

# Dorchester Minerals, LP

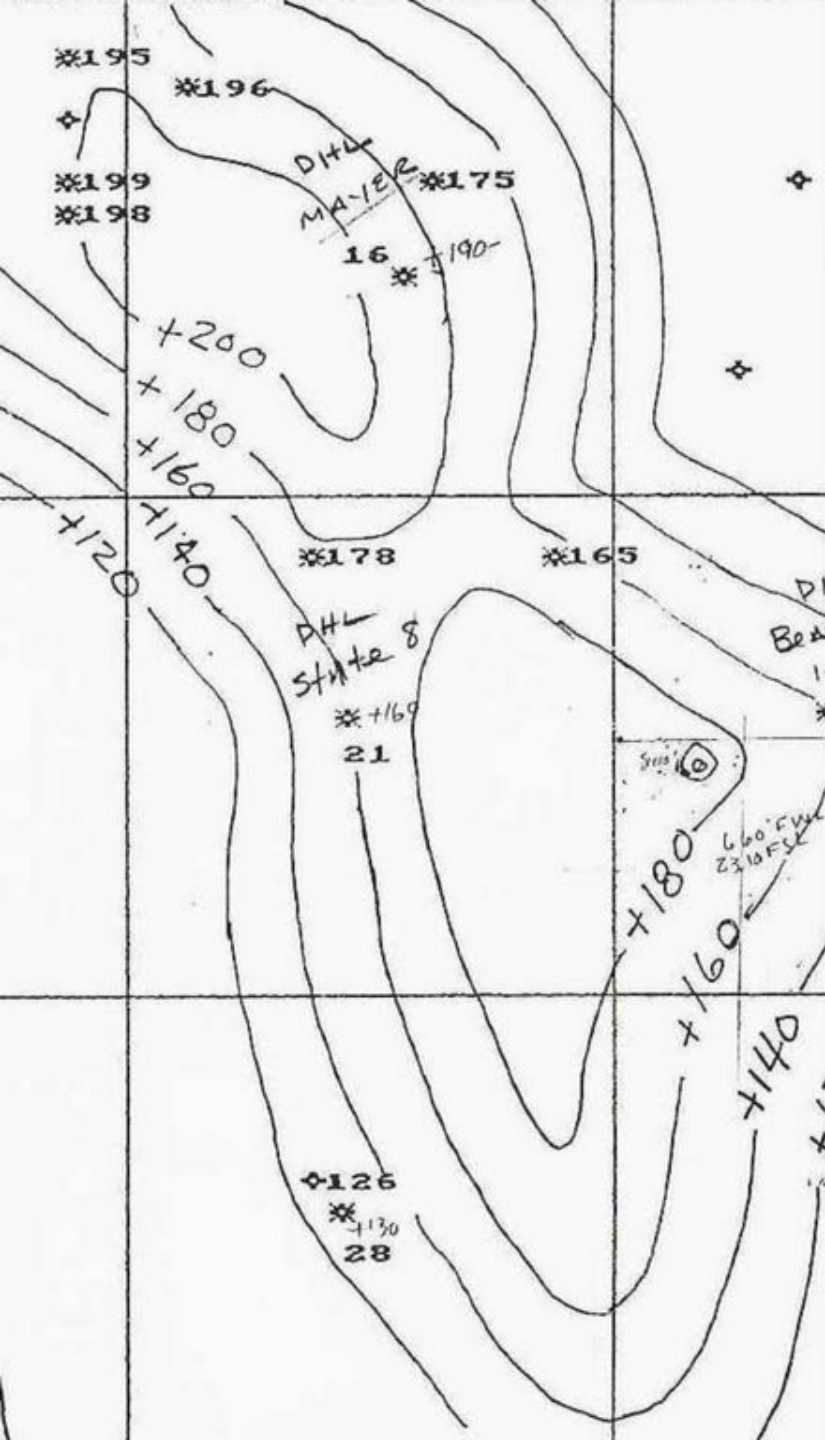
VIRTUAL  
ANNUAL MEETING

May 18, 2020



## Forward-Looking Statements

Portions of this presentation may constitute, and our officers and representatives from time to time may make, "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "anticipate", "intend", "plan", "goal", "seek", "believe", "project", "estimate", "expect", "strategy", "future", "likely", "may", "should", "will," "continue" or similar words, and the absence of such words does not mean that the statements are not forward-looking. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on (and these statements may discuss) our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections of results of operations or of financial condition, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, 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. Therefore, you should not rely on any of these forward-looking statements. Examples of such uncertainties and risks include, but are not limited to, changes in the price or demand for oil and natural gas, including the recent significant decline in energy prices, public health crises including the worldwide COVID-19 or coronavirus outbreak beginning in early 2020, 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. Any forward-looking statement made by us in this document is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update or revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or circumstances, or otherwise.



# OUTLINE

- Trends and Observations
- Distributions
- Minerals NPI Activity
- Production and Reserves
- Property Discussion
- Summary



## Trends and Observations

### Challenging Environment on All Fronts

- Pressure on both prices and volumes
- Drop in rig count is likely a leading indicator of production roll-over
- Financial stability of our operators/lessees
- Industry consolidation is a likely outcome

### Impacts on Distributions

- Short Term
  - Lag between product sales, receipt of revenue and distribution delays full effect of prices drop
- Medium Term
  - Production curtailments and shut-ins are likely to impact volumes
  - Leasing activity suspended → significant lease bonus income unlikely
- Long Term
  - Reduced development drilling may negatively affect production trends and future reserve revisions
  - Development of Eastern Delaware Basin likely to be delayed

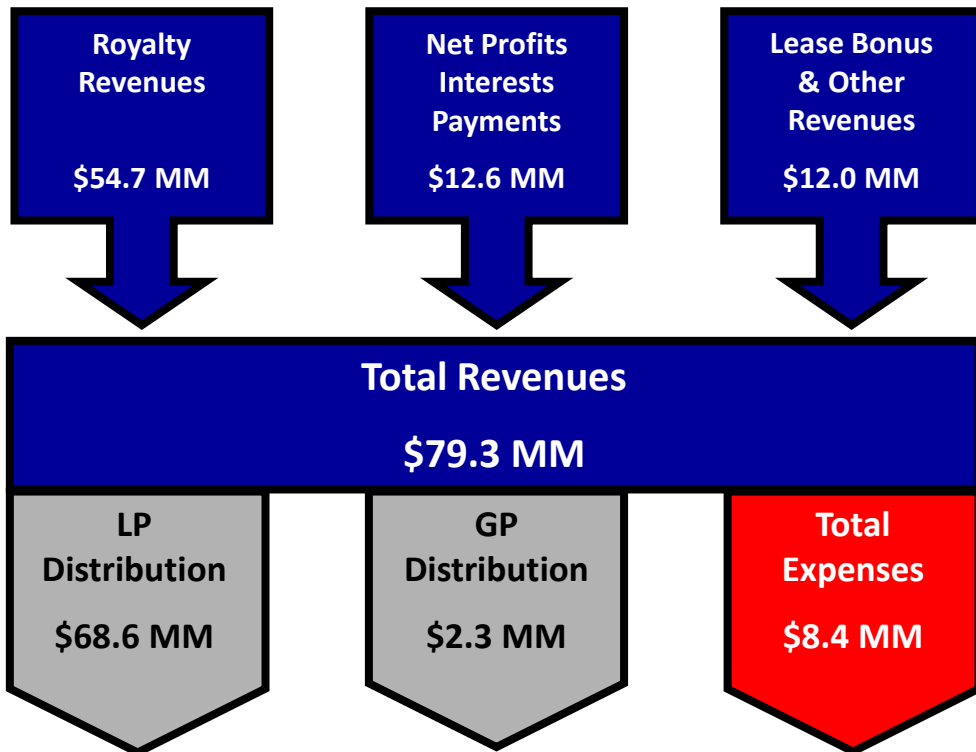
### Partnership Response

- Increased attention to operator credit risk and revenue recovery
- Immediate flexibility in NPI participation → no long-term capital commitments
- Focus on reducing discretionary and other variable costs
- Continue search for accretive M&A opportunities

