

# Credit Suisse 26<sup>th</sup> Annual Energy Summit

March 2021



**BLACK STONE**  
MINERALS

[www.blackstoneminerals.com](http://www.blackstoneminerals.com) | NYSE: BSM

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## **BSM**

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## **LISTED**

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## **NYSE**

- ▲ Black Stone Minerals, L.P. is the largest pure-play oil and gas mineral and royalty owner in the United States
- ▲ Over 20 million mineral and royalty acres (7.4 million net) with interests in 41 states
  - ▲ Concentrated positions in the Permian, Haynesville, and Bakken

### **Enterprise Value<sup>(1)</sup>**

**~\$2.4 B**

### **Current Yield<sup>(2)</sup>**

**~7.5% (Distribution)**

**~14% (DCF)**

### **4Q'20 Production**

**39.0 Mboe/d**

### **Inside Ownership**

**> 25% Insiders**

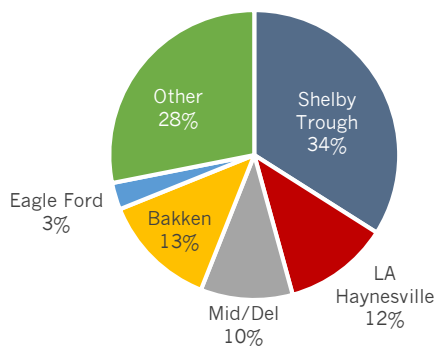
**> 80% Legacy Owners**

1) Enterprise value includes pref. equity and assumes unit price of \$9.31 per unit on February 25, 2021

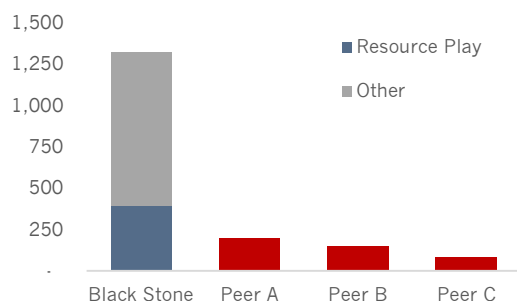
2) Distribution yield calculated by annualizing the common distribution for 4Q'20 of \$0.175 per unit and DCF yield calculated by annualizing DCF per unit for 4Q'20 of \$0.32; respective yields calculated using the unit price of \$9.31 per unit on February 25, 2021

- ▲ Black Stone benefits from the size and significant diversity of its mineral portfolio
  - ▲ Broad exposure to new discoveries and development activity
  - ▲ Acreage in every resource play, with large positions in several of the most active resource plays

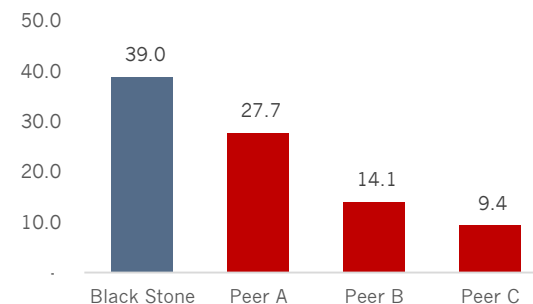
**4Q'20 Production Mix**



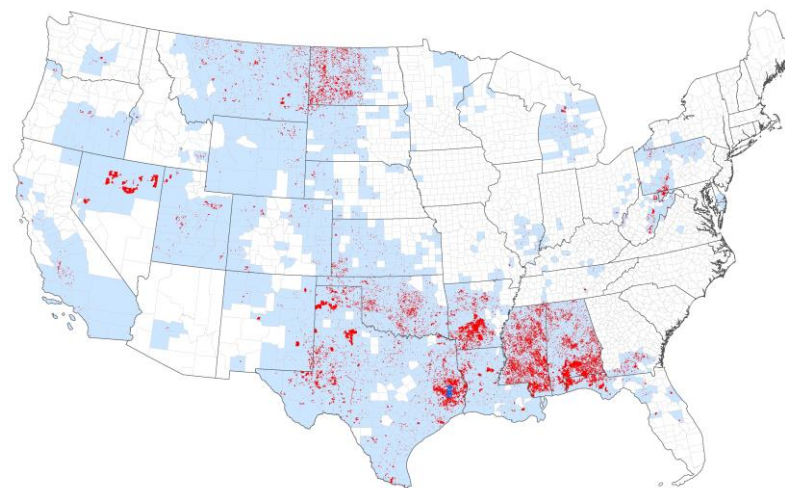
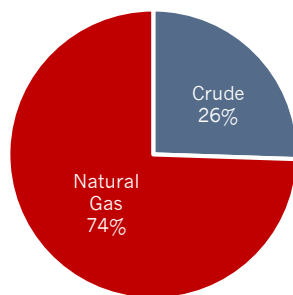
**Net Royalty Acres (000s)<sup>(1)</sup>**



