

# RBC Midstream/MLP Conference

November 13, 2018



**BLACK STONE**  
MINERALS

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

# Forward-Looking Statements



This presentation contains “forward-looking statements” within the meaning of the securities laws. All statements, other than statements of historical fact, included in this presentation that address activities, events, or developments that Black Stone Minerals, L.P. (“Black Stone Minerals,” “Black Stone,” “the Partnership,” or “BSM”) expects, believes, or anticipates will or may occur in the future are forward-looking statements. The words “believe,” “expect,” “may,” “estimates,” “will,” “anticipate,” “plan,” “intend,” “foresee,” “should,” “would,” “could,” or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. However, the absence of these words does not mean that the statements are not forward-looking.

These statements are based on certain assumptions made by Black Stone Minerals based on management’s expectations and perception of historical trends, current conditions, anticipated future developments, and other factors believed to be appropriate. Although Black Stone Minerals believes that these assumptions were reasonable when made, because assumptions are inherently subject to significant uncertainties and contingencies, which are difficult or impossible to predict and are beyond its control, Black Stone Minerals cannot give assurance that it will achieve or accomplish these expectations, beliefs, or intentions. Such statements are subject to a number of assumptions, risks, and uncertainties, many of which are beyond the control of Black Stone Minerals, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include the factors discussed or referenced in the “Risk Factors” and “Forward-Looking Statements” sections of the filings Black Stone Minerals has made with the Securities and Exchange Commission, including its annual report on Form 10-K and quarterly reports on Form 10-Q, as well as risks relating to financial performance and results, current economic conditions and resulting capital restraints, prices and demand for oil and natural gas, availability of drilling equipment and personnel, availability of sufficient capital to execute our business plan, impact of compliance with legislation and regulations, successful results from our operators’ identified drilling locations, our operators’ ability to efficiently develop and exploit the current reserves on our properties, our ability to acquire additional mineral interests, and other important factors that could cause actual results to differ materially from those projected. When considering the forward-looking statements, you should keep in mind the risk factors and other cautionary statements in filings Black Stone Minerals has made with the SEC.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which such statement is made, and Black Stone Minerals undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law. All forward-looking statements attributable to Black Stone Minerals are qualified in their entirety by this cautionary statement.

**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 with interests in 41 states and 64 producing basins

**Enterprise Value<sup>1</sup>**

**~\$4.2 B**

**Current Yield<sup>2</sup>**

~8.7% (Distribution)

~11.6% (DCF)

**3Q18 Production**

**48.3 Mboe/d**

**Inside Ownership**

> 25% Insiders

> 80% Legacy Owners

1) Adjusted enterprise value includes pref. equity and assumes conversion of 100% of subordinated units into common units; unit price of \$17.00 per unit on November 9, 2018  
2) Distribution yield assumes the common distribution for 3Q18 of \$0.37 and DCF yield assumes DCF per unit of \$0.492 (see reconciliation and calculation in Appendix); respective yields calculated using a unit price of \$17.00 on November 9, 2018



# Benefits of Mineral Ownership



- ▲ 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<sup>1</sup> (Assuming \$40 BOE)