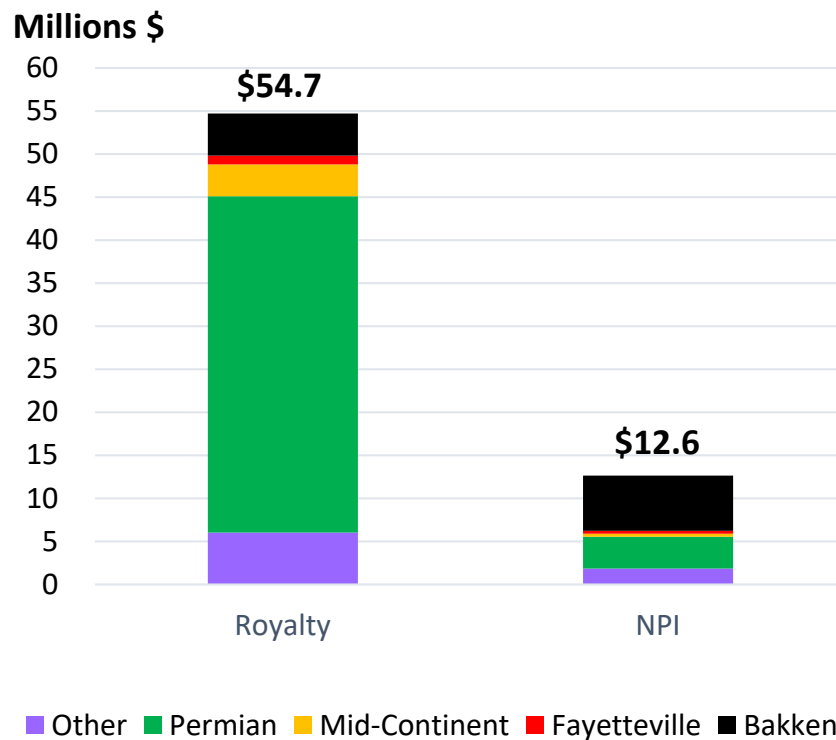
## 2019 Distributions

Cash Distributions Paid in Calendar 2019

- Reflects Q4 2018 thru Q3 2019 activity



**Composition of 2019 Revenues**

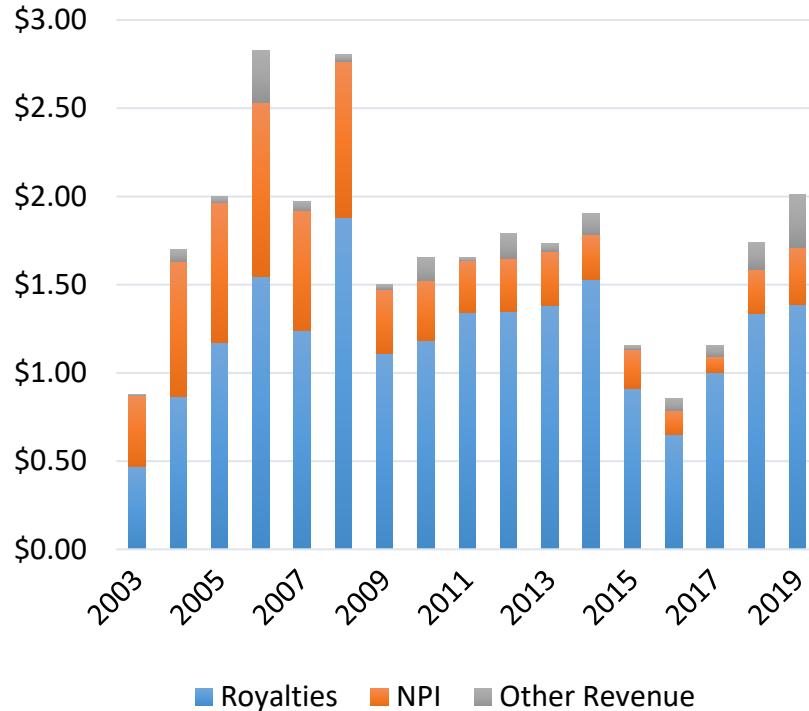


## 2019 LP Distributions

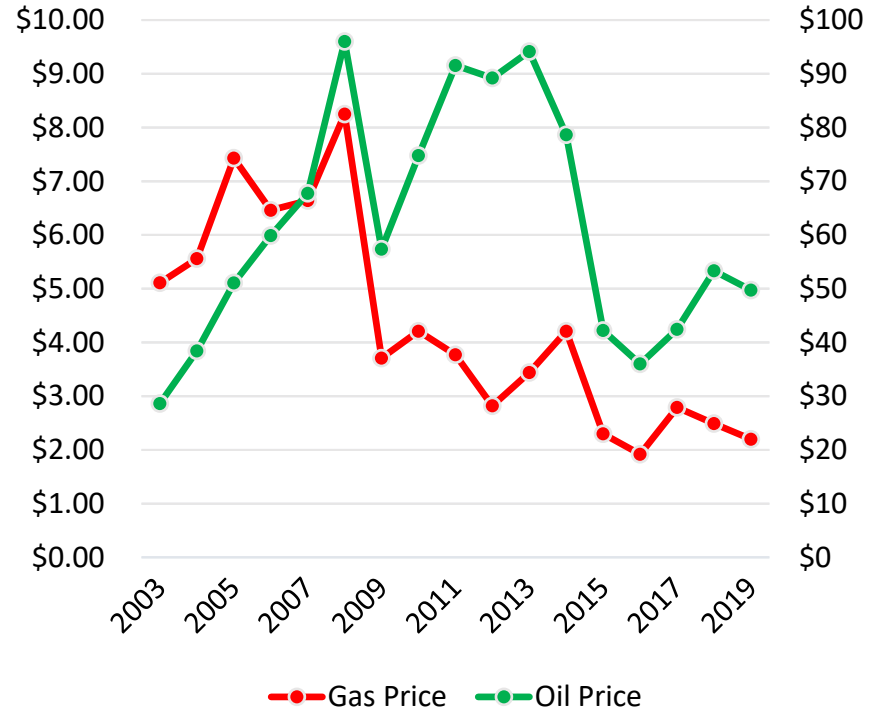
### Components and Prices

- Cumulative LP distributions of \$881 MM (\$29.54/unit) from inception through 2019
- Royalty properties contributed 69% to total 2019 Revenues
- Gross Revenue → 71% oil & liquids sales, 14% gas sales, 15% other

LP Distribution History (\$/unit)



Gas Price (\$/Mcf)



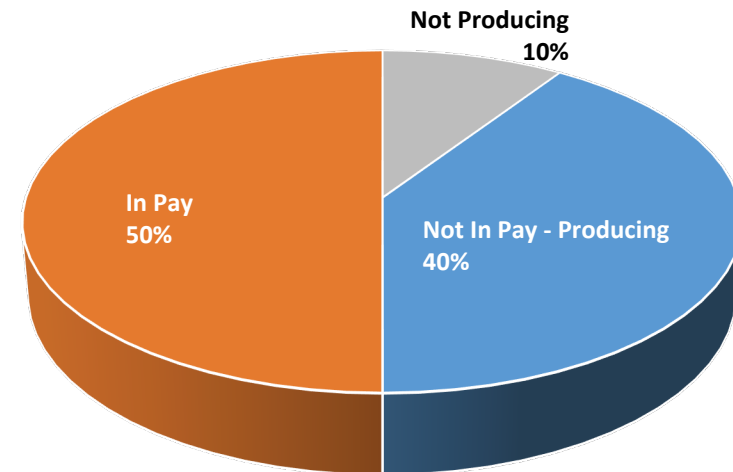
## Minerals NPI

### Trailing 12 Months Activity through March 2020

- Trailing 12 months operating margin of 67%
- NPI was in surplus status for the past 12 months

Trailing 12 Months Revenue	\$26.2 MM
Trailing 12 Months Expenses (LOE, taxes, etc.)	(\$8.6 MM)
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Trailing 12 Months Net Operating Income	\$17.6 MM
Trailing 12 Months Minerals NPI Payments	\$15.7 MM
Trailing 12 Months Minerals NPI Payments \$/unit	\$0.45

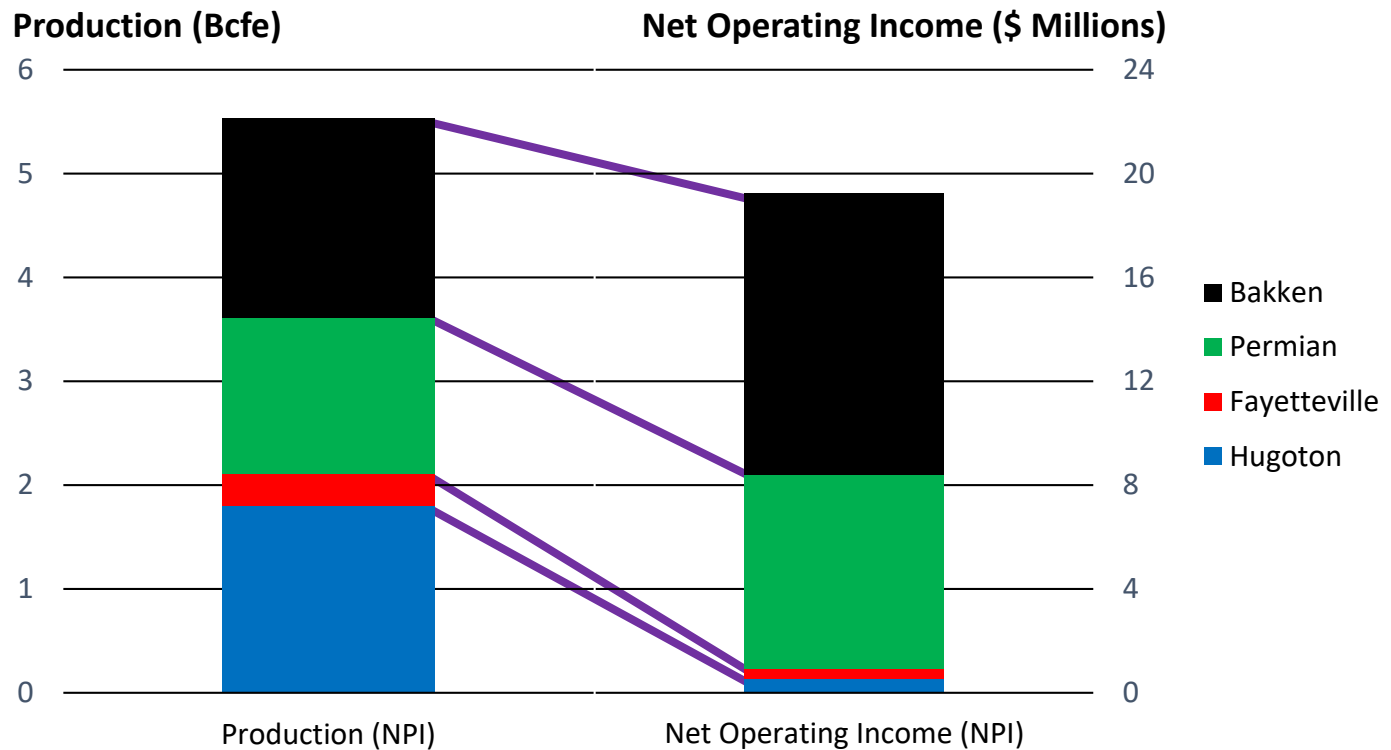
Bakken 3/31/20 Capital Commitments  
of \$3.2 MM = Cash Reserved



## 2019 NPI Net Operating Income

NPI contributions to distributions are not proportionate to production

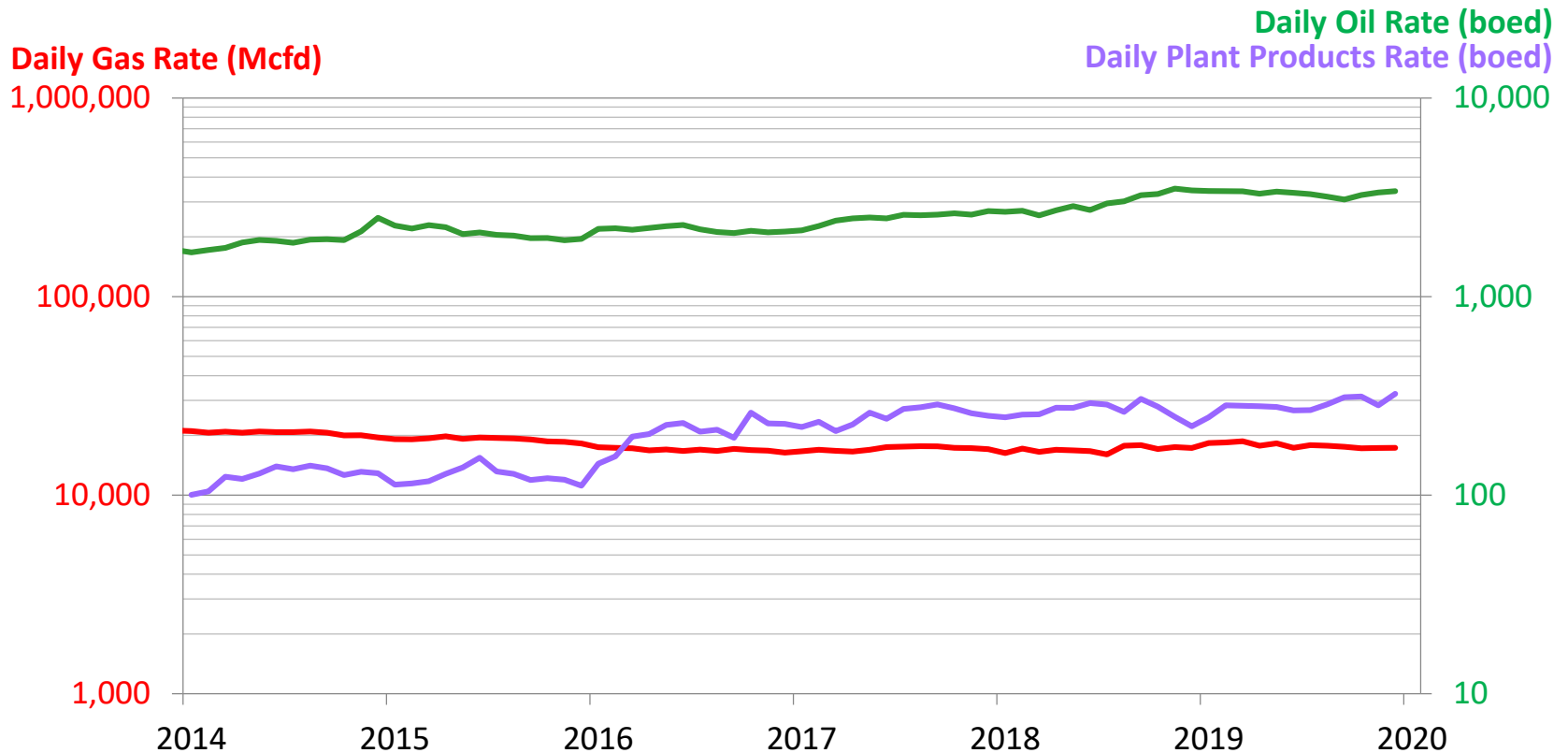
- Oil from Bakken and Permian represent the majority of Net Operating Income
- Natural gas from Fayetteville and Hugoton are much smaller contributors due to lower margins





## Total Production

- Oil production increased by 103% between 2014 and 2019
- Gas production decreased by 18% between 2014 and 2019
- Plant Product production increased by 223% between 2014 and 2019



## Royalty and NPI Production

### Royalty Production

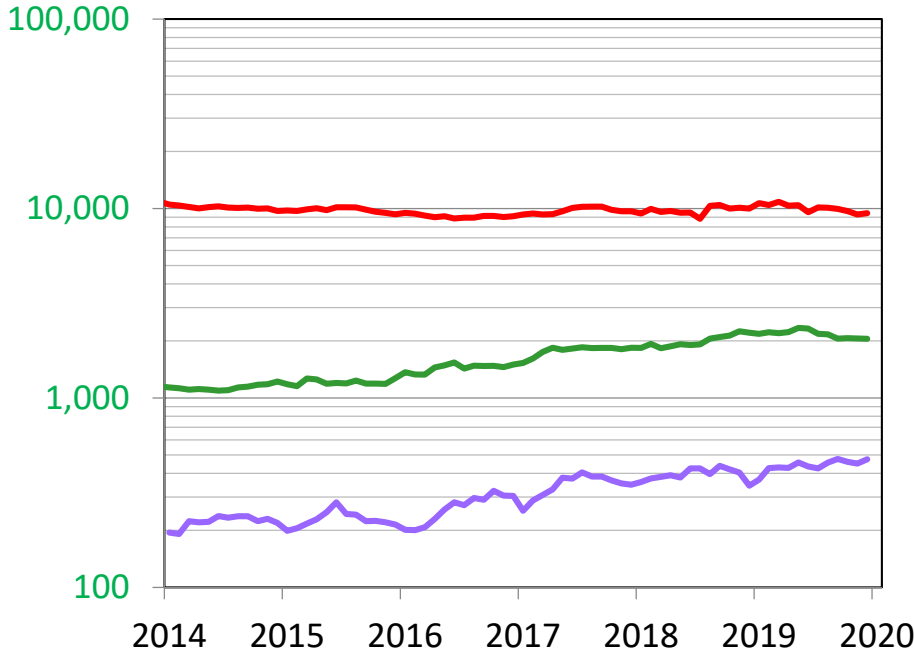
- Oil has been driven by robust Midland Basin development
- Gas decline is suppressed by associated gas from Bakken and Permian
- Plant Product increase due to high-BTU gas