**Production (MBoe/d)**



**4Q'20 Product Mix**

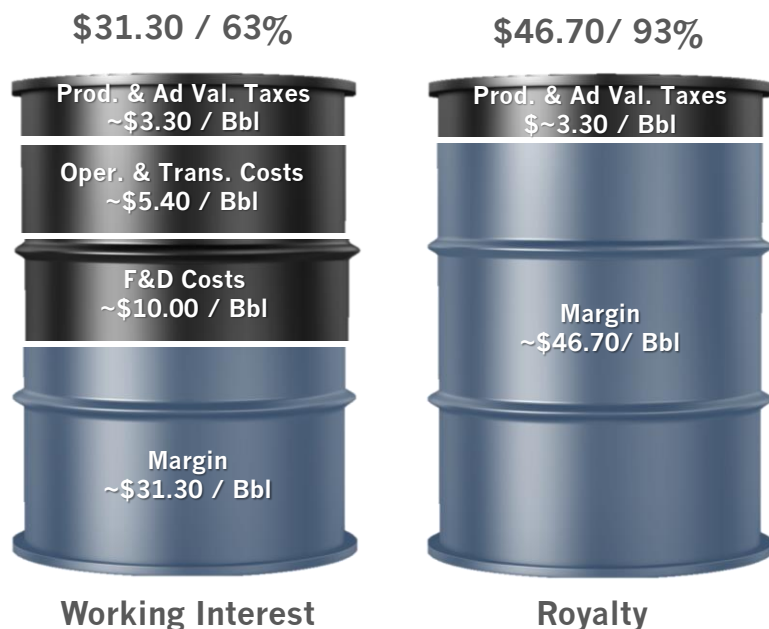


1) Net Royalty Acres represents leased acreage in resource and non-resource plays

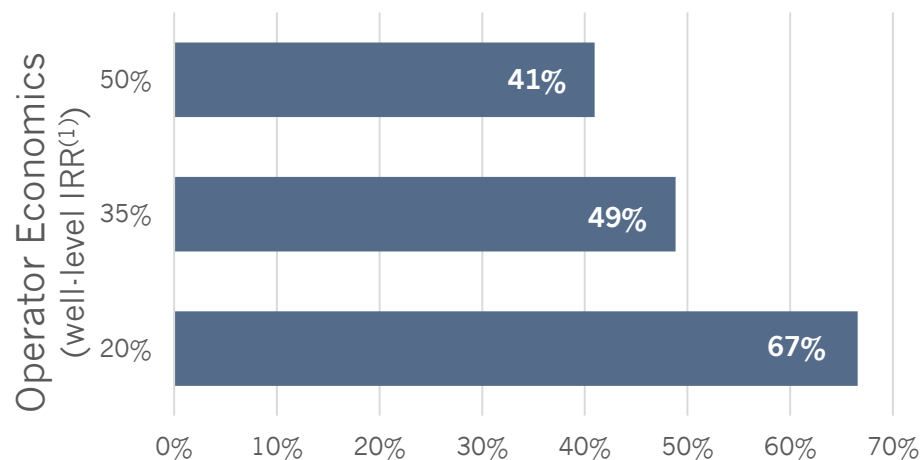
- ▲ Oil and gas exposure with no operating cost or capital spending requirements
- ▲ Direct benefit from technology advances to enhance recovery and well economics
- ▲ Represents perpetual call option on future oil & gas development activity
- ▲ Scale facilitates opportunities to partner with operators to initiate or accelerate drilling

