Black Stone Minerals, L.P. Announces $340 Million Acquisition of Mineral and Royalty Interests and Private Placement of Cumulative Convertible Preferred Units

November 27, 2017

Completes New Farmout Arrangement That Further Supports Development Activity in East Texas; Schedules Conference Call for 10:30 Central Time Today

HOUSTON--(BUSINESS WIRE)--Nov. 27, 2017-- Black Stone Minerals, L.P. (NYSE:BSM) ("Black Stone Minerals," "Black Stone," or "the Partnership") announces it has entered into a definitive agreement to acquire a diverse set of mineral and royalty assets for $340 million, to be funded primarily by the private placement of newly issued Series B Cumulative Convertible Preferred Units to an affiliate of The Carlyle Group. Black Stone also announces it has entered into a farmout agreement that covers substantially all of the Partnership's remaining working interests in the Shelby Trough area of East Texas targeting the Haynesville and Bossier shales for the next several years.

Management Commentary

Thomas L. Carter, Jr., Black Stone Minerals' President, Chief Executive Officer, and Chairman, commented, "Black Stone has several transactions to announce today that provide benefits to the Partnership both near- and long-term. First, we're acquiring a sizable and diverse mineral and royalty package that substantially expands our Permian and other positions, complements our overall existing asset base extremely well, and is immediately accretive to our distributable cash flow per unit. We see a great opportunity to actively manage these assets to generate lease bonus and move more lands into development. I am confident these assets will contribute to the growth of our Partnership for years to come."

Mr. Carter continued, "And with this acquisition we have also established a new relationship with a high-quality capital provider in The Carlyle Group. Carlyle has a well-earned track record of success, and we're excited to partner with them on this important transaction. Finally, the new farmout announced today is another example of how we're able to create value from our core mineral and royalty business. Together, these transactions further improve our ability to grow production and increase cash flow for the benefit of our unitholders, while reducing working interest capital expenditures."

Acquisition Overview

Black Stone Minerals has agreed to acquire a diverse mineral and royalty package for $340 million from subsidiaries of Noble Energy, Inc. ("Noble"). Highlights of the transaction include the following:

- Approximately 1.1 million gross (140,000 net) mineral acres, 380,000 gross acres of non-participating royalty interests ("NPRI"), and 600,000 gross acres of overriding royalty interests ("ORRI") collectively spread over 20 states with significant concentrations in Texas, Oklahoma, and North Dakota.
- Increases the Partnership's exposure in the greater Permian Basin through the addition of approximately 8,300 net royalty acres[1] in the Midland Basin and approximately 7,200 net royalty acres in the Delaware Basin, as well as increases Black Stone's exposure to the Bakken/Three Forks play by over 10,000 net royalty acres.
- Assets to be acquired also include positions in the Powder River Basin in Wyoming, the SCOOP play in Oklahoma, and the Granite Wash play in Texas.
- Estimated average daily production for November 2017 of 2.6 MBoe/d, excluding NGLs (56% oil/44% natural gas).
- Annualized current run-rate cash flows of approximately $34 million per year.

The transaction is expected to close on November 28, 2017 with an effective date as of July 1, 2017.

Including the acquisition of Noble's assets, Black Stone has closed or entered into agreements on 135 transactions in 2017 totaling approximately $500 million ($428 million in cash, $72 million in equity). These transactions include a total of approximately 250,000 net mineral acres as well as 380,000 gross acres of non-participating royalty interests and 600,000 gross acres of overriding royalty interests. Among these mineral and royalty interests are approximately 18,000 net royalty acres in the core Midland and Delaware basins and approximately 57,000 net royalty acres in the core of the Shelby Trough region of the Haynesville/Bossier play. These acquisitions have also increased Black Stone's position in the Bakken/Three Forks plays, the Powder River Basin, STACK/SCOOP plays, the Central Basin Platform, the Cotton Valley play, and various other plays in East Texas.