### NPI Production

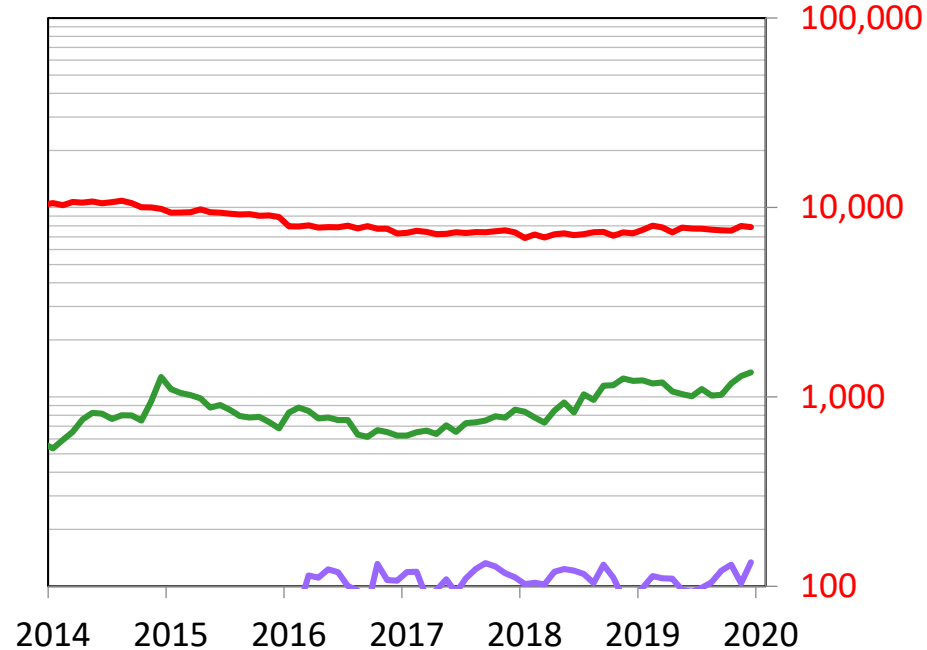
- Oil has been driven by Bakken participation and contributions from Permian APO WI
- Gas production is predominately from the Hugoton Field

Daily Oil Rate (boed)

Daily Plant Products Rate (boed)



Daily Gas Rate (Mcf/d)

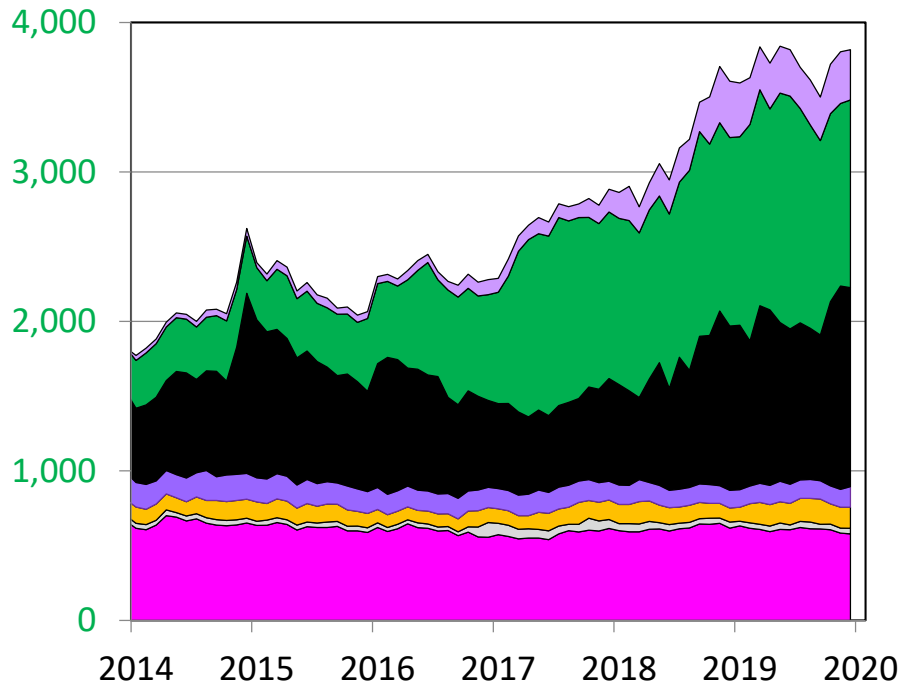


## Composition of Production

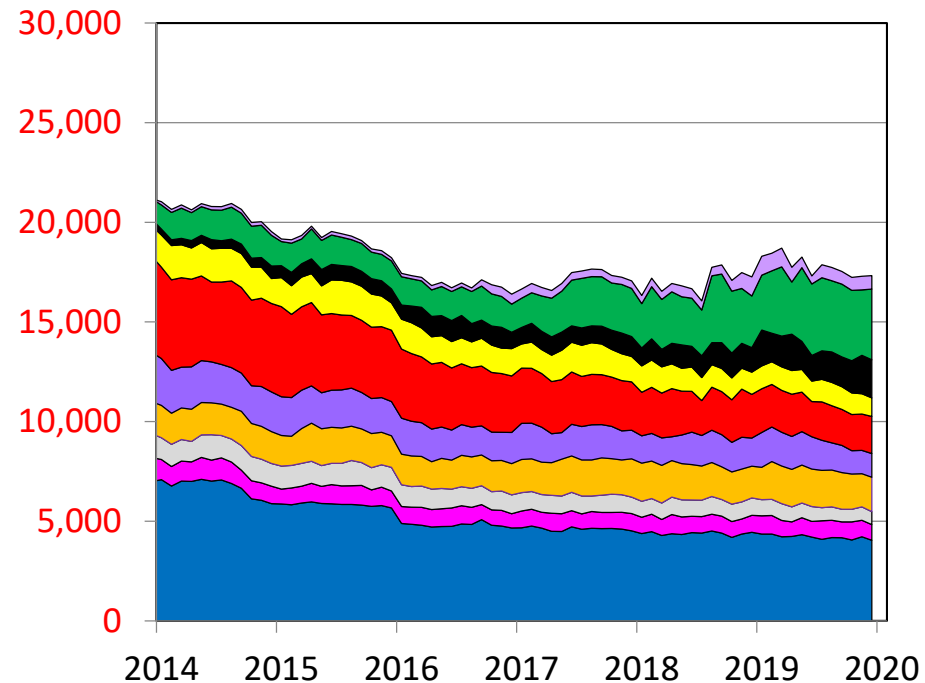
### Contribution from Diverse Sources

- Production growth has come from new plays in mature basins
- Legacy assets provide low-decline production base
- Production from dry gas basins continues to decline

Daily Oil Rate (boed)



Daily Gas Rate (Mcf/d)

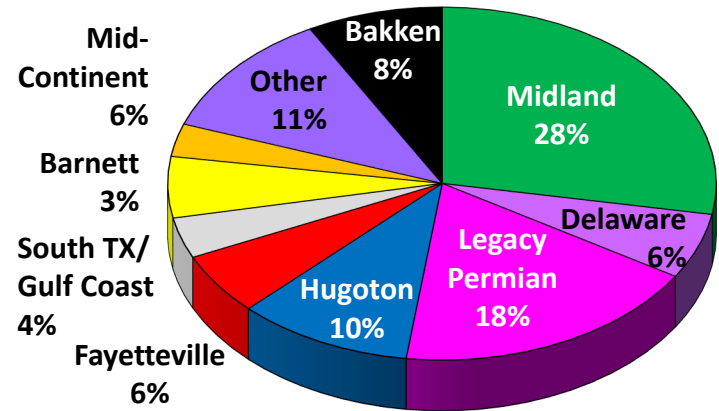


■ Hugoton ■ Legacy Permian □ S. Texas/Gulf Coast ■ Mid-Continent ■ Miscellaneous ■ Fayetteville Shale ■ Barnett Shale ■ Bakken ■ Core Midland Basin ■ Delaware

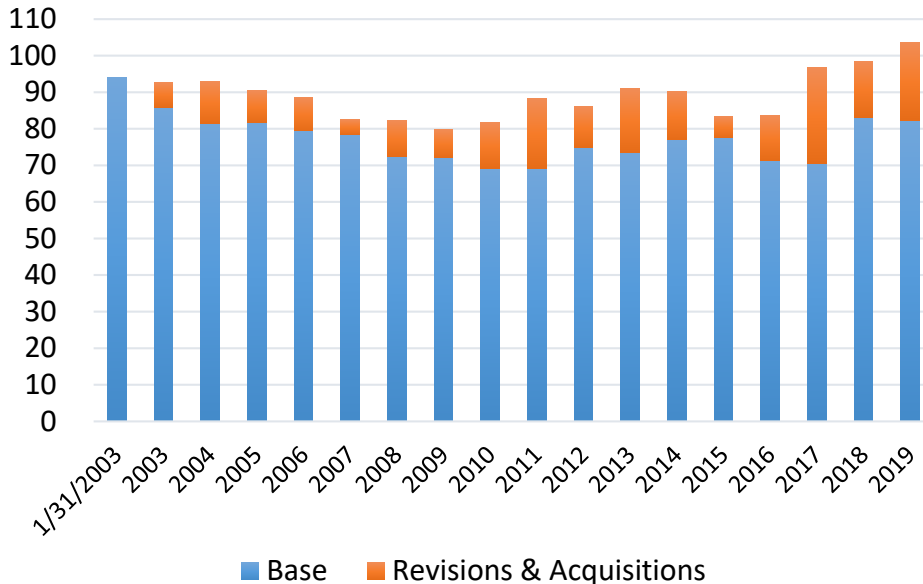
## 2019 Reserves

- Total Proved Reserves of 103.7 Bcfe on 12/31/2019
- All reserves are Proved Developed Producing (PDP)
- Balanced product mix → 44% oil, 44% natural gas, 12% plant products
- Permian and Bakken → 90% of total oil reserves
- Hugoton and Permian → 46% of total gas reserves
- Legacy Permian → low-decline conventional and EOR

