completed since January 2011

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

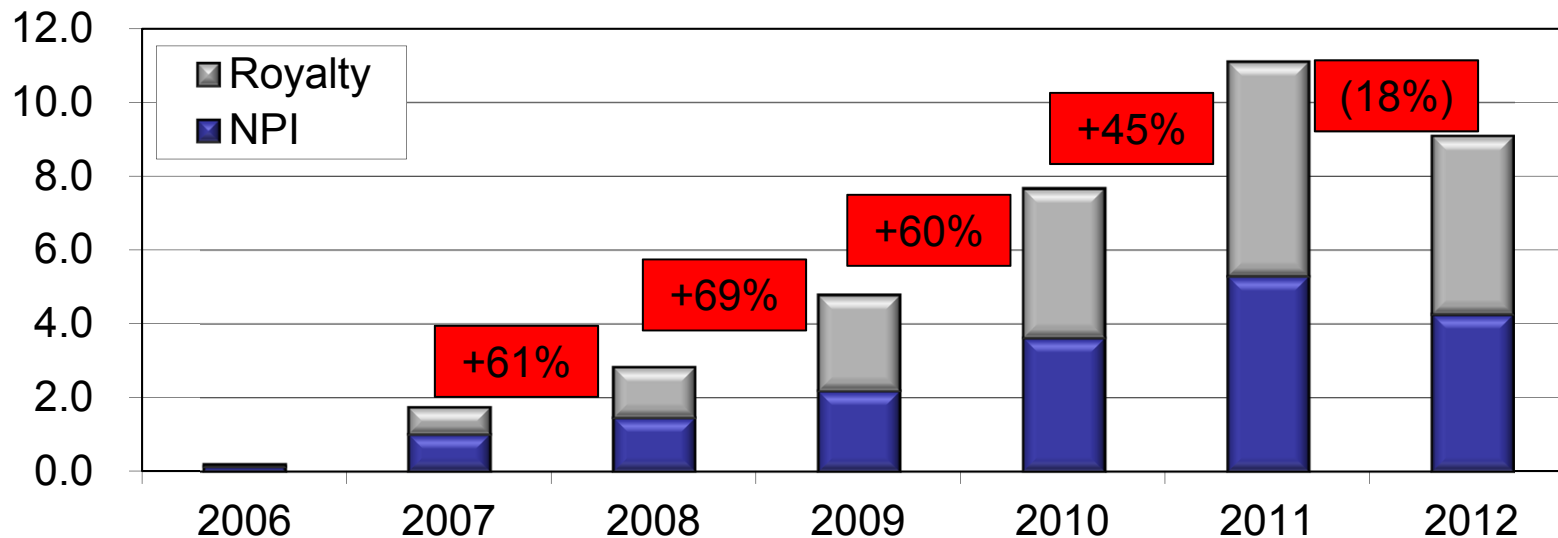


Fayetteville Shale

- 2012 Reserves

- Total reserves of 9.1 Bcfe on 12/31/2012 → 53% royalty
- Year-over-year reserves declined 18%
 - Lower natural gas price assumption negatively affected economic limits
 - Reduced activity compared to previous years – only 46 wells added in 2012

Gas Reserves (Bcf)



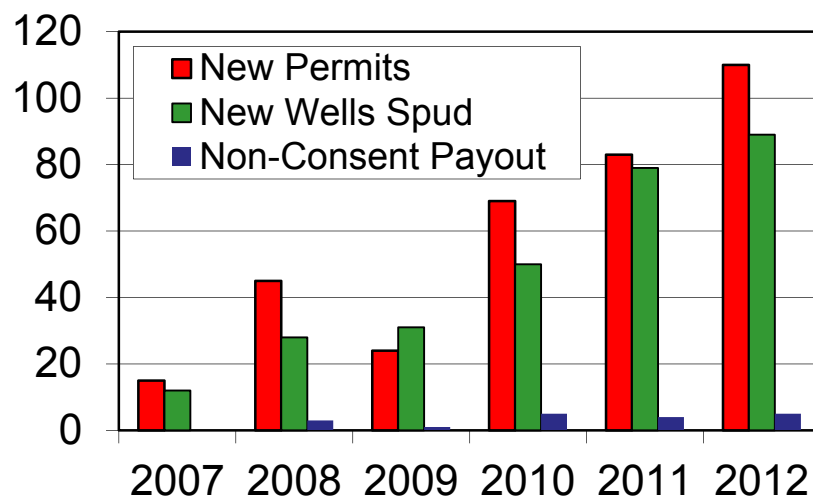
New Wells	2006	2007	2008	2009	2010	2011	2012
	5	21	54	49	85	92	46