## Comparative Well Economics

### Illustrative Margin (Assuming \$50 Bbl)

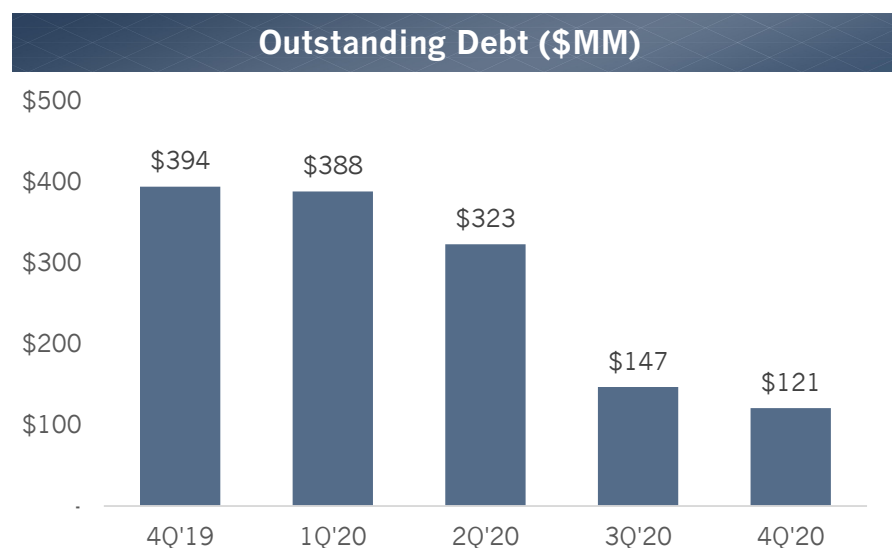


### % of PV10 to Royalty Owner

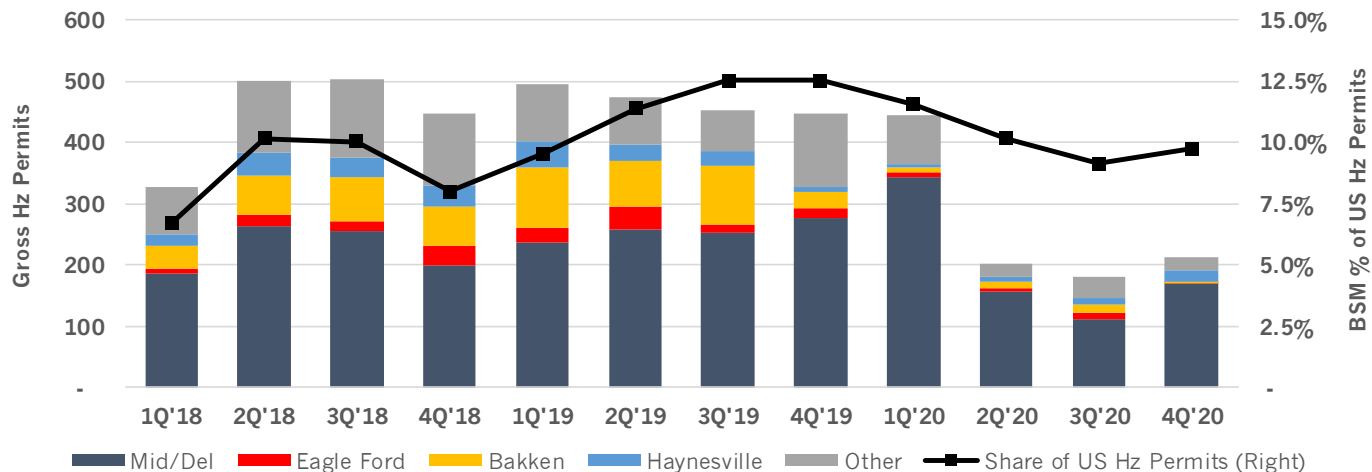


1) Illustrative well economics assuming 20% royalty; excluding royalty acquisition costs and operator leasing costs

- ▲ Shifted focus to strengthen the balance sheet by paying down ~\$273 million of outstanding borrowings in 2020
  - ▲ Reduced G&A costs from ~\$65 million in 2019 to ~43 million
  - ▲ Two asset sales for ~\$150 million in July 2020
  - ▲ Reduced distributions and increased the coverage ratio to divert retained cash to debt repayment
- ▲ Outstanding debt at the end of Q4 was at \$121 million which allowed us to bring the coverage ratio closer to historical levels and increasing the distribution to \$0.175/unit in Q4'20
- ▲ Prioritized the existing portfolio over external acquisitions to maintain a clean balance sheet and spur new development deals on existing acreage