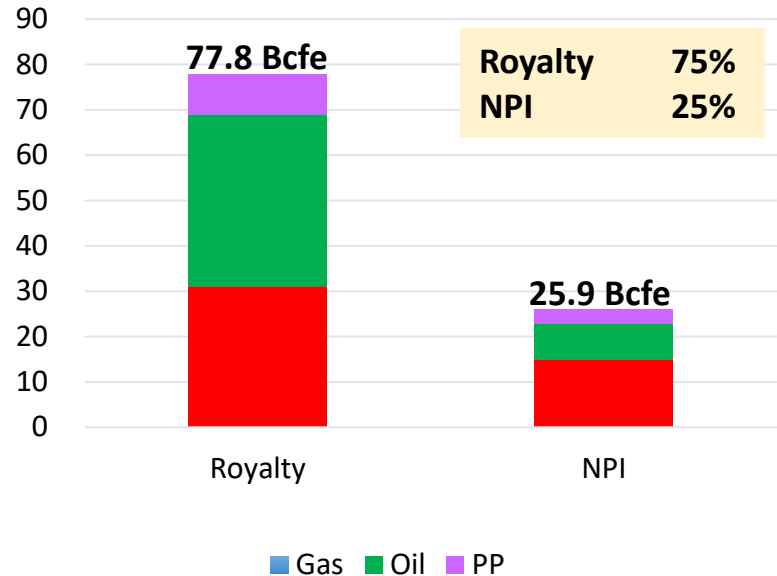
### Geographic Split



### Year-end PDP Reserves (Bcfe)



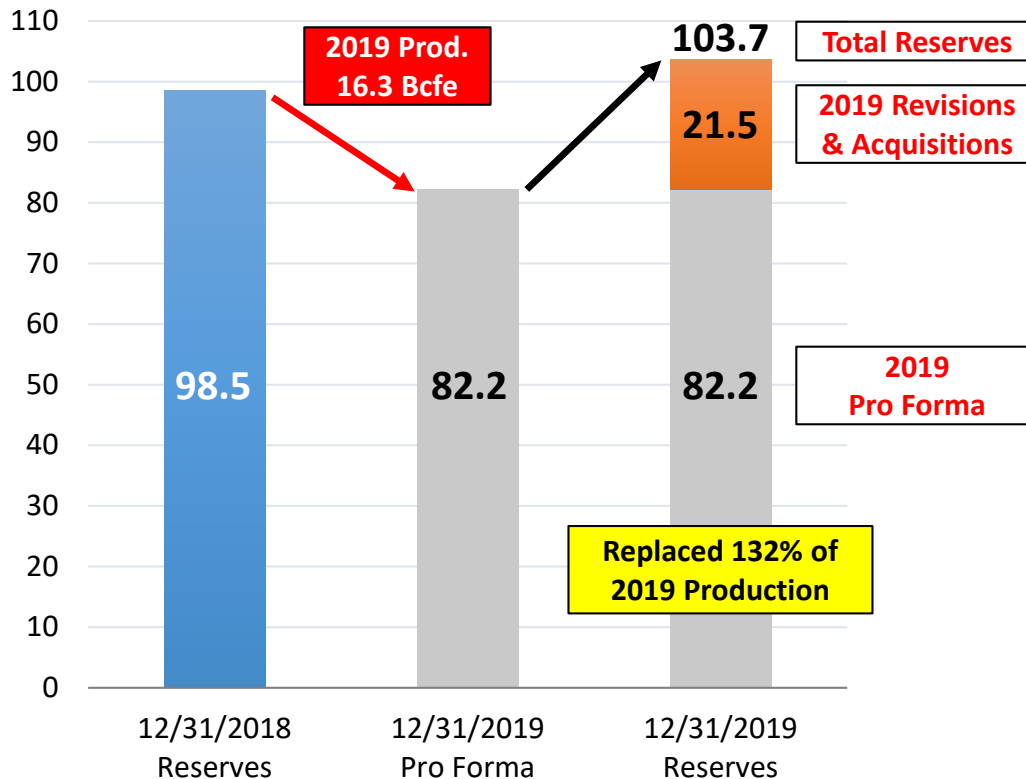
### Royalty-NPI Split (Bcfe)



## 2019 Reserve Revisions

- Midland and Delaware Basins were major drivers of upward oil and gas revisions
- Q1 2019 Acquisition added 6.6 Bcfe of PDP reserves
- History of Reserve Revisions → Year-end reserves exceeded initial 2003 reserves by 10%

### Equivalent Reserves (Bcfe)



### Natural Gas Reserves (Bcf)

Year-End 2018	44.2
2019 Production	(6.8)
Revisions	6.5
Acquisitions	1.9
<b>Year-End 2019</b>	<b>45.8</b>

**4% Year-over-year Decrease**

**Replaced 124% of Gas Production**

### Oil Reserves (Mbbbls)

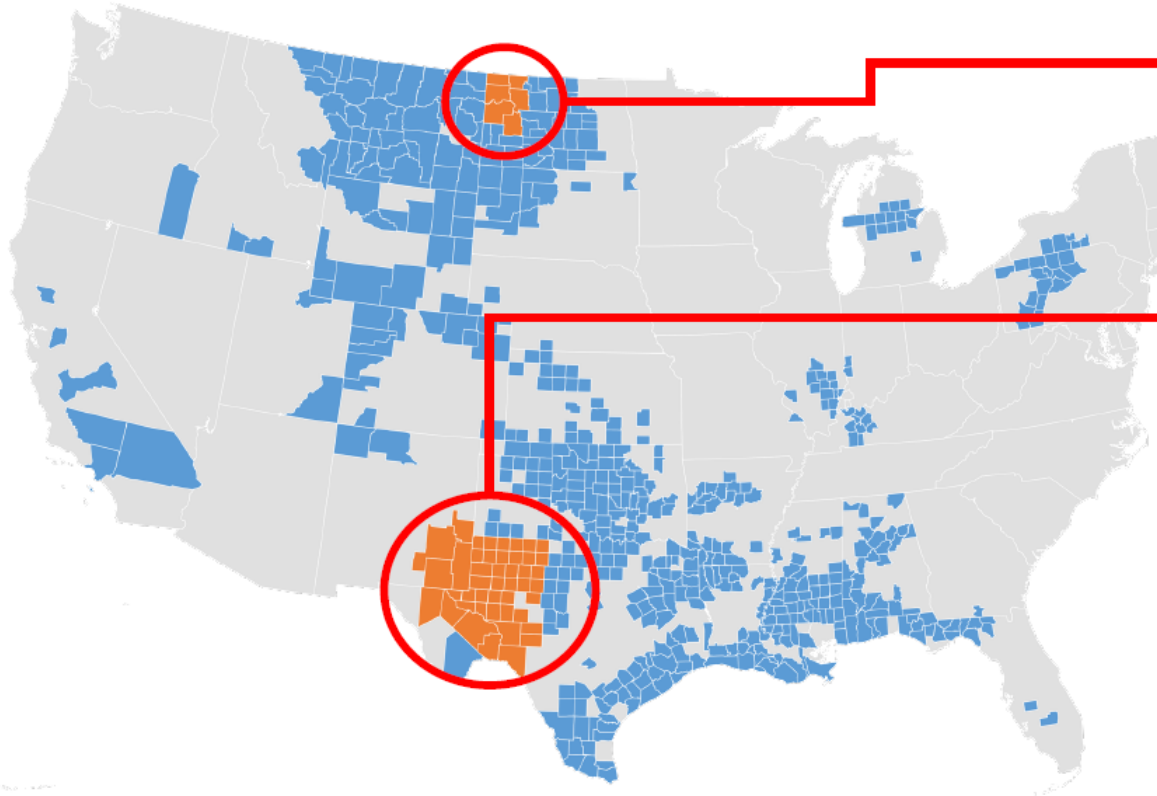
Year-End 2018	9,041
2019 Production	(1,585)
Revisions	1,394
Acquisitions	788
<b>Year-End 2019</b>	<b>9,638</b>

**7% Year-over-year Increase**

**Replaced 138% of Oil Production**

## Mineral Portfolio Overview

- Diversified mineral portfolio spanning 592 Counties in 27 States
- Producing and nonproducing mineral, royalty and net profits interests
- Wide geographic footprint with exposure to nearly every domestic producing basin
- Significant unleased and undeveloped acreage position



### High Impact Areas

**Bakken/Three Forks (ND)** 10,000 nma

- Core area with development potential
- Significant unleased mineral position
- Largest contributor to Mineral NPI revenue

**Permian (TX & NM)** 84,000 nma

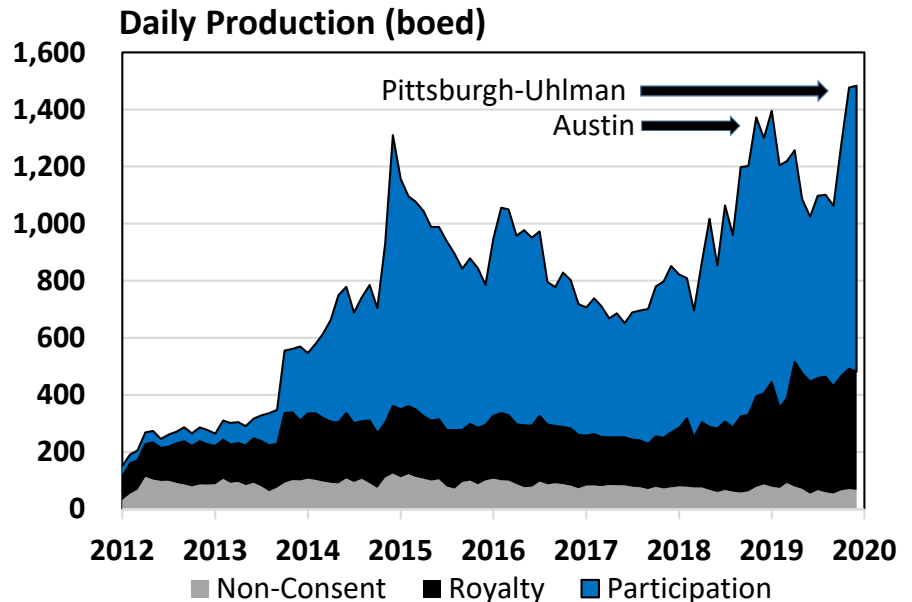
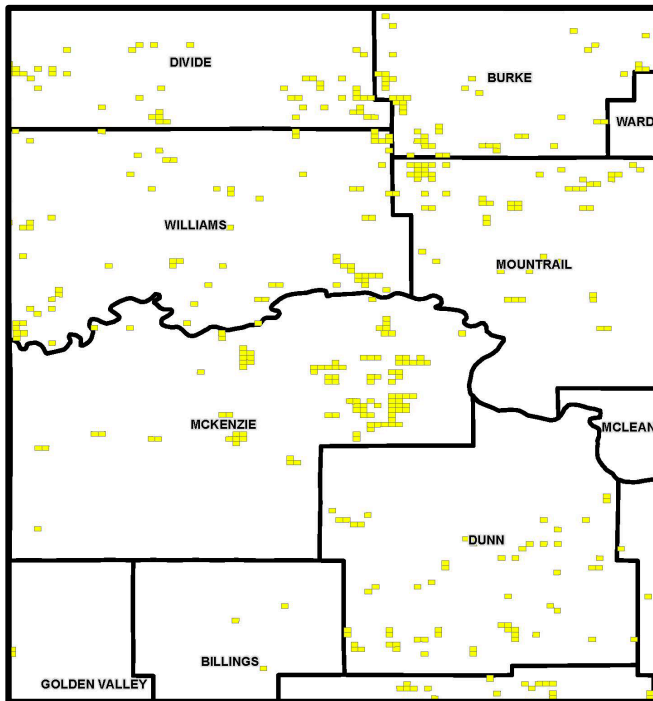
- Midland Basin – Large acreage spread across basin with mix of high net interests, blocks of contiguous acreage and unleased NPI wells
- Delaware Basin – Ongoing development of prolific units and large net acreage position in highly prospective areas.
- Legacy Permian – Exposure to long-lived, low decline EOR and conventional CBP units