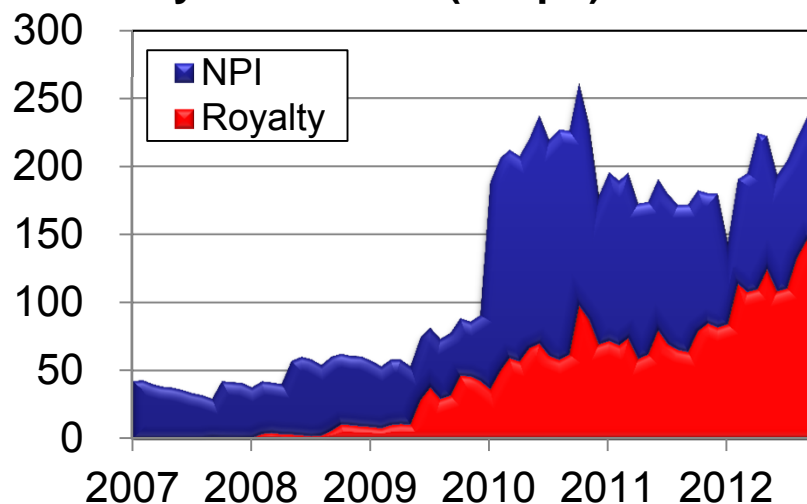
Bakken/Three Forks

- Williston Basin – Northwestern North Dakota
 - Diversified acreage position
 - 70,390 gross acres/8,905 net acres
 - Operators: Continental, COP, EOG, Hess, Marathon, Oasis
 - Elected non-consent option in 285 wells to date (193 in pay status)
 - Average royalty of all leases in unit (~16% royalty)
 - Back-in for full working interest after 150% payout
 - Working interest subject to Minerals NPI

Well Count



Net Daily Production (boepd)





Bakken/Three Forks

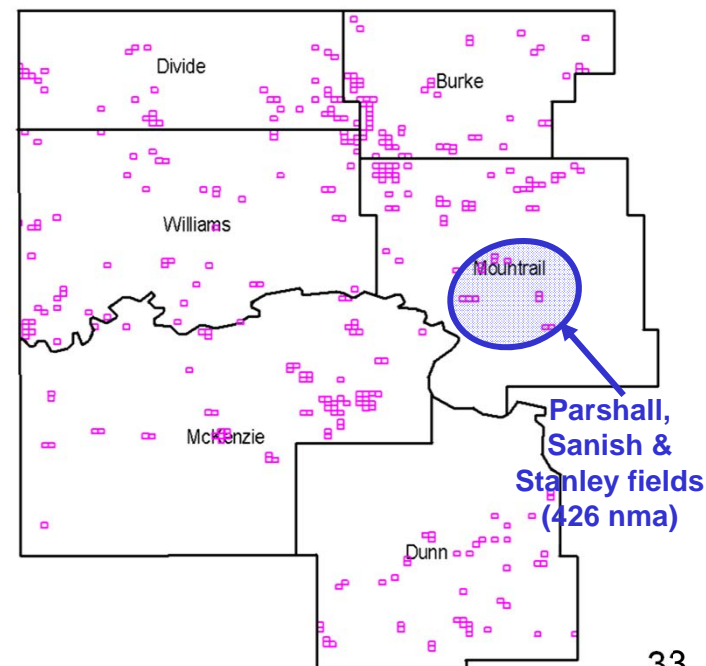
- Six County Core Area

- Current development activity on DMLP acreage
 - 273 wells completed as producers
 - 56 wells in various stages of drilling or completion (or confidential)
 - 32 wells permitted and/or proposed by operator
- Eight rigs currently drilling on DMLP acreage