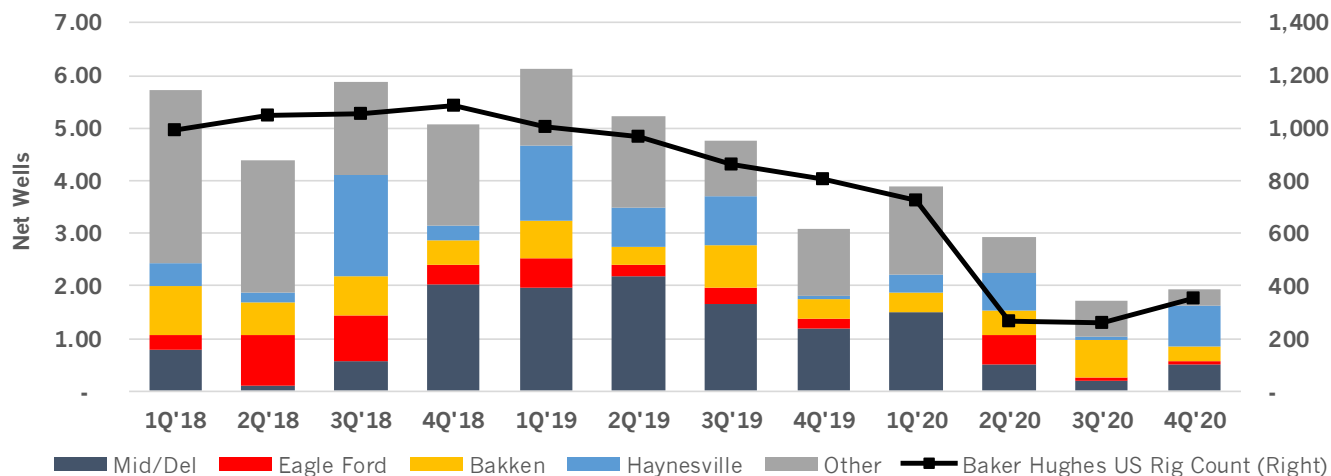


## Permitting Activity<sup>(1)</sup>



- ▲ Black Stone's diverse asset footprint helps moderate volatility of industry activity
- ▲ Horizontal permitting in 2Q'20 decreased significantly in response to the global pandemic while BSM's share of those permits remained in line with historical averages
- ▲ Net well additions have slowed across BSM's acreage as rig counts have dropped in the Lower 48

## Net Well Additions



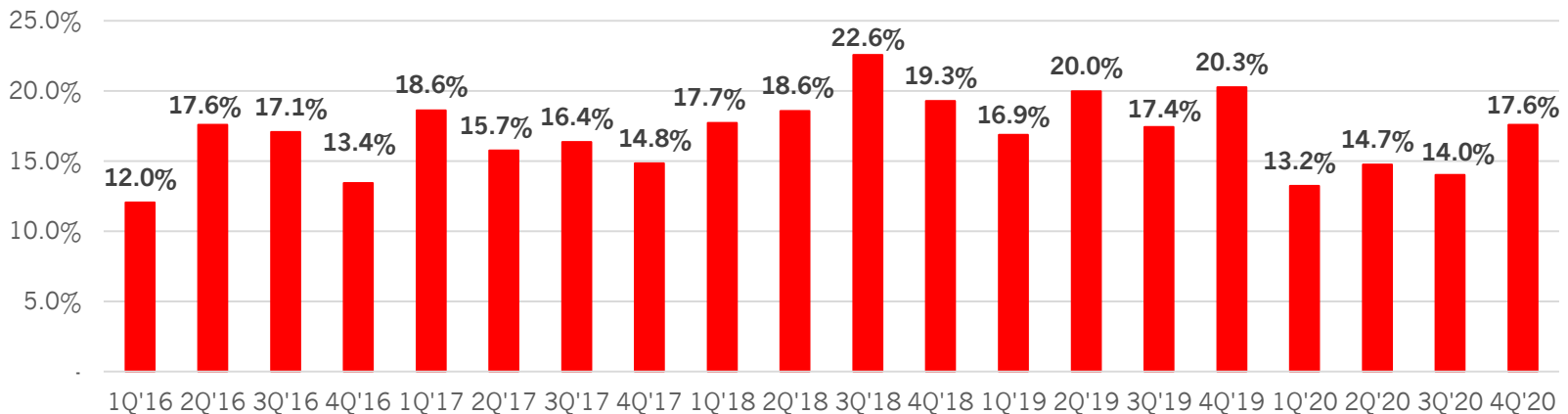
1) Permit counts exclude all Wyoming permits