**\$17.00 / 43%**



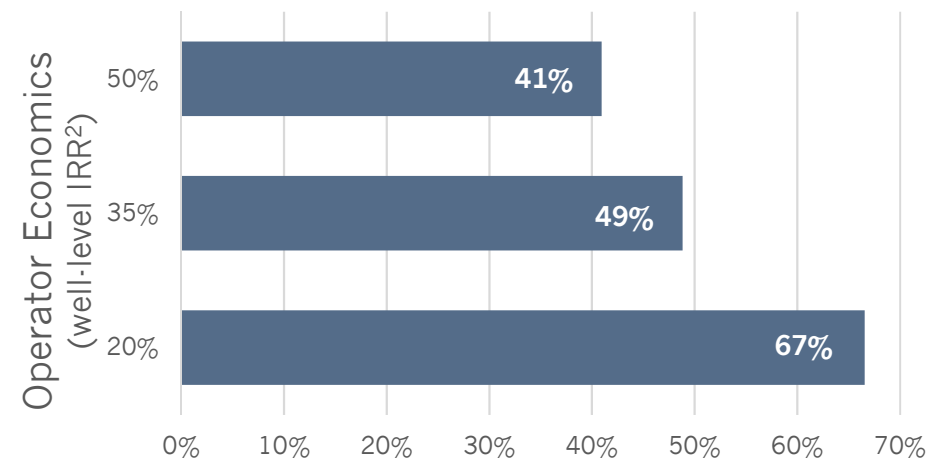
**Working Interest**

**\$37.50 / 94%**



**Royalty**

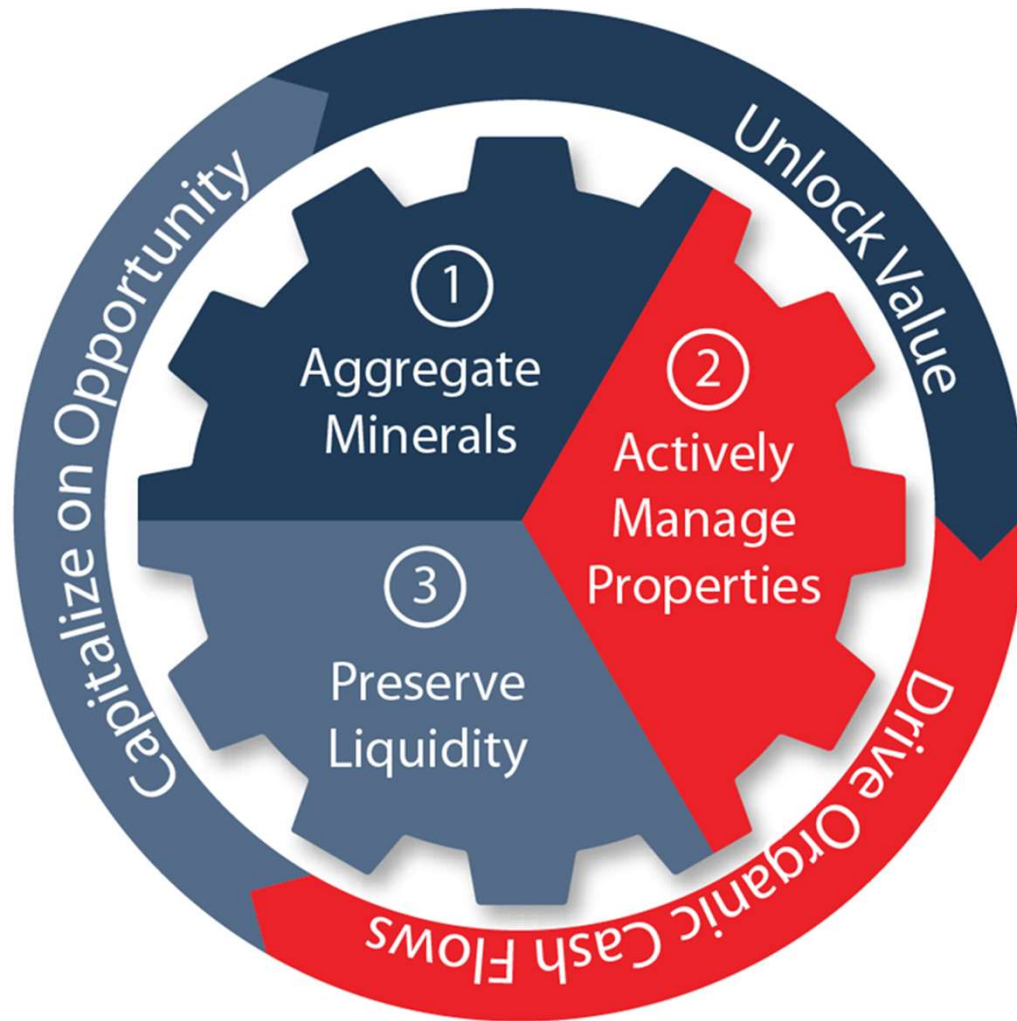
### % of PV10 to Royalty Owner



1) Illustrative only. Working interest economics based on 2Q18 average costs of selected upstream companies; F&D costs based on 5-year average ended 2017.  
 2) Illustrative well economics assuming 20% royalty; excluding royalty acquisition costs and operator leasing costs.