Series B Cumulative Convertible Preferred Units

Black Stone Minerals has entered into a definitive agreement to issue $300 million of Series B Cumulative Convertible Preferred Units (the "Series B Preferred Units") to an affiliate of The Carlyle Group ("Carlyle") at $20.3926 per preferred unit, representing a 15% premium to the trailing 20-day volume-weighted average price of the common units. Summary terms of the preferred units include:

- Distributions of 7.0% per annum for six years, and thereafter a distribution equal to the greater of 7.0% or the yield on the

10-year Treasury plus 5.5%.

- The Series B Preferred Units are convertible into common units of BSM on a one-to-one basis at the purchaser’s option after two years. Black Stone can convert the Series B Preferred Units after two years, subject to certain conditions including minimum price and volume thresholds for Black Stone’s common units.
- The Series B Preferred Units may be redeemed by the Partnership after six years at 105% of the issuance price, and at 100% of the issuance price each two-year anniversary thereafter. The purchaser cannot force redemption by Black Stone.

The transaction is expected to close on November 28, 2017, and Black Stone intends to use the proceeds to partially fund the Noble acquisition.

David Albert, Co-Head of the Carlyle Energy Mezzanine Opportunities Fund, commented, “Tom Carter and his team have built a best-in-class oil and gas minerals company. We are thrilled to be partnered with them, and to provide capital to Black Stone Minerals to support this important and synergistic asset acquisition.”

Pivotal Farmout Transaction

On November 21, 2017, Black Stone entered into a farmout agreement with Pivotal Petroleum Partners (“Pivotal”), a portfolio company of Tailwater Capital LLC, that covers substantially all of the Partnership's remaining working interests in the Shelby Trough area of East Texas targeting the Haynesville and Bossier shales for the next several years.

Mr. Carter remarked, “The Shelby Trough is a part of our portfolio where we have seen operators become increasingly active over the last year. As we’ve previously discussed, Black Stone has assembled an industry-leading mineral position in this part of the Haynesville/Bossier play. We’ve also been able to attract well-capitalized, high-quality operators to our acreage and have provided incentives to allow for its active development. Following our farmout earlier this year with Canaan Resource Partners, we created a similarly sized working interest opportunity on our minerals that we are now farming out. With this transaction, we have essentially eliminated future drilling and completion capital requirements related to our working interest assets in the Shelby Trough for the foreseeable future, yet we will continue to benefit from the working interest through a meaningful retained economic interest in those wells through the farmout, in addition to our base royalty. The tremendous success we are seeing from our operating partners there exposes us to continued significant growth in our royalty production and revenues from this play. We are focused on managing and growing our mineral and royalty business, and this is a great example of how we were able to add value to that core business from the working interest optionality embedded in our portfolio.”

Transaction highlights include:

- Farmout covers majority of Black Stone Minerals’ Haynesville and Bossier shale acreage under active development agreements in the Shelby Trough in Angelina and San Augustine counties, Texas.
- Pivotal will receive the Partnership's working interest in the remaining 20% of Black Stone's working interest in the XTO Energy-operated wells (10% working interest on an 8/8ths basis) not covered by the previously announced farmout with Canaan Resource Partners, as well as 100% of Black Stone's working interest (ranging from approximately 12.5% to 25% on an 8/8ths basis) in wells operated by its other major operator in the area.
- Once Pivotal achieves a preferred return, the majority of the farmed-out working interest and associated net revenue interests revert to Black Stone with minimal future capital obligations.
- Pivotal is obligated to fund Black Stone's working interest in over 80 wells across several development areas, subject to certain conditions. After fulfilling its initial obligation, Pivotal will have the option to continue funding development of the areas, also subject to certain conditions for up to a total term of eight years.

Impact to Multi-Year Outlook

Management expects the announced transactions to have positive impacts on a number of key performance measures in the coming years, including increased production, reduced capital obligations, and higher distributable cash flow per unit. The Partnership expects to provide an updated multi-year outlook in the first quarter of 2018.

Production

Black Stone has purposefully pivoted from direct working interests to carried interests, as well as expanded its mineral and royalty base significantly. Even with the reduction in projected working interest production volumes as a result of the Pivotal farmout, Black Stone expects total production volumes will increase compared to previous guidance as a result of expanded mineral ownership and activity in the Haynesville/Bossier, as well as the announced Noble acquisition and the incorporation of recent industry operating and permitting activity across the asset base. Higher margin royalty production volumes are expected to make up a larger percentage of that improved production forecast.