### Mature or Undeveloped Areas

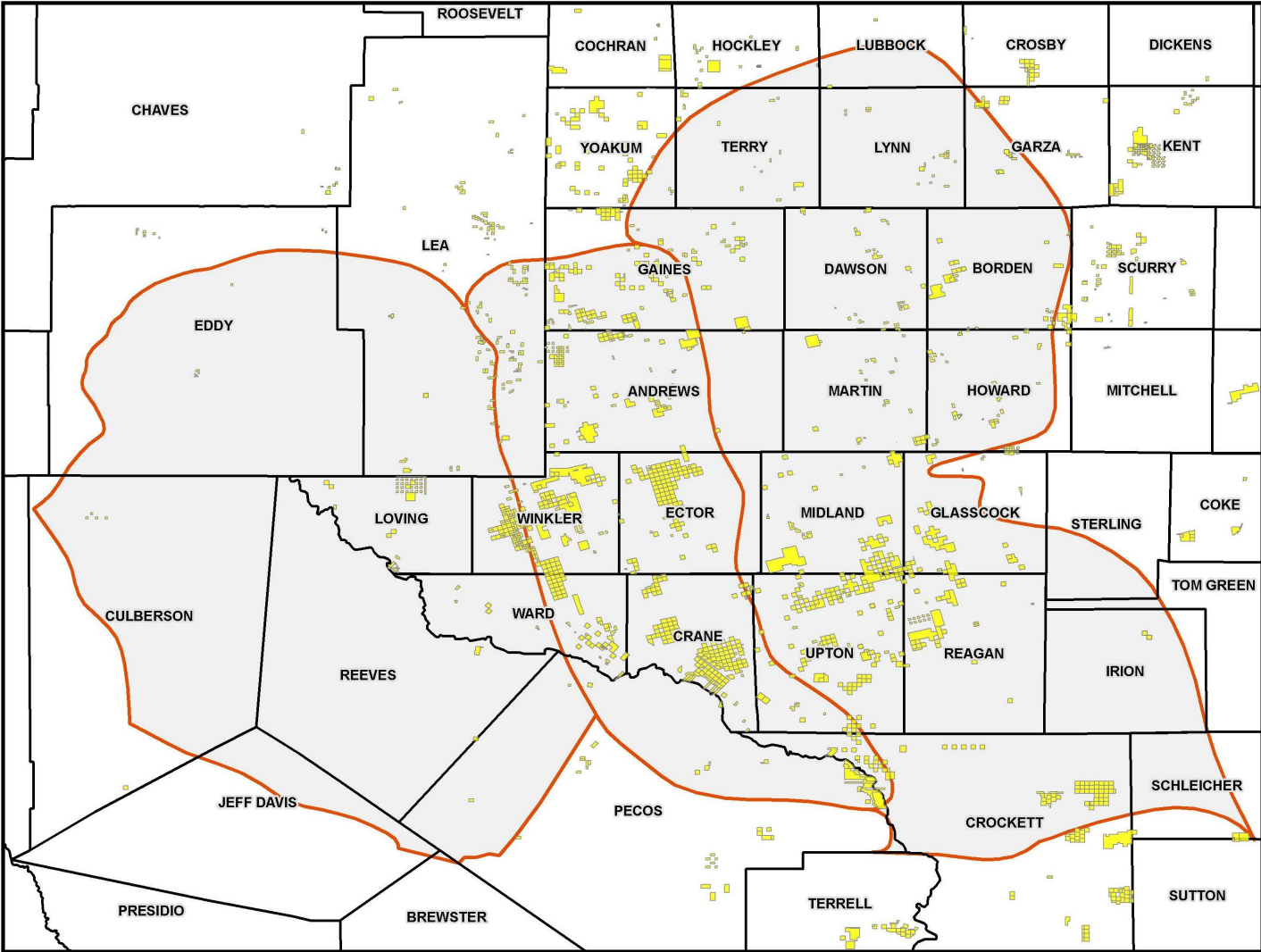
Non-Bakken Rockies	167,000 nma
Non-Permian Texas	75,000 nma
Southeast	45,000 nma
Mid-Continent	38,000 nma
Appalachia	25,000 nma
Other	8,000 nma

## Bakken/Three Forks

- 83,600 gross ac (10,442 net ac) in six core ND counties → majority unleased minerals
- Rig count → 54 in May 2019 to 15 in May 2020
- Operator Exposure → EOG, CLR, HES
- Effect of well shut-ins could be significant
- 1,124 gross producing wells at year-end 2019
  - 2019 → 40 Participation, 15 Non-Consent
  - YTD 2020 → 5 Participation, 8 Non-Consent
- 2019 exit rate → 1,483 boed (72% NPI)
  - Q4 2018 → Austin unit (EOG)
  - Q4 2019 → Pittsburgh-Uhlman Unit (CLR)
  - Oil rate reached all-time high at year-end 2019



# Permian Basin





## Permian Basin

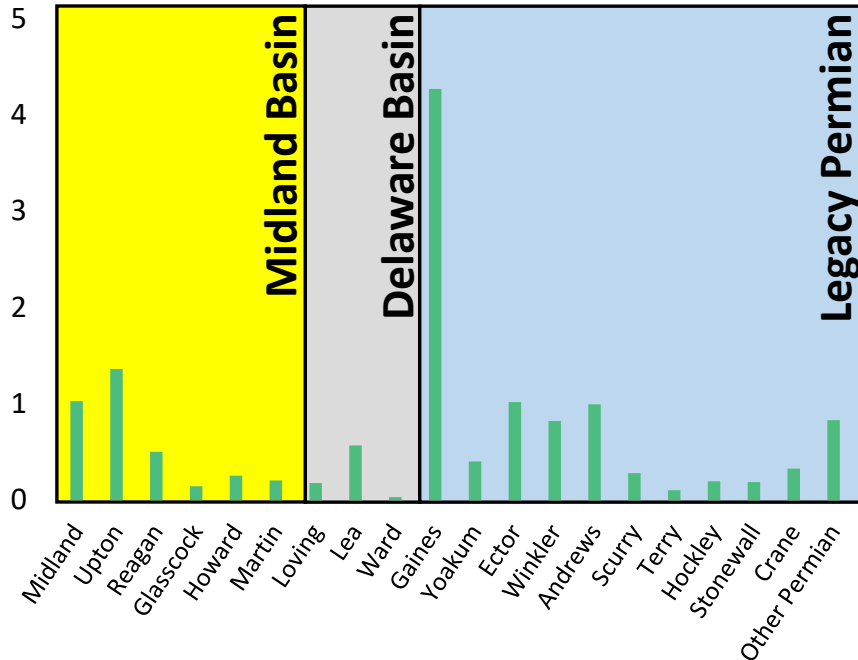
### 2009

- Primarily Central Basin Platform
- Conventional and low-decline EOR
- Denver Unit, Wasson, Seminole, Spraberry

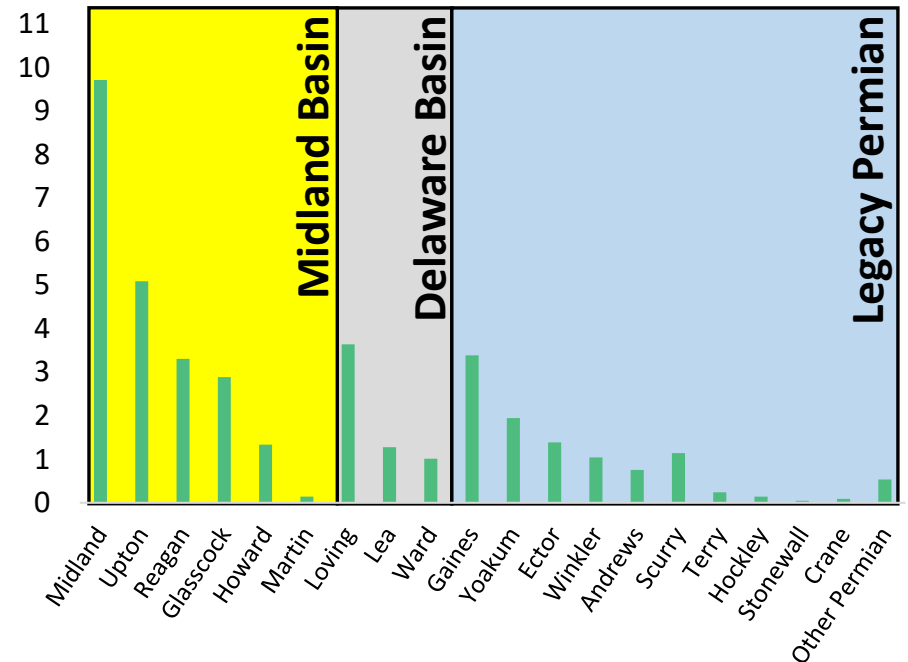
### 2019

- Primarily Wolfcamp, Spraberry, Bone Springs
- Growth exclusively horizontal development
- Delaware contribution is growing

2009 Net Royalty Revenue (\$MM)

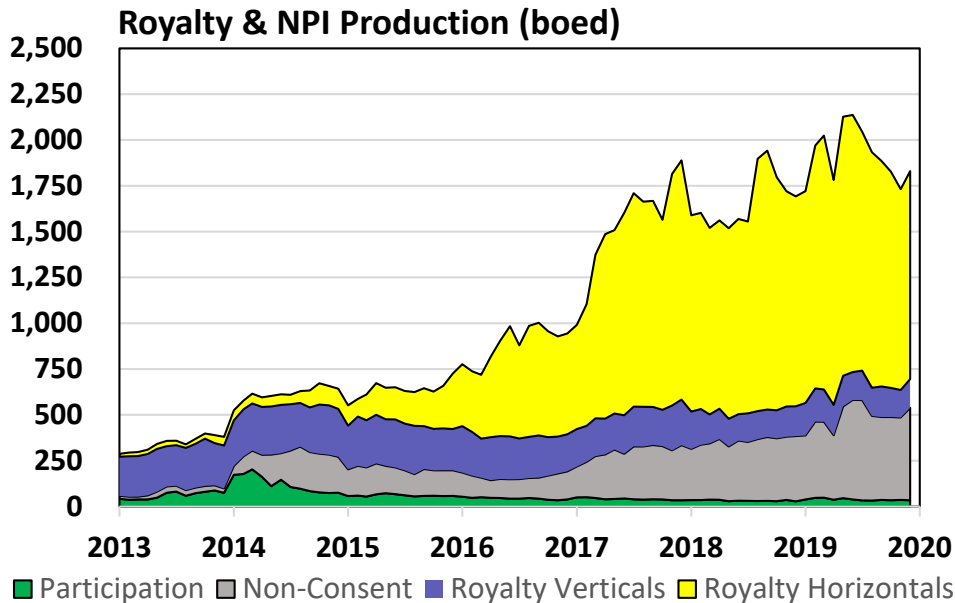
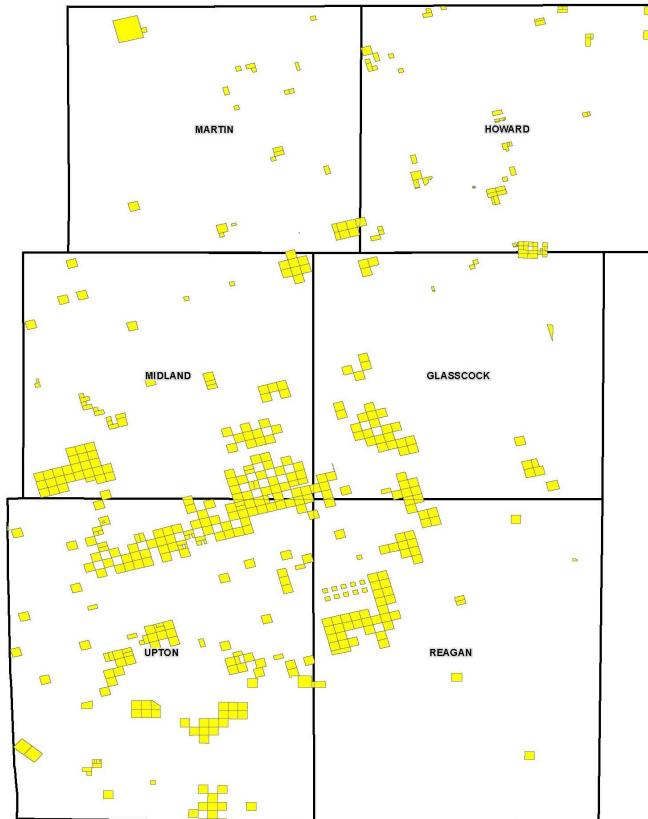


2019 Net Royalty Revenue (\$MM)



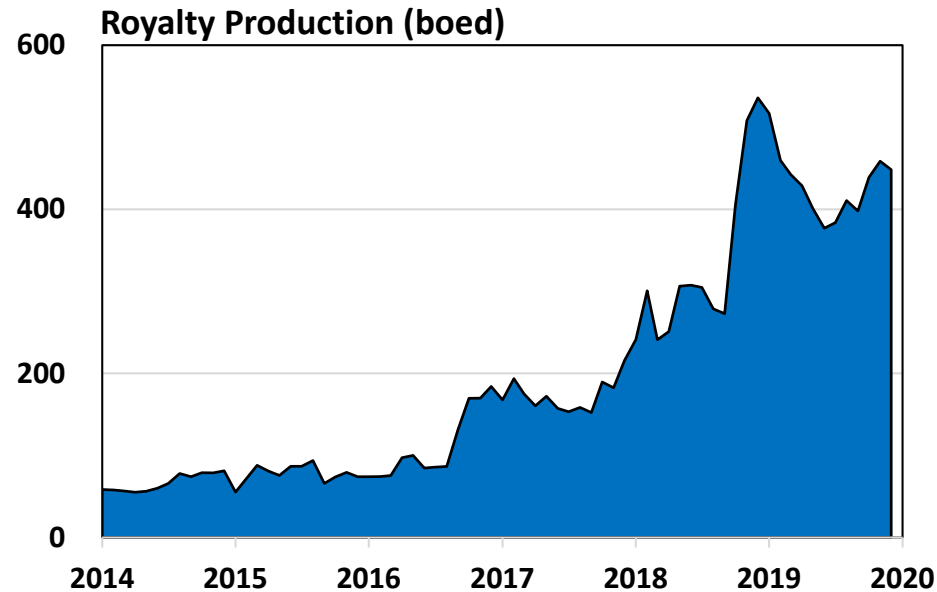
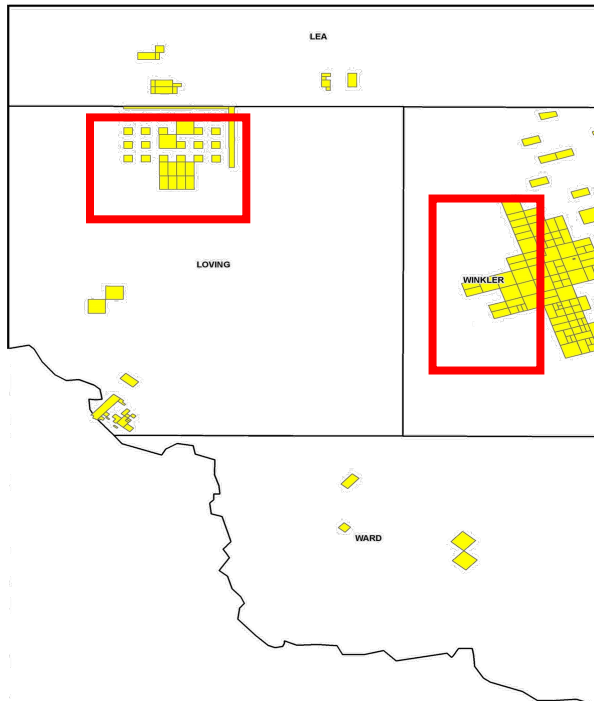
## Midland Basin