} **361 wells/permits**

Selected Recent Well Results

Well Name (Operator)	Test Rate (boepd)	BPO NRI	APO NRI
Clifford Bakke 26-35 #4-H (BEXP)	3,043	1.10%	4.94%
Domaskin 30-31 2-H (BEXP)	5,490	1.04%	5.94%
Domaskin 30-31 3-H (BEXP)	4,197	1.04%	5.94%
EN-Jeffrey A 155-94 2734 H-2 (Hess)	1,866	0.93%	5.08%
P. Alice 154-99-4-3-27-4H (Kodiak)	3,213	1.86%	11.65%
P. Alice 154-99-4-3-27-4H3 (Kodiak)	2,896	1.86%	11.65%
Basey 5300-44-12T (Oasis)	2,820	1.13%	1.13%
Wren Federal 5300-41-26H (Oasis)	4,885	1.86%	11.65%

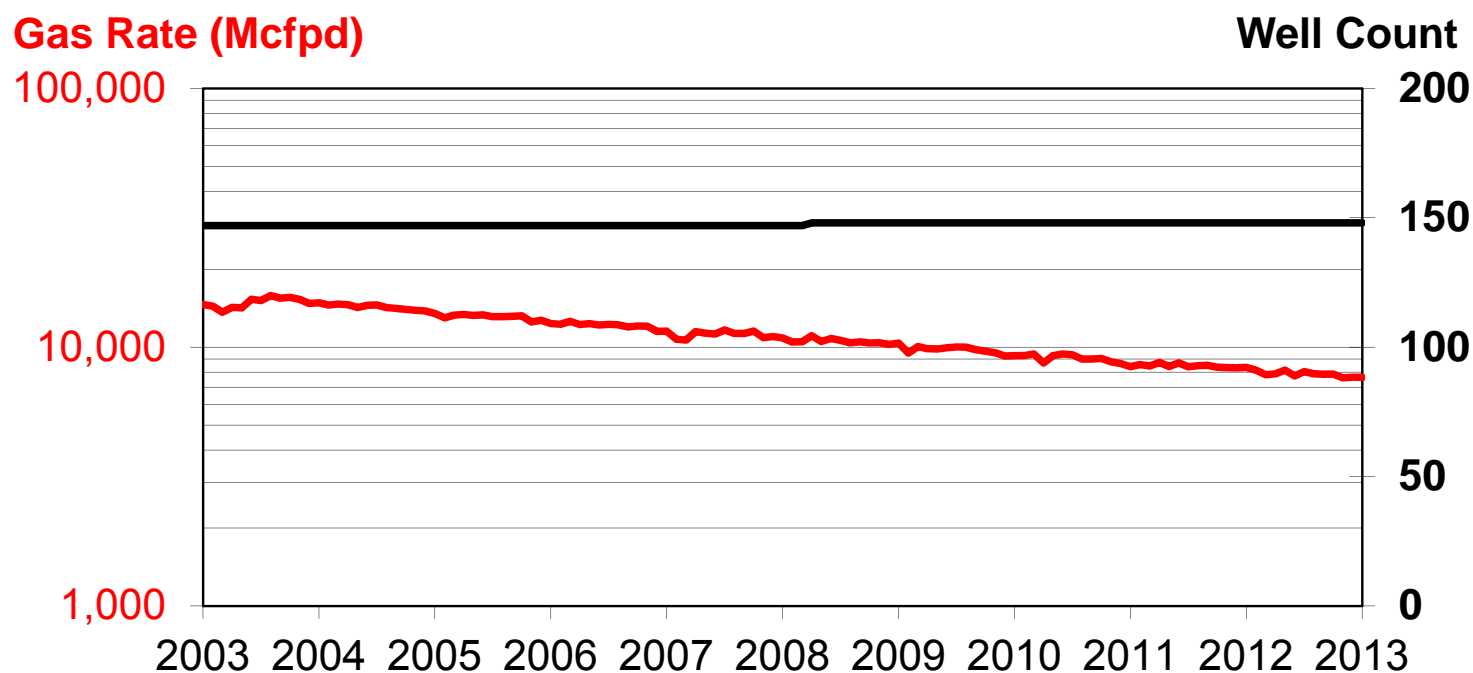


Note: NRI values combine interests attributable to DMLP and DMOLP.