## ▲ Long history of returning cash to equity holders

- ▲ Distribution yield supported by coverage
- ▲ ~\$3.6 billion returned to investors through distributions over the past 20 years
- ▲ ~2.2x return on invested capital to date<sup>(1)</sup>

## ▲ Consistent return performance across commodity cycles

Return on Average Capital Employed<sup>(2)</sup>

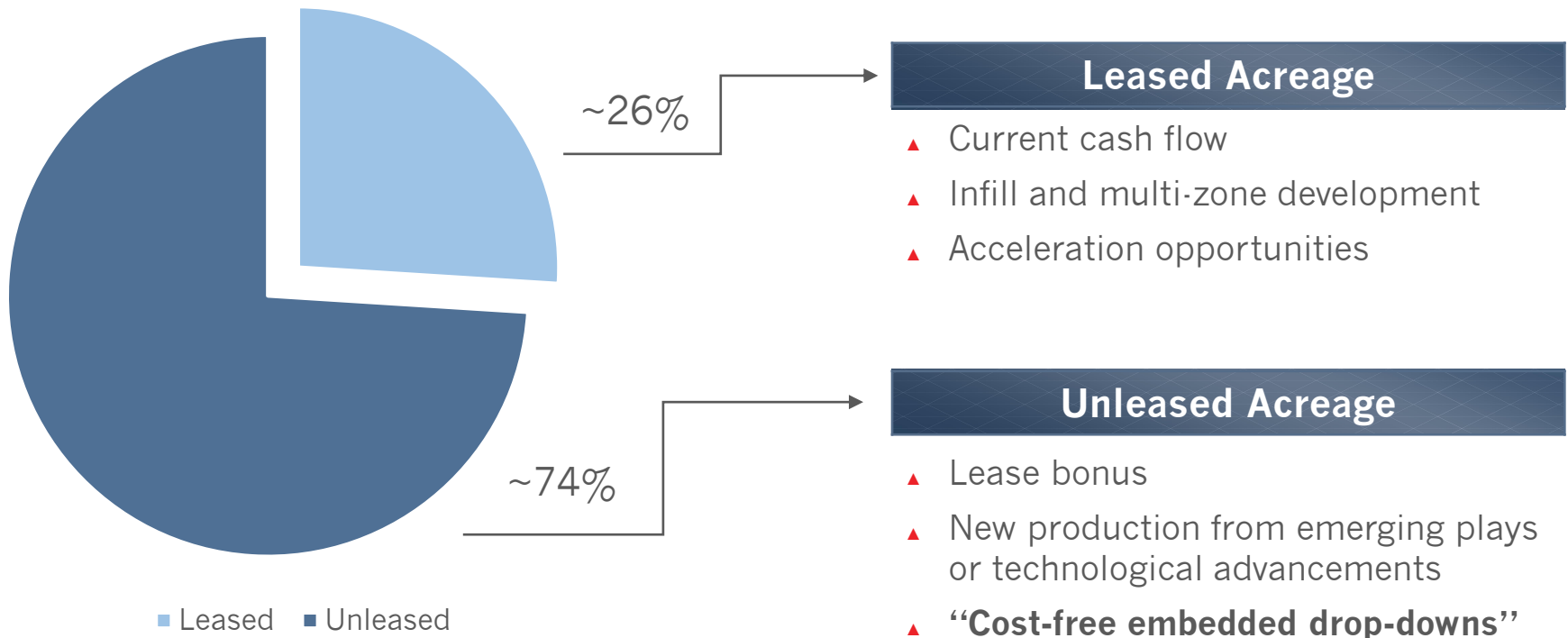


1) Return on Investment (ROI) calculated as (Cumulative Distributions + Adj. BSM Market Cap) / Capital Raised through December 31, 2020

2) ROACE calculated as the annualized quotient of quarterly EBIT (Adjusted EBITDA less DD&A) divided by average capital employed during the period; capital employed is defined as the sum of long-term debt, preferred equity, and equity as reported on consolidated quarterly balance sheets