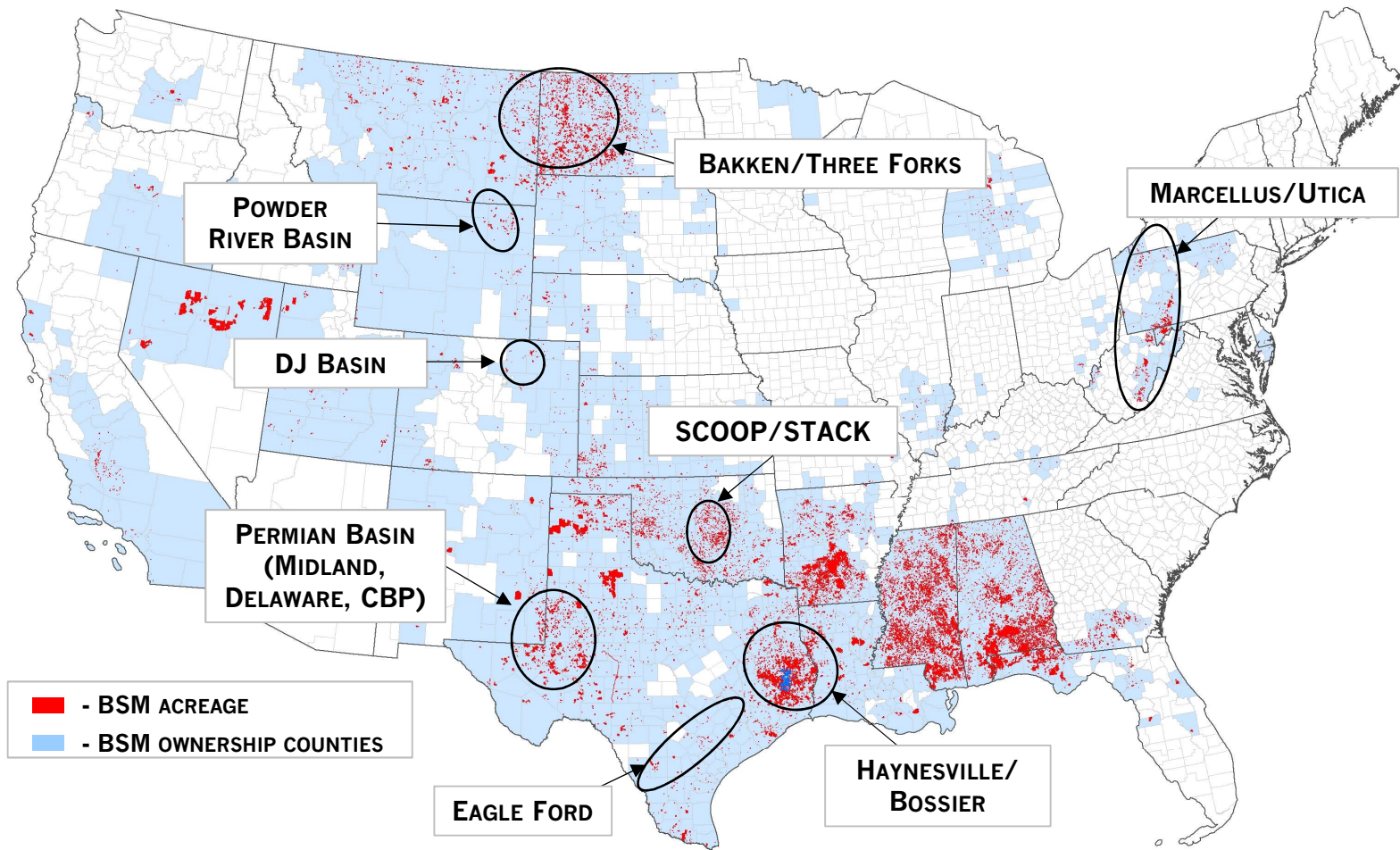
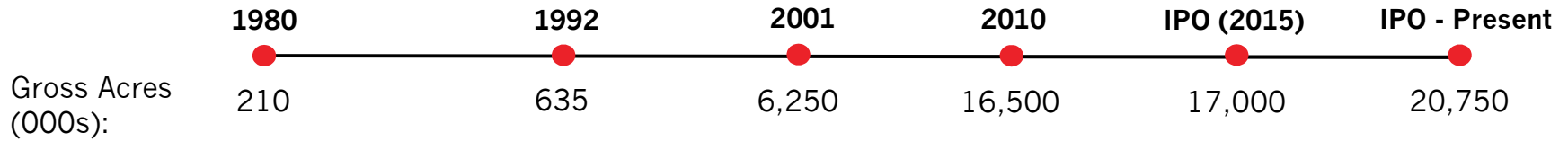


# The Black Stone Business Model



- 1 Continue to enhance scale with an emphasis on building up core positions
- 2 Unlock value of acquired properties through in-house Land, Engineering and Geology groups
- 3 Maintain low leverage levels and ample liquidity to capitalize on acquisition opportunities

# Acquisitions Over Time

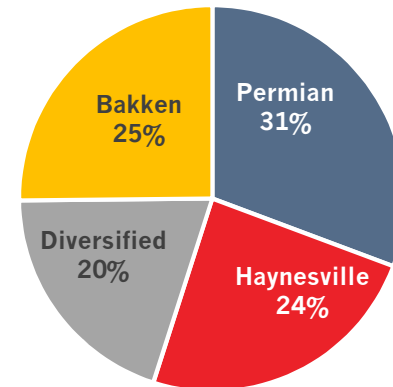


# Recent Acquisition History



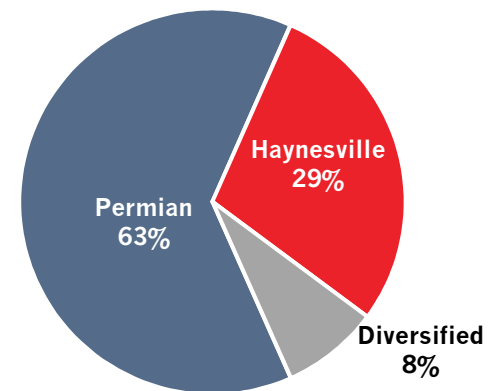
- ▲ Black Stone has added to its core positions while opportunistically pursuing large, diversified mineral packages