Hugoton Operated Properties

- Hugoton Field – Oklahoma Panhandle & SW Kansas
 - 2012 production within 1.8% of projection
 - Year-over-year production decline of 6.0% with a 2.4% decrease in net reserves
 - World-class asset but limited upside potential
 - Ongoing well optimization and cost-saving initiatives

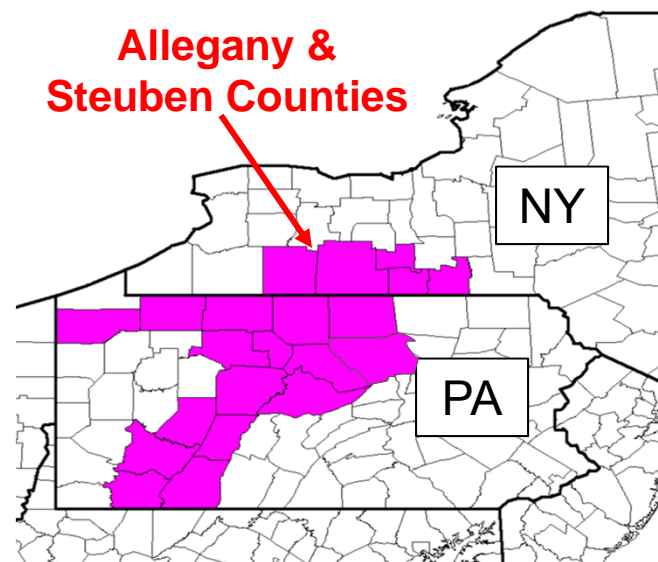


Note: Gas rate based on sales volumes



Appalachia

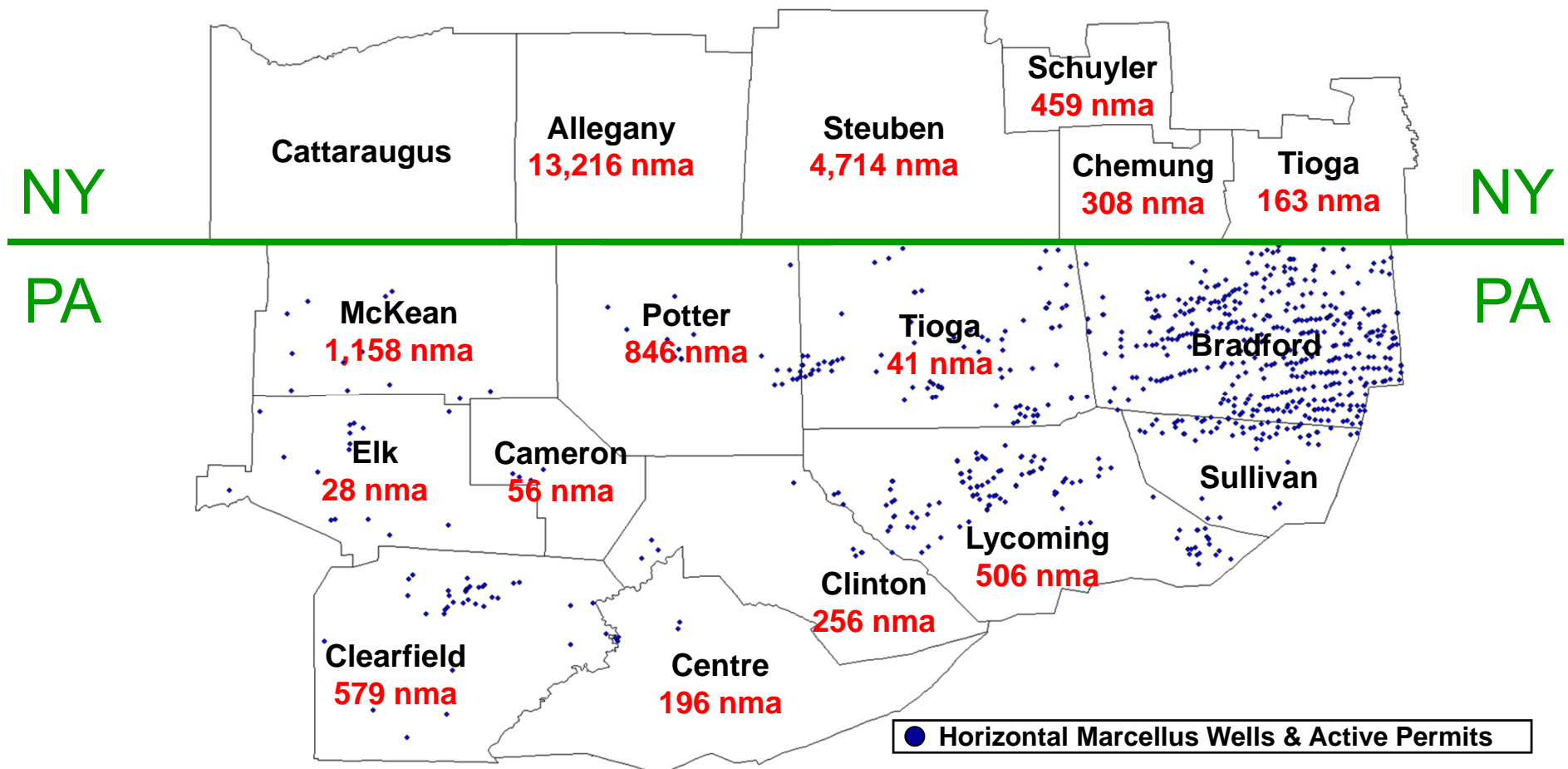
- Devonian Shale – New York and Pennsylvania
 - Concentrated acreage position
 - 32,395 gross acres/24,494 net acres
 - 70% in Allegany and Steuben Counties, NY
 - Challenging political environment in New York has limited activity relative to Pennsylvania
 - Potential targets
 - Upper Devonian oil (shallow)
 - Marcellus/Utica/Devonian shale gas (middle)
 - Trenton-Black River gas (deep)
 - Operators: Anadarko, Chesapeake, EOG, Range, Seneca, Shell, Talisman
 - Leased 506 net acres in Lycoming County, PA to Anadarko E&P in 2012
 - Drilling and completion activity currently underway
 - No reserves booked in 2012