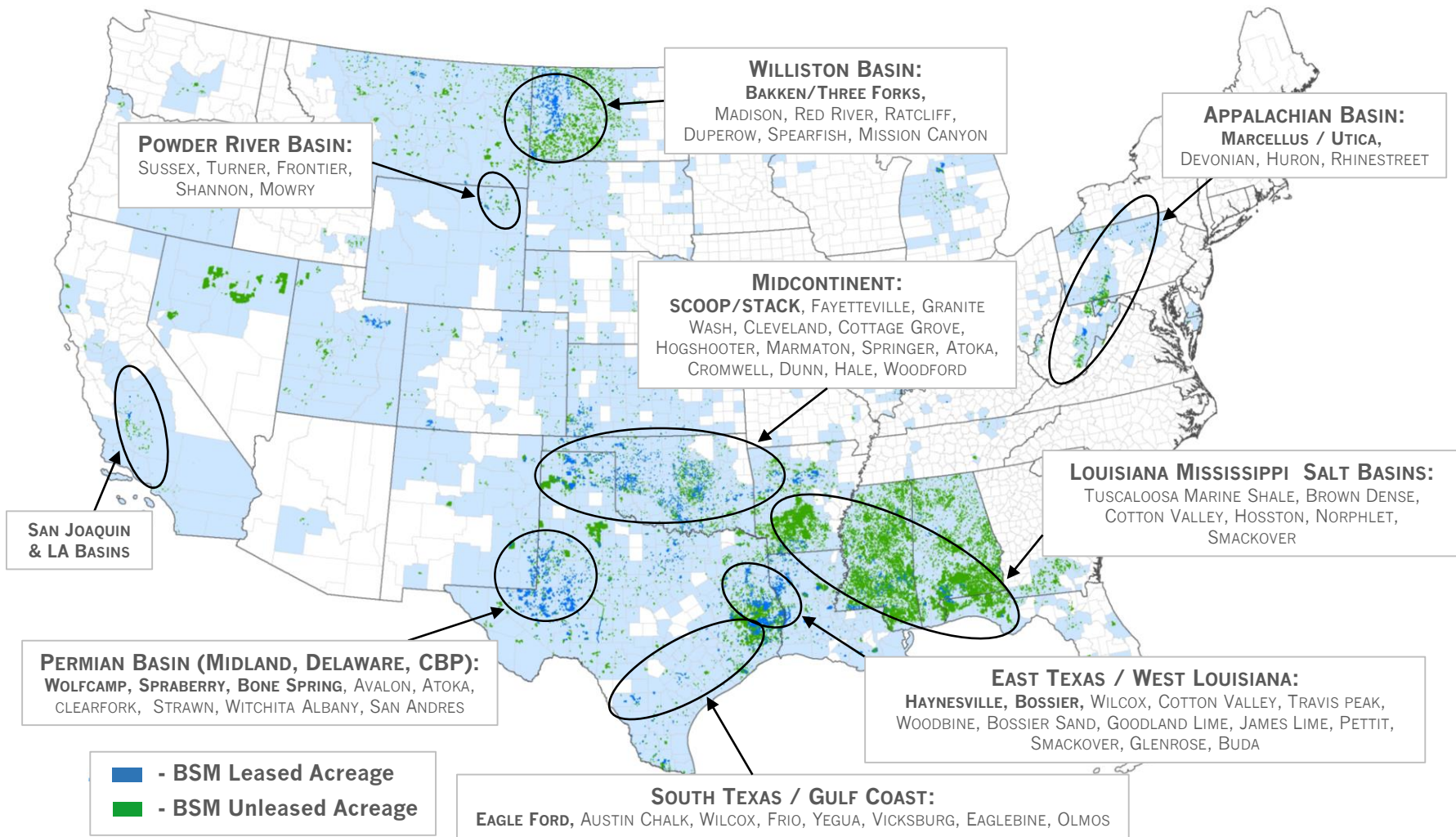


- ▲ 20 million gross acres <sup>(1)</sup> (7.4 million net) of opportunity leads to organic growth with no incremental capital requirements
  - ▲ Black Stone's team of landmen, engineers and geologists actively promote its acreage to industry operators
  - ▲ Most recent examples are partnering with Aethon Energy to restart development of Shelby Trough Haynesville/Bossier acreage in Angelina County and test program with a major operator in the Austin Chalk