## 2017 Acquisition Profile

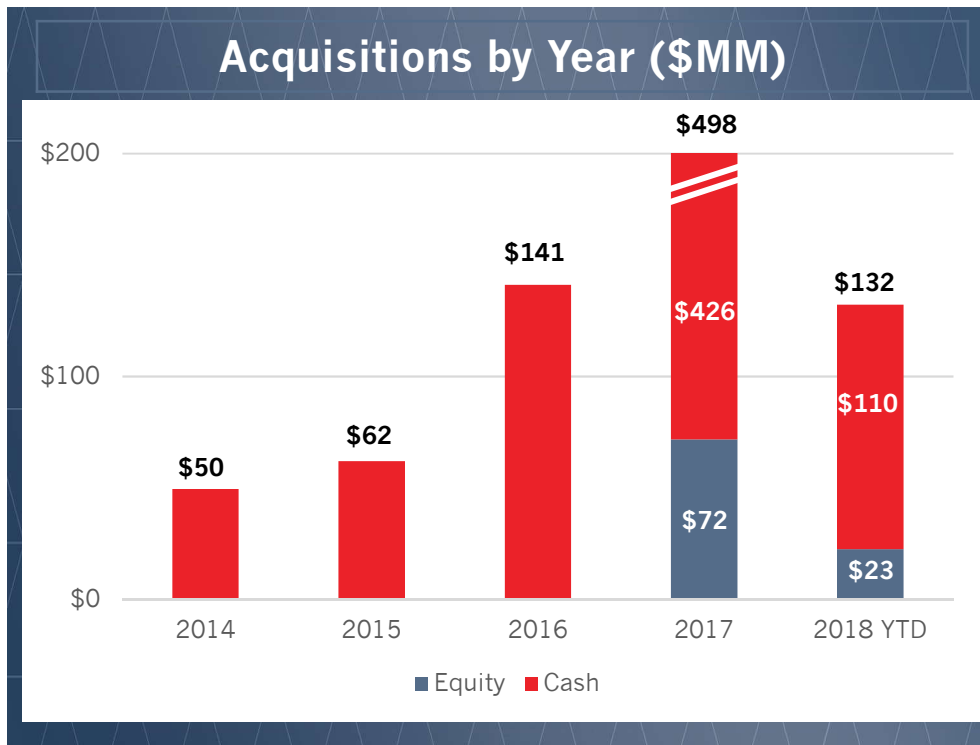


\$498 million

## 2018 YTD Acquisition Profile



\$132 million

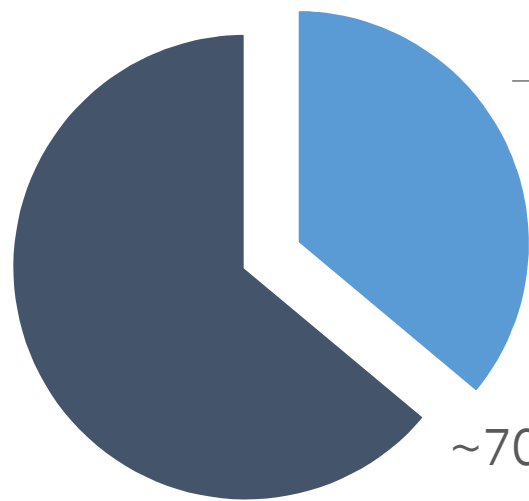




## ▲ 20 million acres of opportunity leads to organic growth with no incremental capital requirements

- ▲ Black Stone's team of landmen, engineers and geologists actively promote its acreage to industry operators

BSM Acreage by Status<sup>1</sup>



■ Leased ■ Unleased

### Leased Acreage

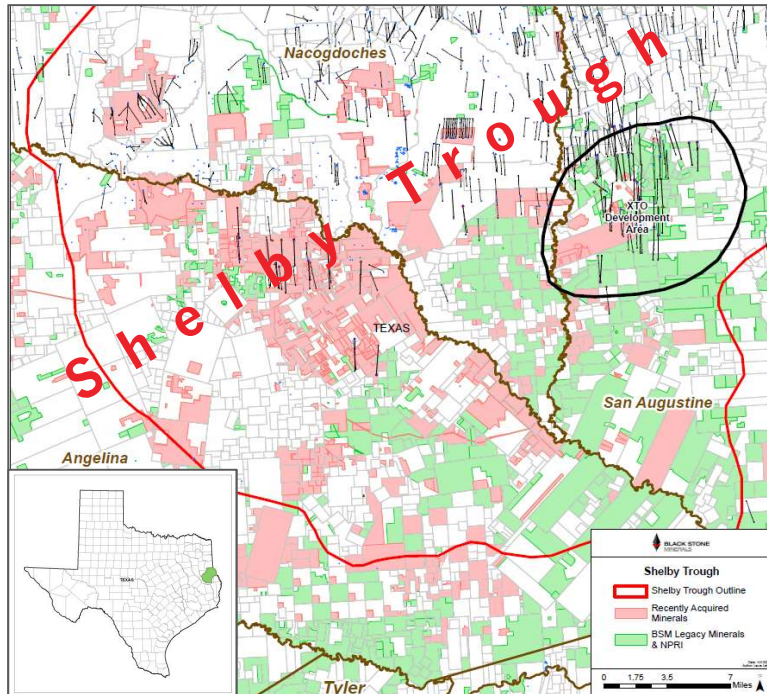
- ▲ Current cash flow
- ▲ Infill and multi-zone development
- ▲ Acceleration opportunities