- 251,000 gross ac (15,440 net ac) in core
- Unleased at some depth in numerous tracts
- Operator Exposure → PE, PXD, CXO
- Largest sources are Midland and Upton Co.
- Growth in NPI production is a result of after-payout interest (APO) in Non-Consent wells
- 2019 exit rate → 1,830 boed (29% NPI)
  - 165 royalty and 20 APO wells added in 2019



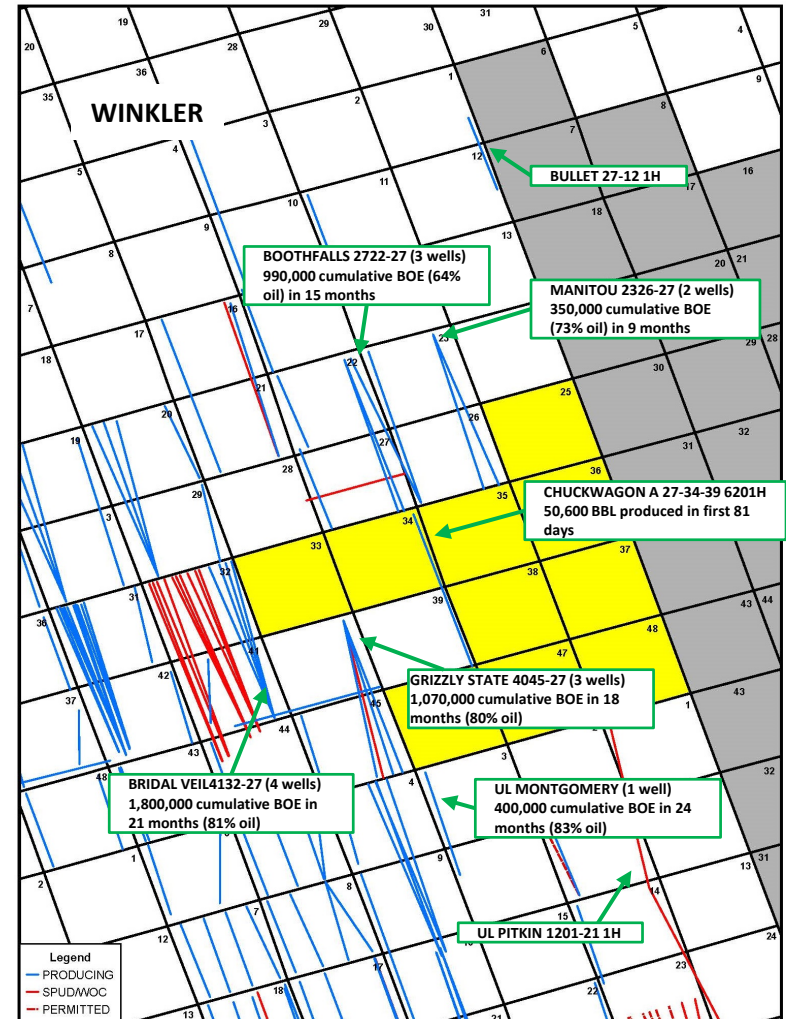
## Delaware Basin

- DMLP Position
  - 13,538 gross ac (911 net ac) located in Loving, Reeves and Ward Co., TX and Lea Co., NM
  - Majority of tracts are leased at 1/4 royalty
  - 640 gross ac of ORRI's
  - Prospective in multiple zones within the Wolfcamp and Bone Springs plays
- Silvertip Prospect Area (Loving County)
  - Active development in 2019/2020
  - Potential for increased well density
  - 10 of 21 DSU's contain only 1 well
  - 7 of 21 DSU's contain 5 wells or more
- Winkler County Prospect Area
  - Recent development will determine DMLP exposure to eastern extension of basin



## Delaware Basin

- Winkler County Prospect Area
  - Wolfcamp/Bone Springs
  - Varying undivided mineral interests in 6,400 gross acres in Block 27
  - 90% leased/HBP with average NRI of 8.940%
- Development Contiguous to DMLP Position
  - Majority of permits/spud wells have been completed
  - 24 wells producing (1 on DMLP tract)
  - 14 wells spud/WOC
  - Minimal new permitted wells due operator consolidation
- Looking Forward
  - Timeline for further development remains unclear due to complex leasehold ownership and commodity pricing environment



## Our Goal and Our Principles

### ***We Want to:***

- Assemble and actively manage a portfolio of properties that will enable unitholders to benefit from multiple commodity price and development cycles

### ***We will be:***

- Conscientious about G&A
- Aligned
- UBTI-Free

### ***We are:***

- Not chasing drill-bits
- Not incentivized or interested in growth for growth's sake
- Committed to achieve our goal through organic growth and accretive acquisitions
- Committed to a formulaic distribution calculation – because it's your money, not ours



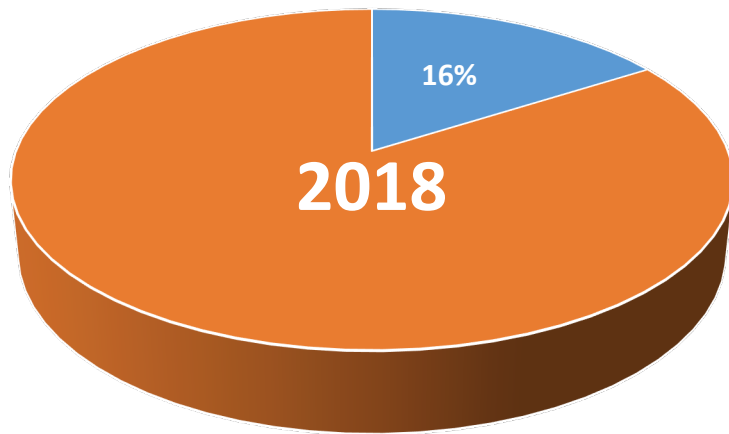
# APPENDIX



## G&A Expense\*

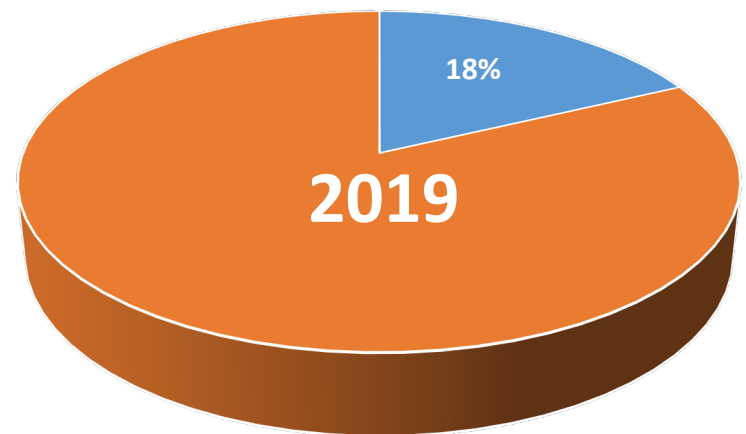
- Modest headcount increase in 2019 vs 2018 to support public company compliance and A&D work
- Base and Incentive Compensation is discretionary – not formulaic
- Approximately 18% discretionary in 2019 (\$0.03/unit)
- No dilutive equity or phantom equity compensation

\$0.8 MM (\$0.02/unit)  
Discretionary compensation\*\*



\$4.9 MM total G&A expense\*

\$1.1 MM (\$0.03/unit)  
Discretionary compensation\*\*



\$6.1 MM total G&A expense\*

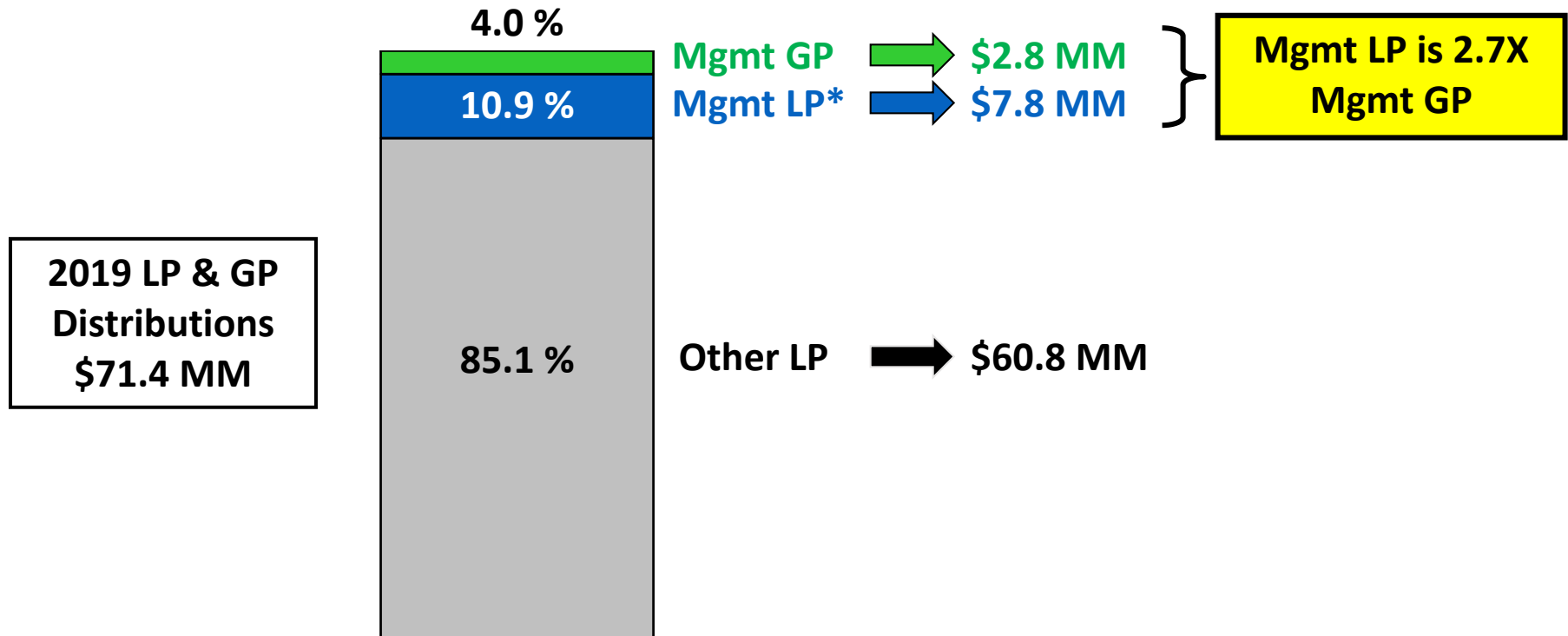
\* Total G&A expense per 10-K, including direct expenses.

\*\* Discretionary compensation defined as cash bonuses, units granted, applicable taxes, and retirement contributions.

## 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



Note: Mgmt LP interest includes LP units owned by officers, managers, and their immediate families. Full-year calculation based on units owned at 12/31/2019. Total distributions include DMOLP’s 3.03% retainment in the Net Profits Interest.