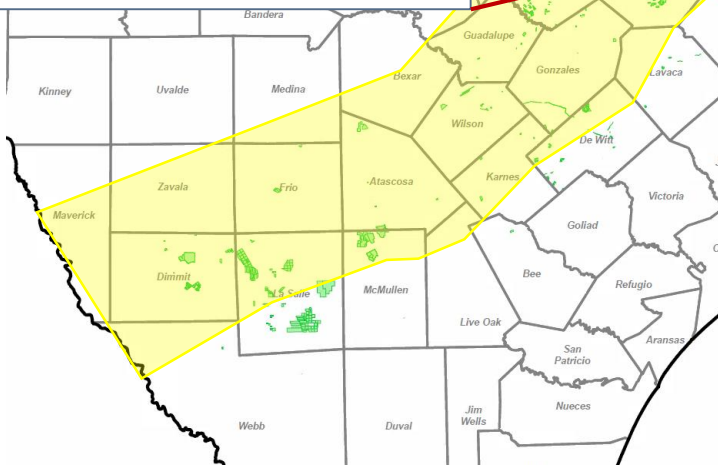
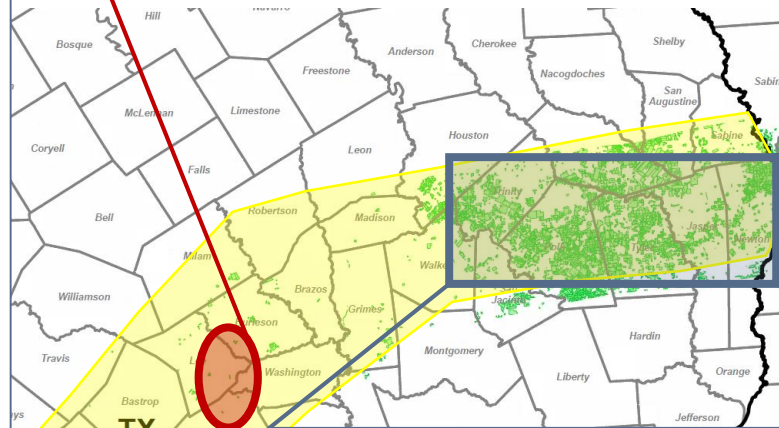
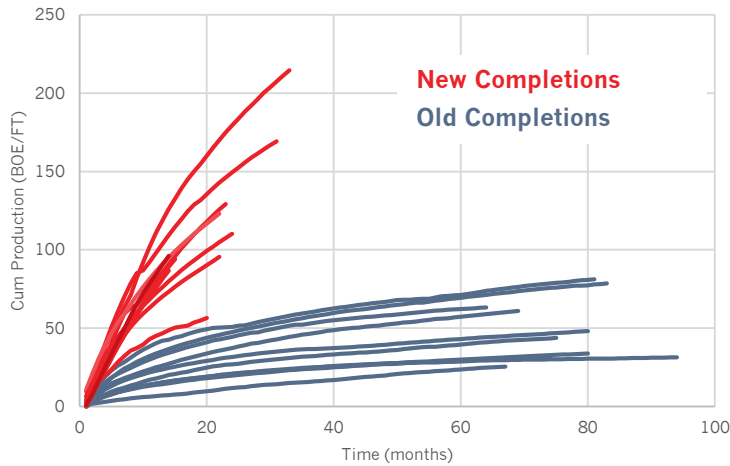
1) As of December 31, 2020; based on gross acres for all interest types



- ▲ Black Stone has leading positions in several of today's most active resource plays, as well as a perpetual call option across the lower 48 in dozens of prospective plays



## Giddings Field Redevelopment

- ▲ Magnolia oil and gas has reported significant uplift in well performance with new Austin Chalk completions (+2,500 lbs/ft of proppant)