### Unleased Acreage

- ▲ Lease bonus
- ▲ New production from emerging plays or technological advancements
- ▲ **“Cost-free embedded drop-downs”**

1) Based on gross acres for all interest types

# Active Management – Shelby Trough

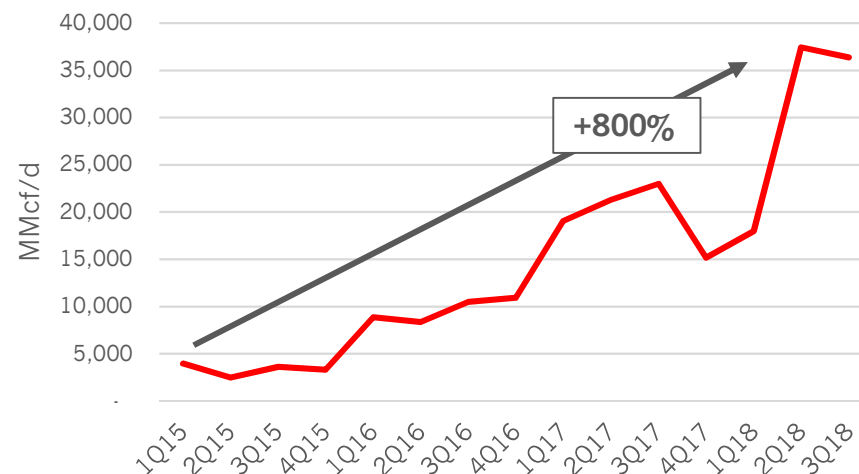


- ▲ In 2014, the southern portion of the Shelby Trough was relatively undeveloped compared to the rest of the Haynesville/Bossier play
- ▲ BSM invested with XTO to initiate activity and then structured mutually beneficial incentive agreements with XTO and BP
- ▲ Active mineral acquisition program benefitted Black Stone and development partners

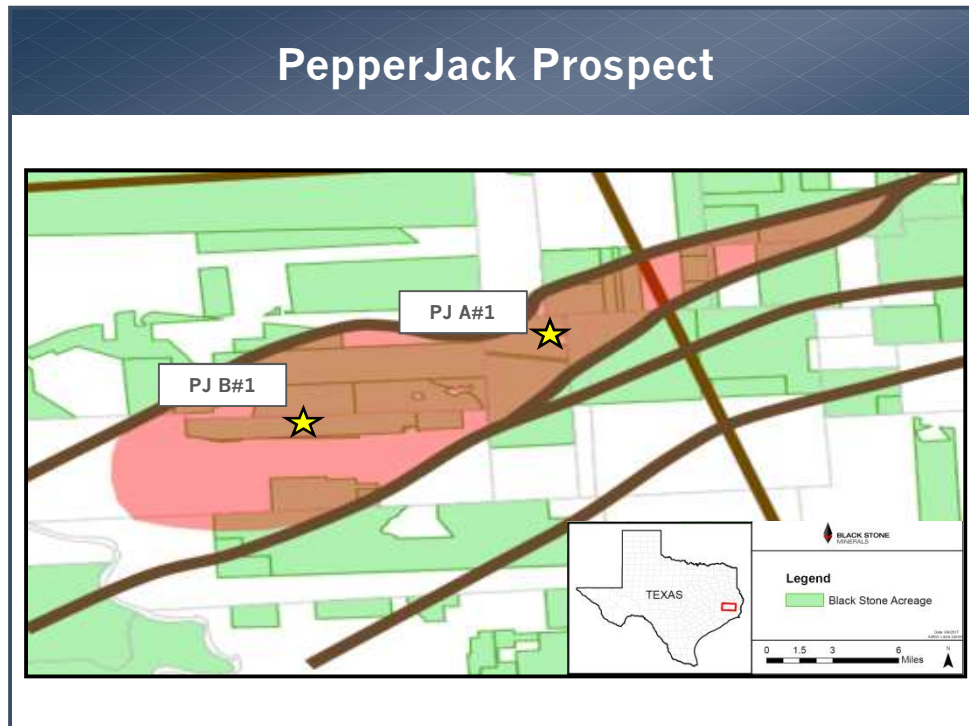
## Development Partners



BSM Shelby Trough Royalty Production



- ▲ Black Stone’s in-house technical team identified and oversaw testing of the Lower Wilcox prospect, which is now under a third party development agreement