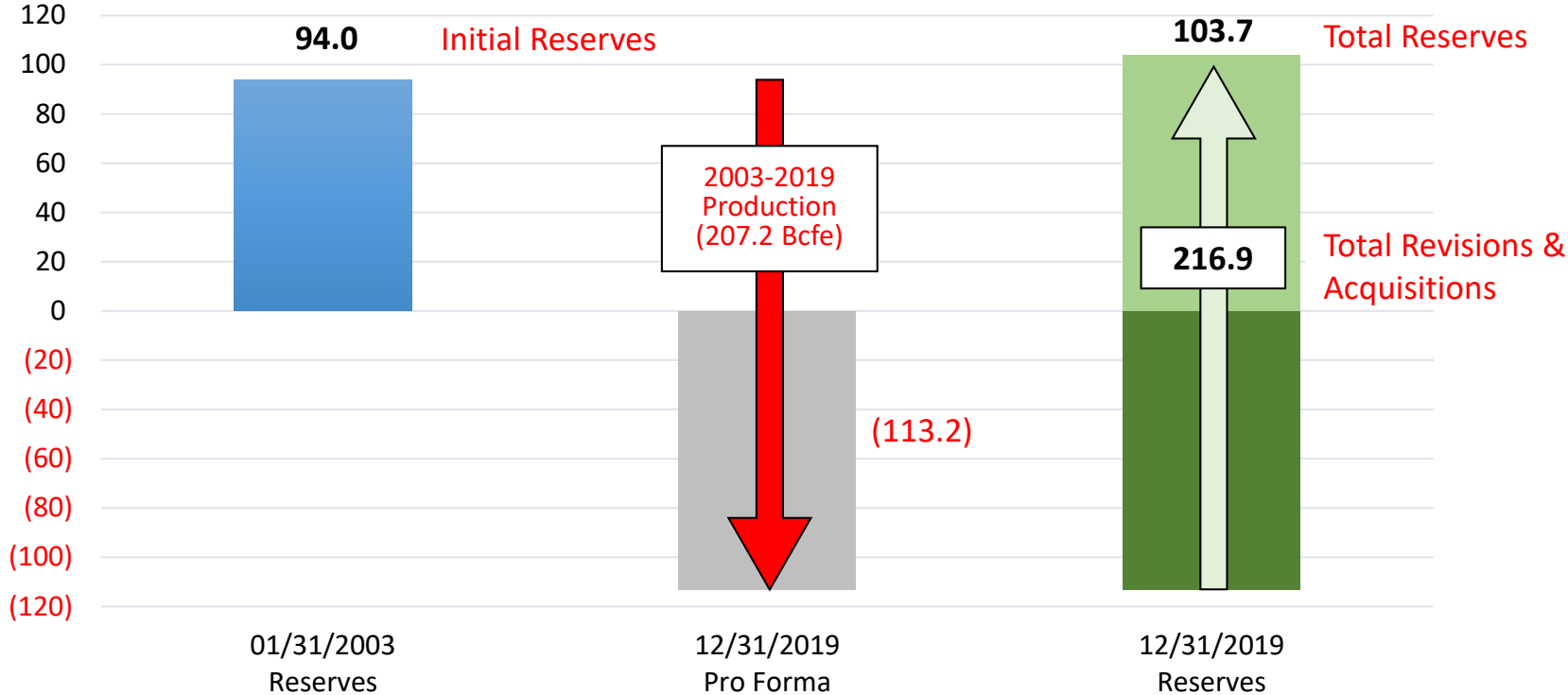


## 2019 Reserves

### History of Positive Reserve Revisions

- Cumulative Reserve Revisions have exceeded 100% of Current Reserves
- Production has exceeded initial reserves by 113.2 Bcfe

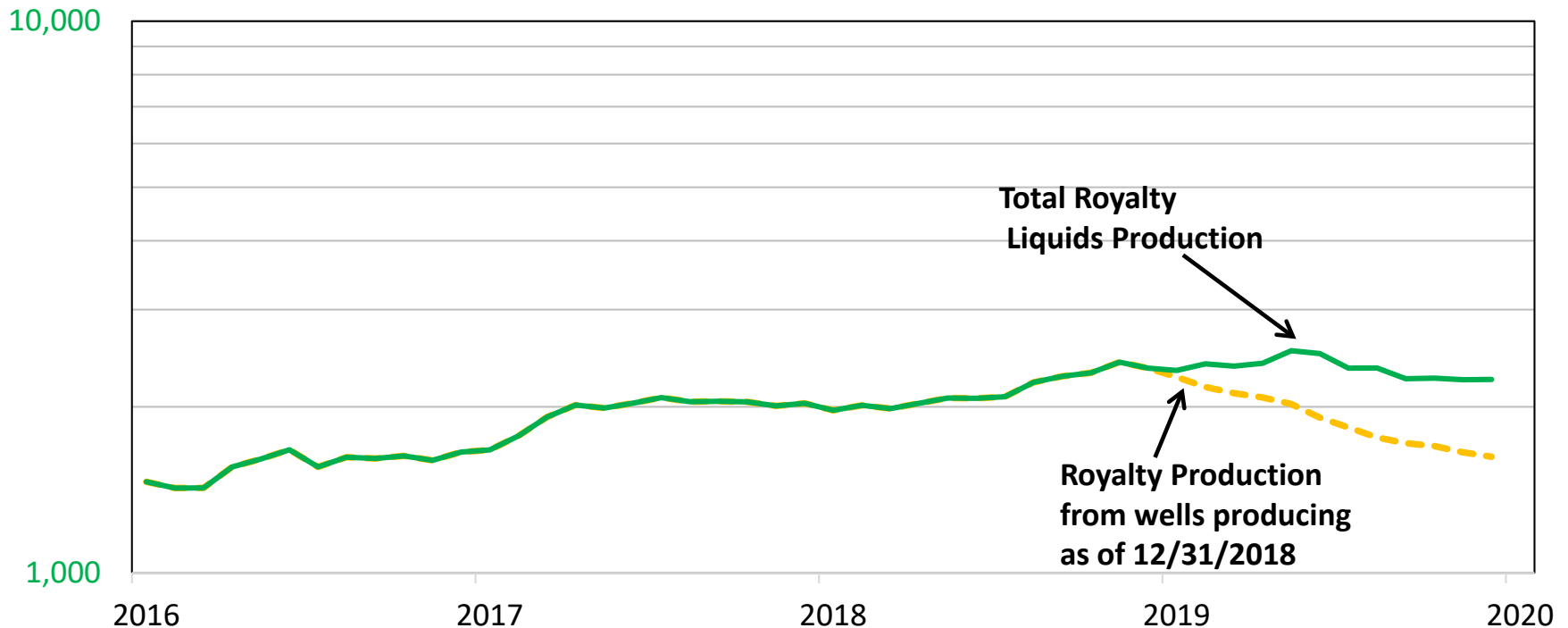
### Equivalent Reserves (Bcfe)



## Royalty Liquids Production

- Incremental contribution from 1,140 wells in 2019 with an average NRI of 0.3535%
- Underlying year-over-year decline of 31% excluding 2019 wells
- Legacy production declined 15% in last 6 months of 2019

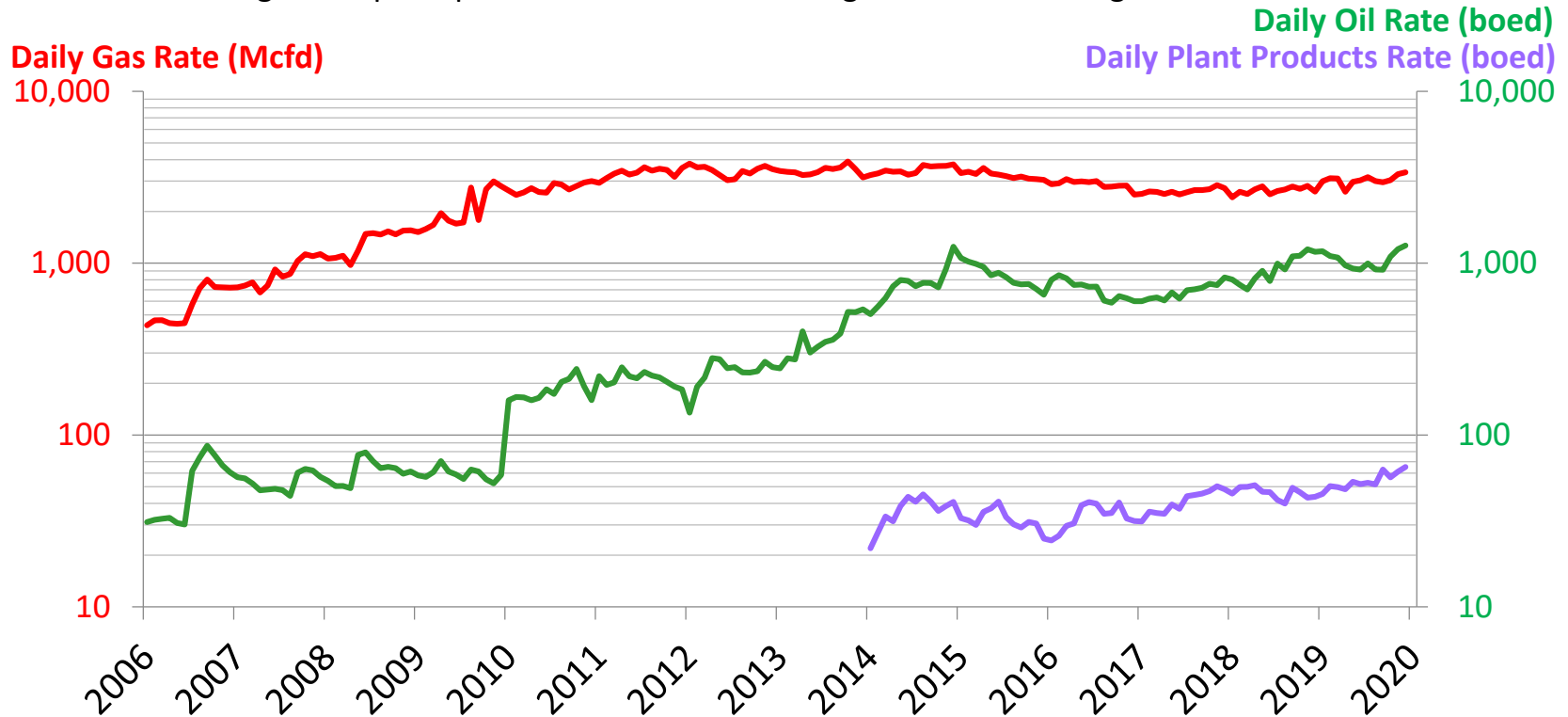
Daily Liquids Rate (boed)



## Minerals NPI

### Production by Product

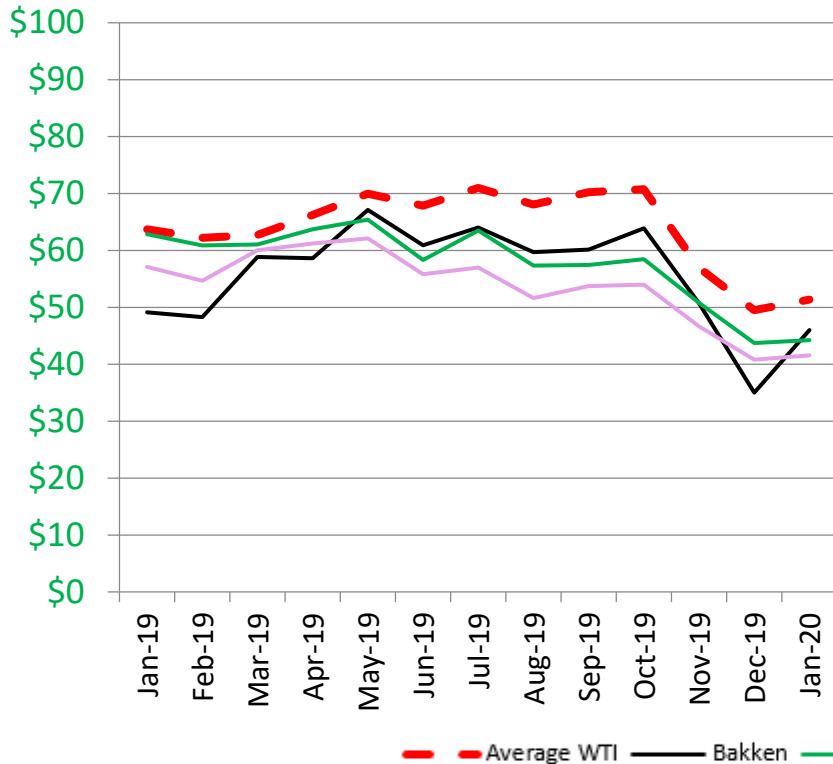
- Added 86 new wells in 2019 located in North Dakota and Texas
- Since Year-end 2016 gas production has been flat, while oil production increased by 110%
- Oil increase due to Bakken participation and Permian APO activity
- Recent gas and plant products increase due to high BTU associated gas