Appalachia

- Southern Tier NY & Northern Tier PA





Distributions

- Distribution Determinations

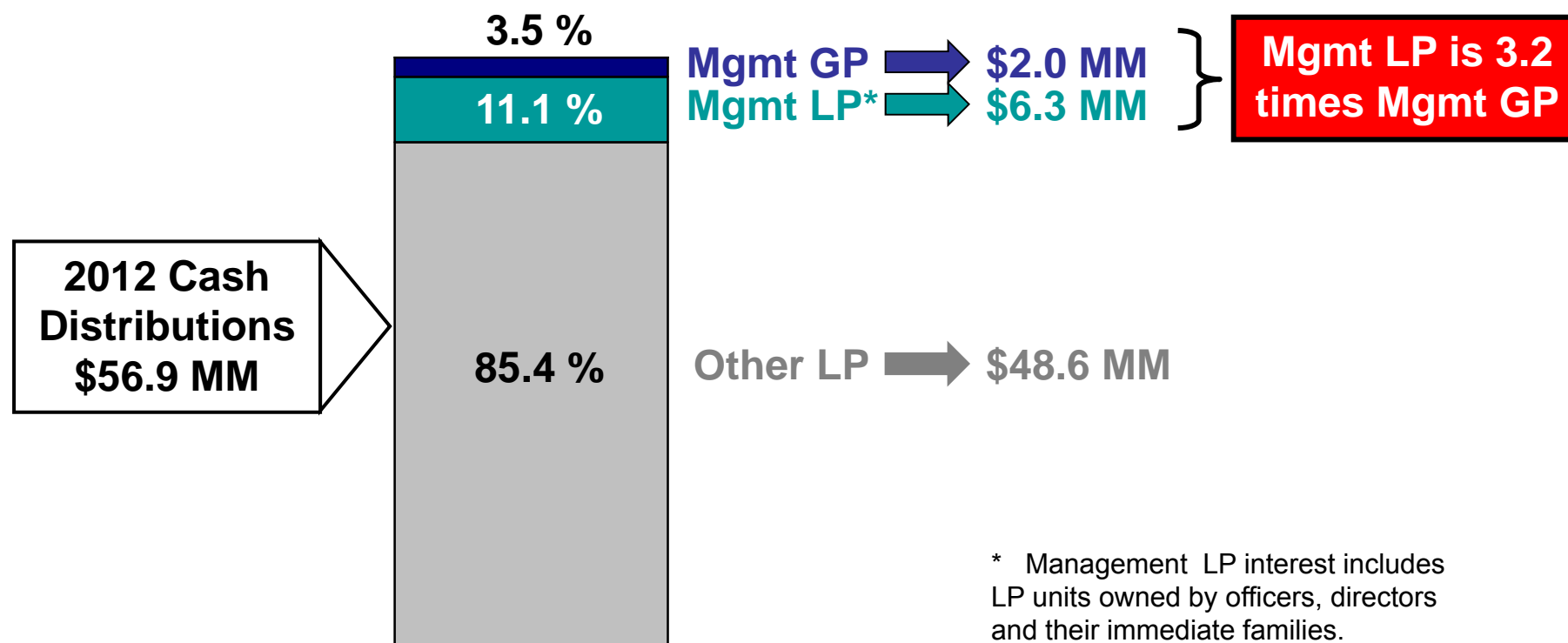
- Period from October 2011 through September 2012

	(\$ thousands)	
	Limited Partners	General Partner
4% of Net Cash Receipts from Royalty Properties	\$ -----	\$1,855
96% of Net Cash Receipts from Royalty Properties	\$44,520	\$ -----
1% of Net Profits Interests Paid to our Partnership	\$ -----	\$ 105
99% of Net Profits Interests Paid to our Partnership	\$10,390	\$ -----
Total Distributions	<u>\$54,910</u>	\$1,960
Operating Partnership Share (3.03% of Net Proceeds)	\$ -----	\$ 328
Total General Partner Share		<u>\$2,288</u>
<hr/>		
% Total	96%	4%