## Background

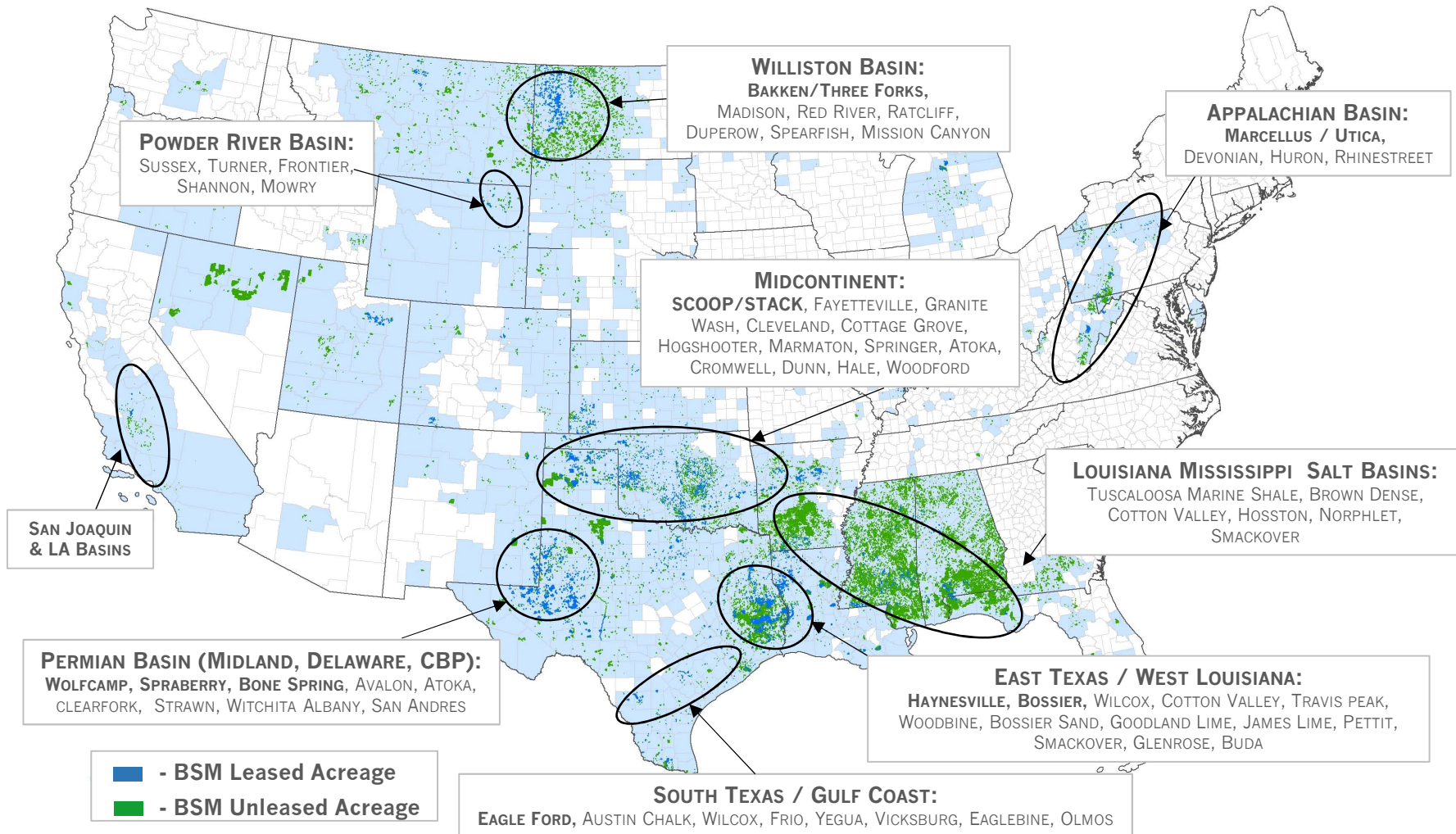
- ▲ Black Stone’s technical team has identified a number of promising structures in the area
- ▲ Black Stone drilled and logged the PepperJack A#1 discovery well in early 2018; the PepperJack B#1 well was drilled in mid-2018, further delineating the prospect
- ▲ Agreement reached in 3Q18 with development partners provides for the completion of the PepperJack A#1 well, potential for a 3D seismic survey, and development program with minimum annual well commitment