Net Working Interest Capital Expenditures

Through the Pivotal and the Canaan Resource Partners transactions, Black Stone has farmed out all of its working interest capital expenditures associated with drilling and completing wells in the Shelby Trough for the foreseeable future while ensuring development capital will continue to be invested in the area. The Partnership estimates that total capital expenditures by its partners in the farmout programs will exceed $100 million per annum under full development.

Cash Flow Available for Distribution and Distribution Coverage

The higher production levels and reduced working interest capital expenditures are expected to benefit cash distributions available for both common and subordinated unitholders. Black Stone anticipates the transactions announced today and the improved outlook for its base business will allow for subordinated units to convert into common units at a conversion ratio greater than previously provided in public disclosure. Even after taking into account the increase in conversion ratio, the Partnership expects to generate higher levels of distributable cash flow per unit, which would allow for increased common unit distributions compared to previous guidance and/or increased levels of distribution coverage.

As discussed below under “Forward-Looking Statements,” there are a number of factors that could cause the Partnership’s actual results to differ materially from this outlook.

Advisors

BofA Merrill Lynch and Barclays served as lead placement agents to Black Stone in connection with the private placement of the Series B Cumulative Convertible Preferred Units. Vinson & Elkins LLP acted as legal counsel in connection with the private placement and Porter Hedges LLP advised Black Stone on the Noble acquisition.

Conference Call

The Partnership will host a conference call to discuss these recent developments on November 27, 2017 at 10:30 a.m. Central time (11:30 a.m. Eastern time). Dial-in information is provided below. A telephonic replay of the conference call will be available approximately two hours after the call.

Call Type	Phone Number	Conference ID
Domestic participant	1-877-447-4732	6697799
Domestic replay	1-855-859-2056	6697799
International participant	1-615-247-0077	6697799
International replay	1-404-537-3406	6697799

Presentation materials, as well as access to the live webcast of the conference call, can be accessed through the Investors section of the Partnership’s website at www.blackstoneminerals.com.

About Black Stone Minerals, L.P.

Black Stone Minerals is one of the largest owners of oil and natural gas mineral interests in the United States. The Partnership owns mineral interests and royalty interests in 41 states and 64 onshore basins in the continental United States. The Partnership also owns and selectively participates as a non-operating working interest partner in established development programs, primarily on its mineral and royalty holdings. The Partnership expects that its large, diversified asset base and long-lived, non-cost-bearing mineral and royalty interests will result in production and reserve growth, as well as increasing quarterly distributions to its unitholders.

Forward-Looking Statements

This news release includes forward-looking statements. All statements, other than statements of historical facts, included in this news release that address activities, events, or developments that the Partnership expects, believes, or anticipates will or may occur in the future are forward-looking statements. Terminology such as "will," "may," "should," "expect," "anticipate," "plan," "project," "intend," "estimate," "believe," "target," "continue," "potential," the negative of such terms, or other comparable terminology often identify forward-looking statements. Except as required by law, Black Stone Minerals undertakes no obligation, and does not intend, to update these forward-looking statements to reflect events or circumstances occurring after this news release. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this news release. All forward-looking statements are qualified in their entirety by these cautionary statements. These forward-looking statements involve risks and uncertainties, many of which are beyond the control of Black Stone Minerals, which may cause the Partnership’s actual results to differ materially from those implied or expressed by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those summarized below:

- the Partnership’s ability to complete the transactions described in this press release;
- the Partnership’s ability to execute its business strategies;
- the volatility of realized oil and natural gas prices;
- the level of production on the Partnership’s properties;
- regional supply and demand factors, delays, or interruptions of production;
- the Partnership’s ability to replace its oil and natural gas reserves; and
- the Partnership’s ability to identify, complete, and integrate acquisitions.

For an important discussion of risks and uncertainties that may impact our operations, see our annual and quarterly filings with the Securities and Exchange Commission, which are available on our website.

[1] A net royalty acre (“NRA”) is the economic equivalent of one surface acre leased at a 1/8 th royalty

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Source: Black Stone Minerals, L.P.

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