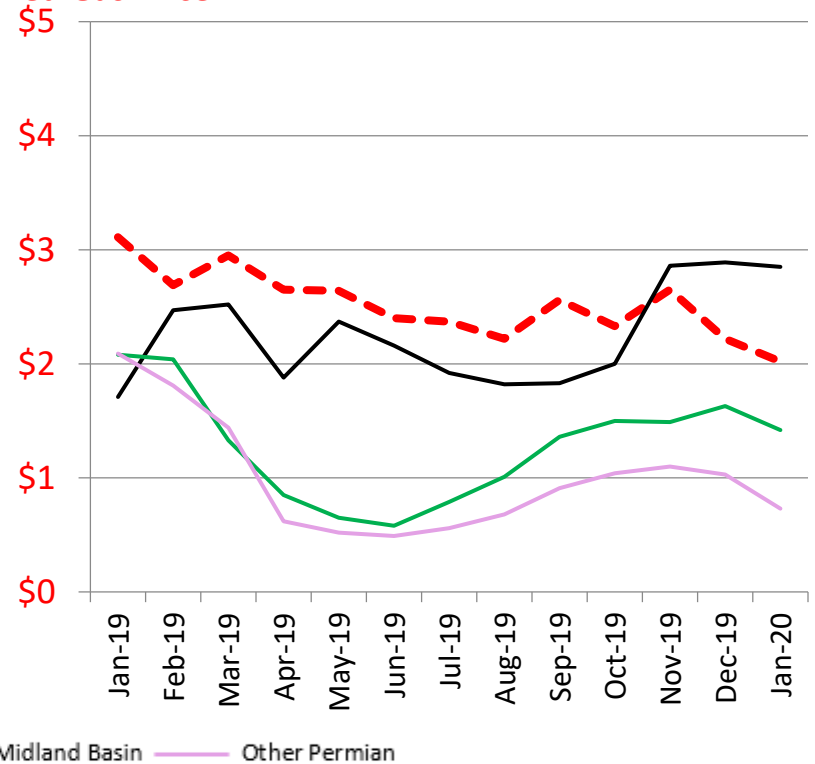
## Price Differentials

- Comparison of highest contributing Basins' realized prices to NYMEX monthly averages.
- Recent Bakken gas premium related to payment on BTU-adjusted prices

Realized Oil Price



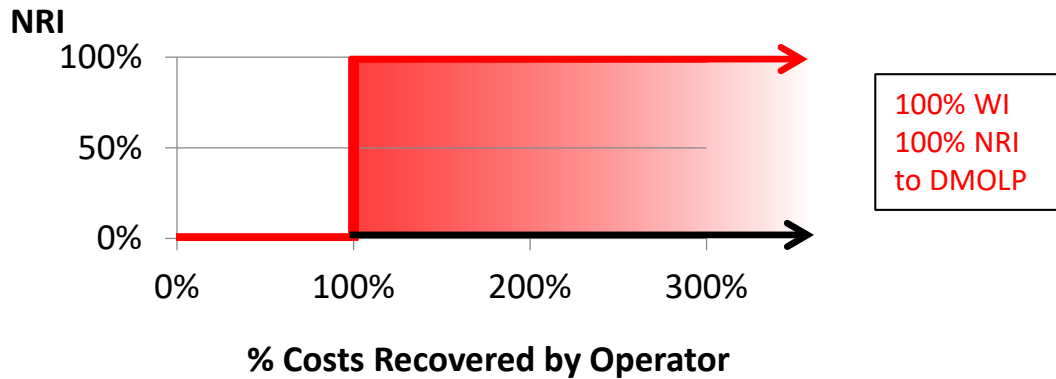
Realized Gas Price



## Non-Consent/Non-Participation

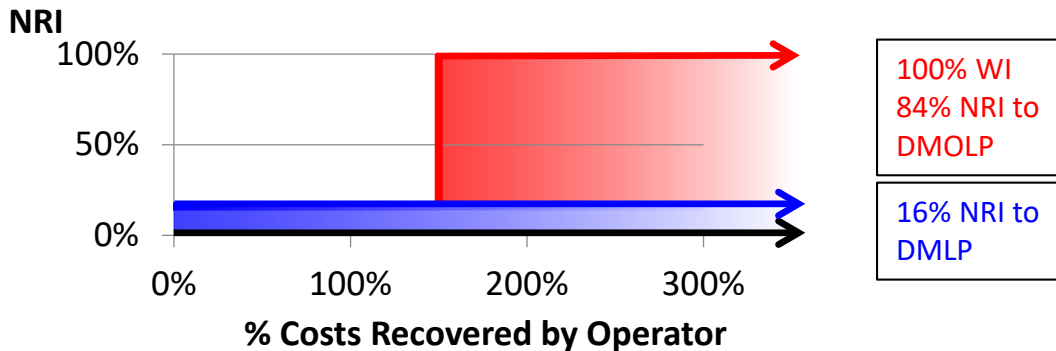
### Texas

- Unleased mineral owner backs in for full working interest after operator recovers 100% of costs



### North Dakota

- Unleased mineral owner receives 16% royalty and backs in for full working interest after operator recovers 150% of costs



## Non-Consent/Non-Participation

### Texas

- Unleased mineral owner backs in for full working interest after operator recovers 100% of costs

Selected Texas Counties	Total N/C Well Count	Paid Out Well Count	Average BPO NRI	Average APO NRI
Howard	31	15	0.000%	1.710%
Ector	68	39	0.000%	12.178%
Gaines	18	7	0.000%	3.880%
Midland	100	51	0.000%	2.922%
Upton	228	163	0.000%	3.436%
<b>Total</b>	<b>445</b>	<b>275</b>	<b>0.00%</b>	<b>4.554%</b>

### North Dakota

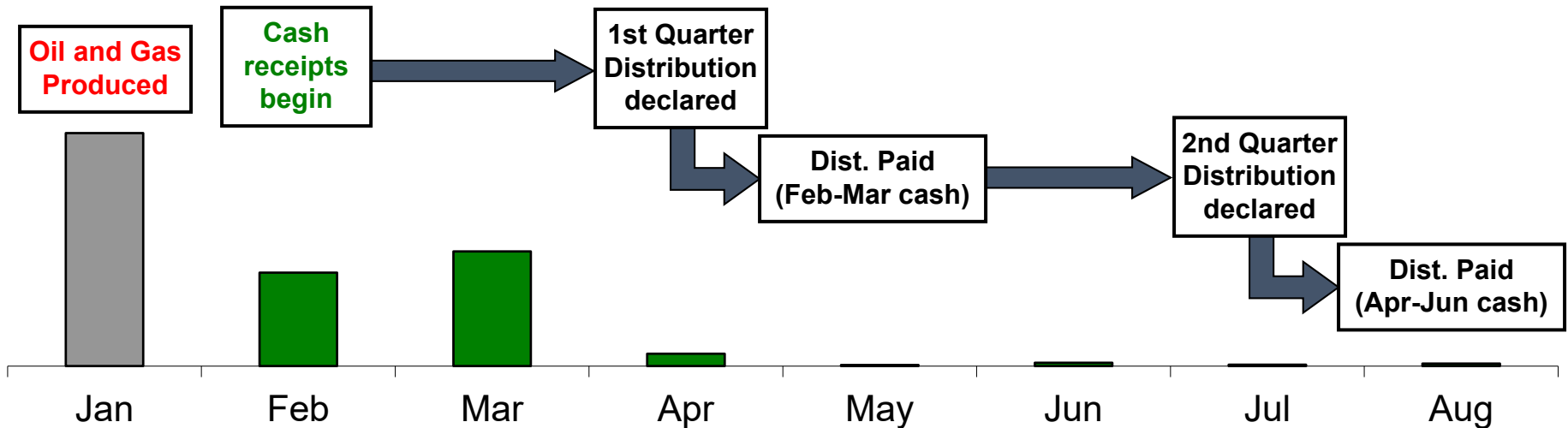
- Unleased mineral owner receives 16% royalty and backs in for full working interest after operator recovers 150% of costs

Selected North Dakota Counties	Total N/C Well Count	Paid Out Well Count	Average BPO NRI	Average APO NRI
Burke	25	0	0.029%	0.182%
Divide	42	3	0.253%	1.431%
Dunn	38	6	0.610%	3.576%
McKenzie	90	25	0.360%	1.394%
Mountrail	81	21	0.761%	3.436%
Williams	112	17	0.486%	3.034%
<b>Total</b>	<b>388</b>	<b>72</b>	<b>0.472%</b>	<b>2.433%</b>

## 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

## Net Royalty Acres?

Complex mineral ownership is not well represented by Net Royalty Acres

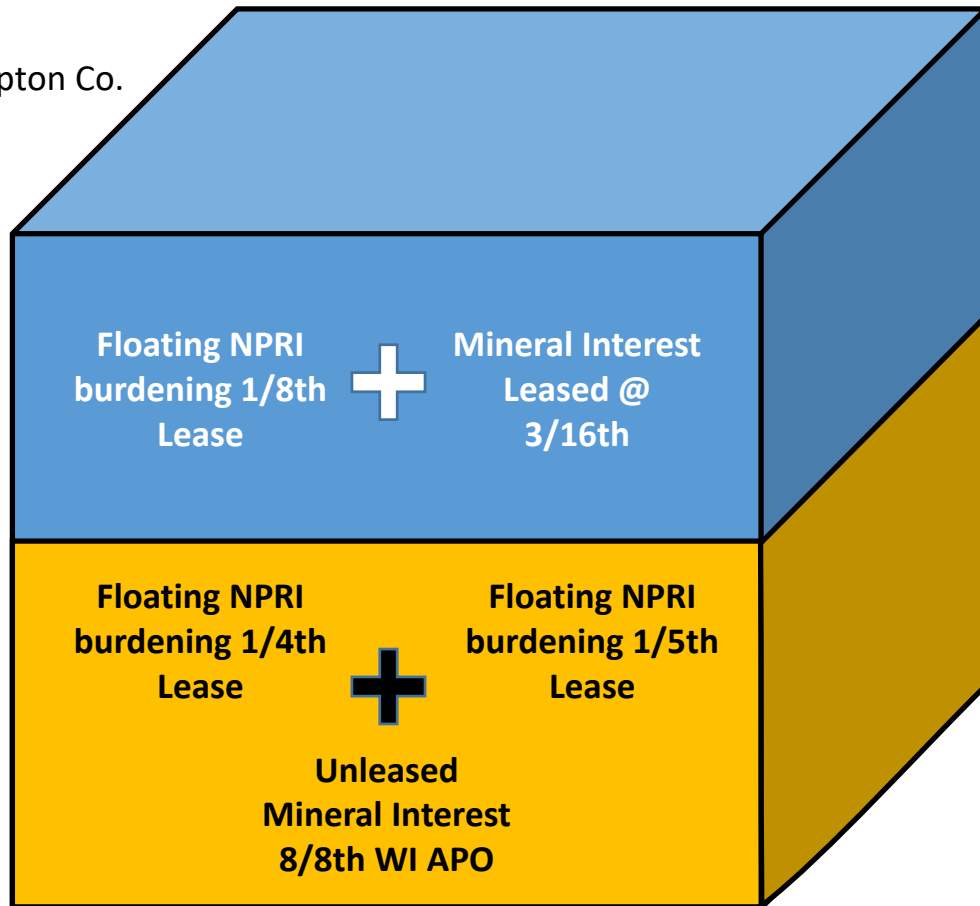
- Royalty rates and lease status vary by depth
- Royalty rates vary by contract
- Single section example from Upton Co.

Spraberry →

Floating NPRI  
burdening 1/8th  
Lease + Mineral Interest  
Leased @  
3/16th

Wolfcamp →

Floating NPRI  
burdening 1/4th  
Lease + Floating NPRI  
burdening 1/5th  
Lease  
Unleased  
Mineral Interest  
8/8th WI APO





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