# Active Management – Opportunities



- ▲ 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



# Strong Balance Sheet Through Cycles

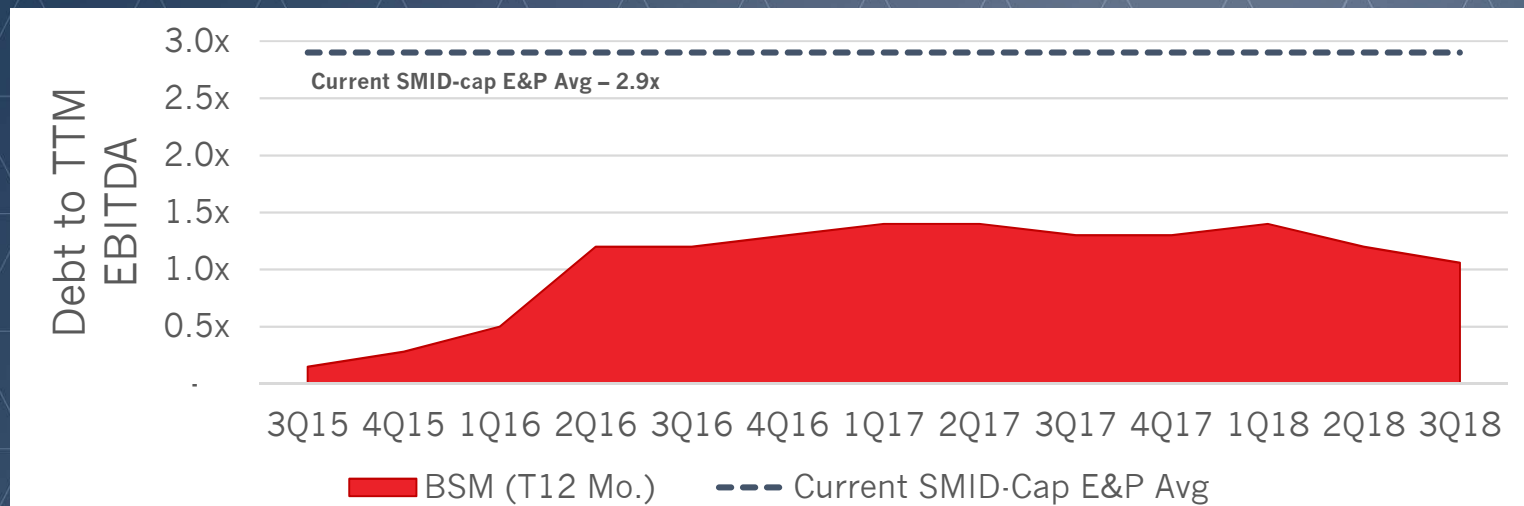


**Strategy: Maximize financing flexibility for new acquisition opportunities**

## ▲ Funding sources

- ▲ Public markets – Approx. \$71 million issued through ATM since through 3Q18
- ▲ Private capital – \$300 million convertible preferred issued in November 2017
- ▲ Equity issued directly to sellers – Since beginning of 2017, approx. \$95 million issued through 3Q18
- ▲ Credit facility availability – BSM regularly maintains \$100 to \$200 million of dry powder

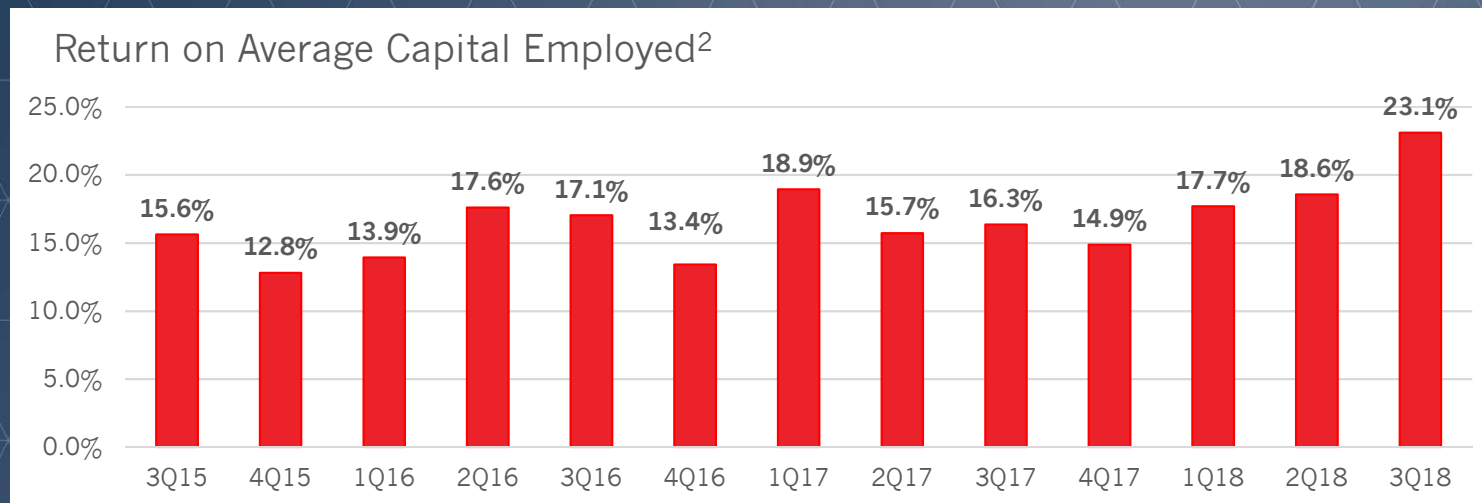
## ▲ BSM has maintained a strong balance sheet through cycles