 Austin Chalk Trend  
 BSM

## Black Stone Initiatives

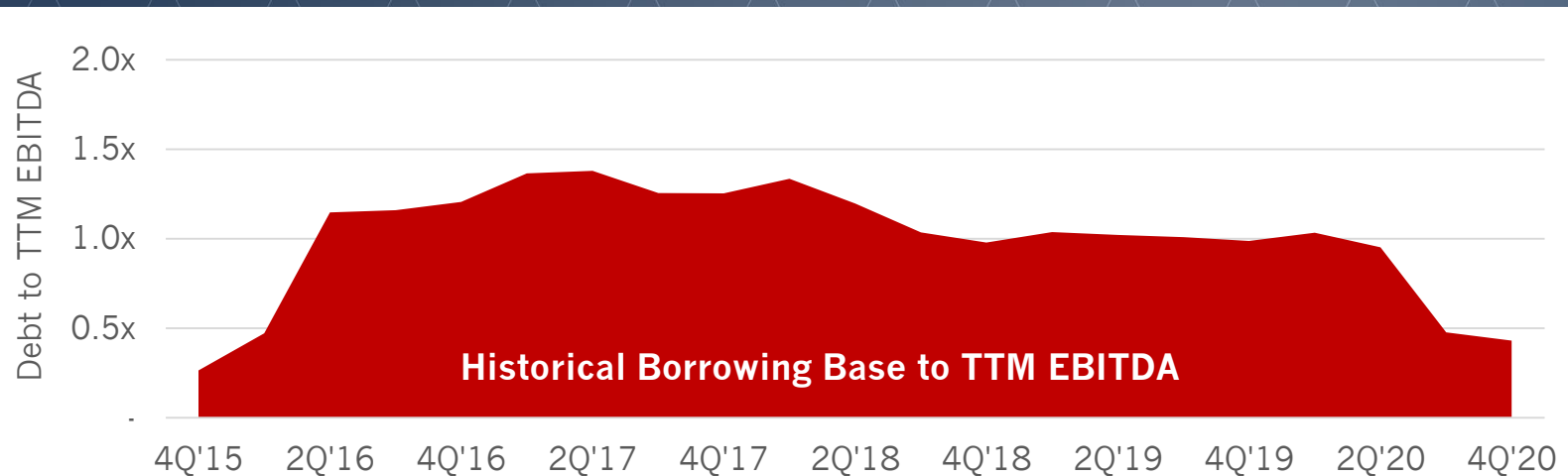
- ▲ Working with existing operators to test and develop Austin Chalk acreage with new completion methods
- ▲ Signed agreement with large independent operator to test and develop extensive unleased acreage position

## Strategy: Maximize financing flexibility for new acquisition opportunities

### ▲ Funding sources

- ▲ Public markets – Approx. \$73 million issued through ATM since 2017
- ▲ Private capital – \$300 million convertible preferred issued in November 2017
- ▲ Equity issued directly to sellers – Since beginning of 2017, approx. \$95 million issued through 4Q19
- ▲ Credit facility availability – BSM regularly maintains \$100 to \$200 million of dry powder with over \$250 million of liquidity at the end of 4Q20

## BSM has maintained a strong balance sheet through cycles





Black Stone responded decisively to industry downturn by strengthening balance sheet, enhancing liquidity and lowering cost structure



Low-cost, high-margin mineral and royalty business model is sustainable across challenging industry cycles



Investors gain exposure to industry-leading minerals portfolio with significant exposure to two of the most active areas in the United States



Black Stone is well-positioned to benefit from sustained recovery in natural gas with core positions in the Haynesville and other Gulf Coast plays with close proximity to industrial demand and LNG exports



Black Stone has a long history of delivering solid returns on capital employed and returning strong cash flow yield to investors



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Appendix

# Non-GAAP Financial Measures



(\$ in thousands)	Three Months Ended December 31, 2020
Net income (loss)	\$30,345
Adjustments to reconcile to Adjusted EBITDA:	
Depreciation, depletion, and amortization	19,820
Interest expense	1,353
Income tax expense (benefit)	1
Accretion of asset retirement obligations	295
Equity-based compensation	2,322
Unrealized (gain) loss on commodity derivative instruments	18,195
<b>Adjusted EBITDA</b>	<b>\$72,331</b>
Adjustments to reconcile to Distributable cash flow:	
Change in deferred revenue	(76)
Cash interest expense	(1,091)
Preferred unit distributions	(5,250)
<b>Distributable cash flow</b>	<b>\$65,914</b>
Total Units Outstanding	207,266
<b>Distributable Cash Flow per Unit</b>	<b>\$0.318</b>