Management Ownership

- 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





Effects of 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

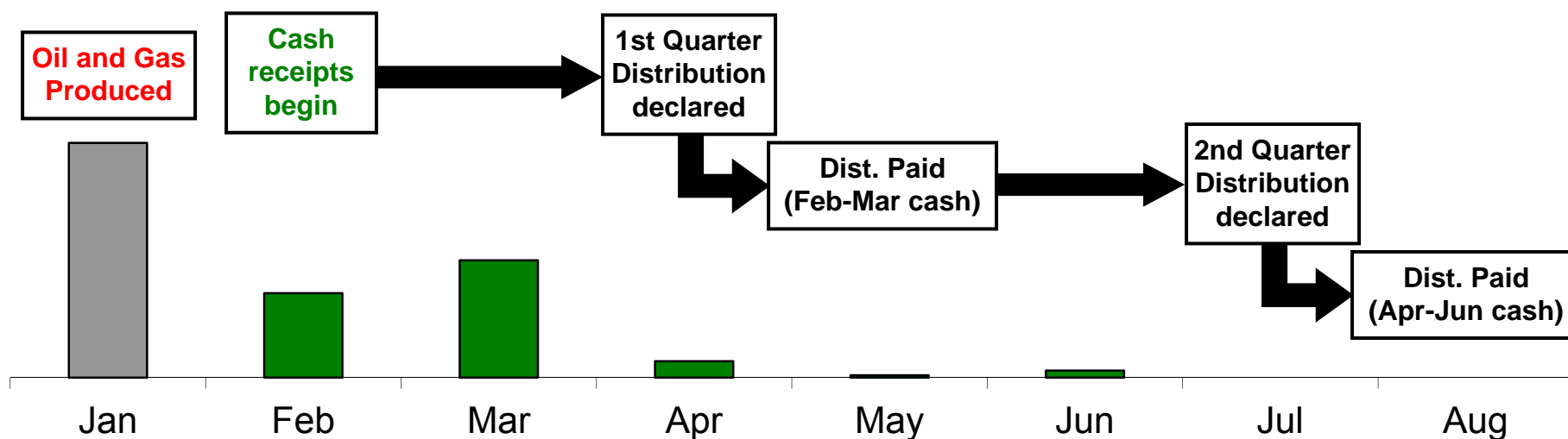
25% Increase in Royalty Cash Flow

33% Increase in NPI Cash Flow



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

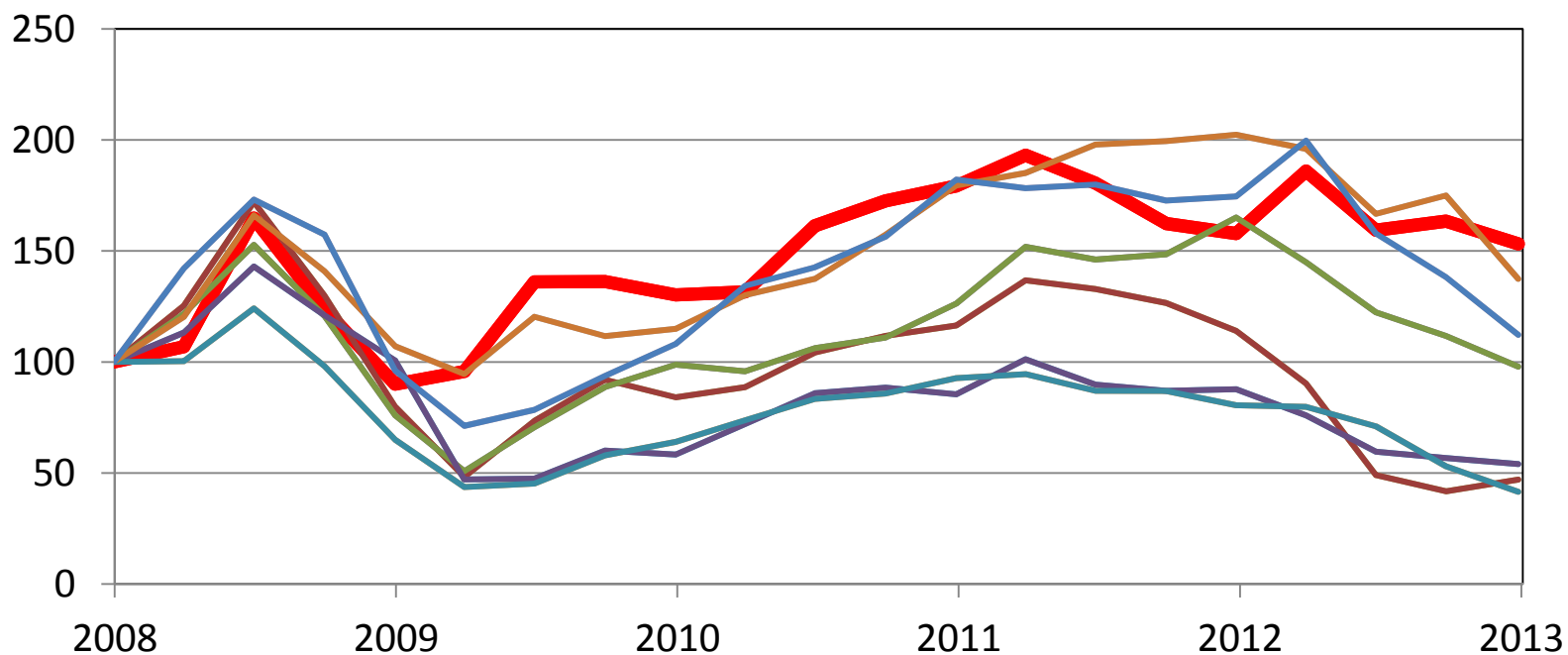


Peer Group Comparison

- Market Performance

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

5-Year Normalized Returns (distributions reinvested)



Note: Dist. reinvested on last day of quarter