## ▲ Long history of returning cash to equity holders

- ▲ >8% cash yield supported by growing free cash flows
- ▲ >\$3 billion returned to investors through distributions over the past 20 years
- ▲ ~3x return on invested capital to date<sup>1</sup>

## ▲ Consistent return performance across commodity cycles



1) Return on Investment (ROI) calculated as (Cumulative Distributions + Adj. BSM Market Cap) / Capital Raised through November 6, 2018  
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



# Third Quarter 2018 Highlights



3Q17 3Q18

**Total Production**  
(MBoe/d)

↑ ~31%

37.0

48.3

**Royalty Production**  
(MBoe/d)

↑ ~53%

21.5

32.9

**Adjusted EBITDA**  
(\$MM)

↑ ~46%

\$78

\$114

**Distributable Cash Flow**  
(\$MM)

↑ ~46%

\$69

\$101

**Common Distribution**  
(\$ per unit annualized)

↑ ~18%

\$1.25

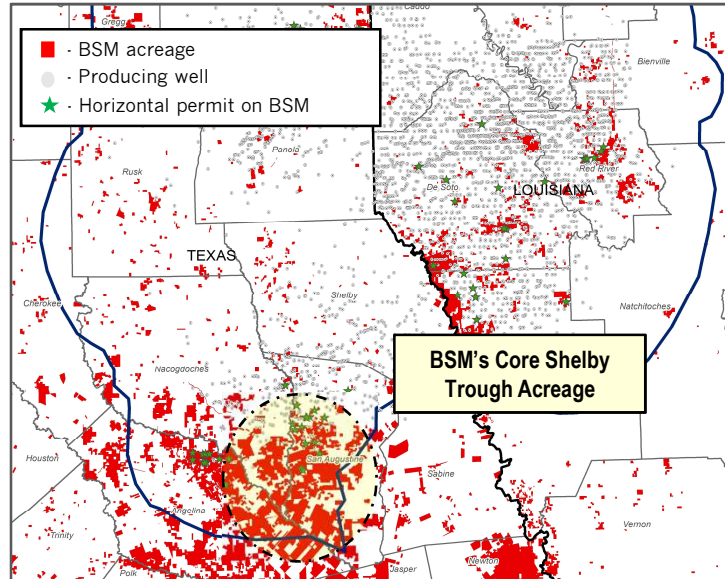
\$1.48

# Near Term Growth Drivers



## Haynesville/Bossier

- ▲ Minerals position concentrated in Shelby Trough, which is delivering among the best economics across the entire play
- ▲ Additional exposure across Texas and Louisiana
- ▲ Proximity to major natural gas hubs and export markets

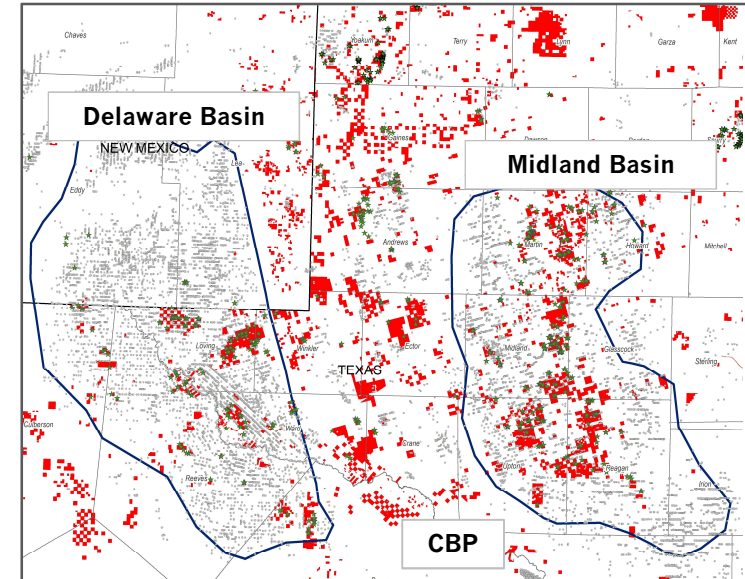


### Active Operators



## Permian

- ▲ Black Stone has a high quality position in the core of the Midland and Delaware basins
- ▲ Significant position in the Central Basin Platform ("CBP") with exposure to emerging plays such as the horizontal San Andres



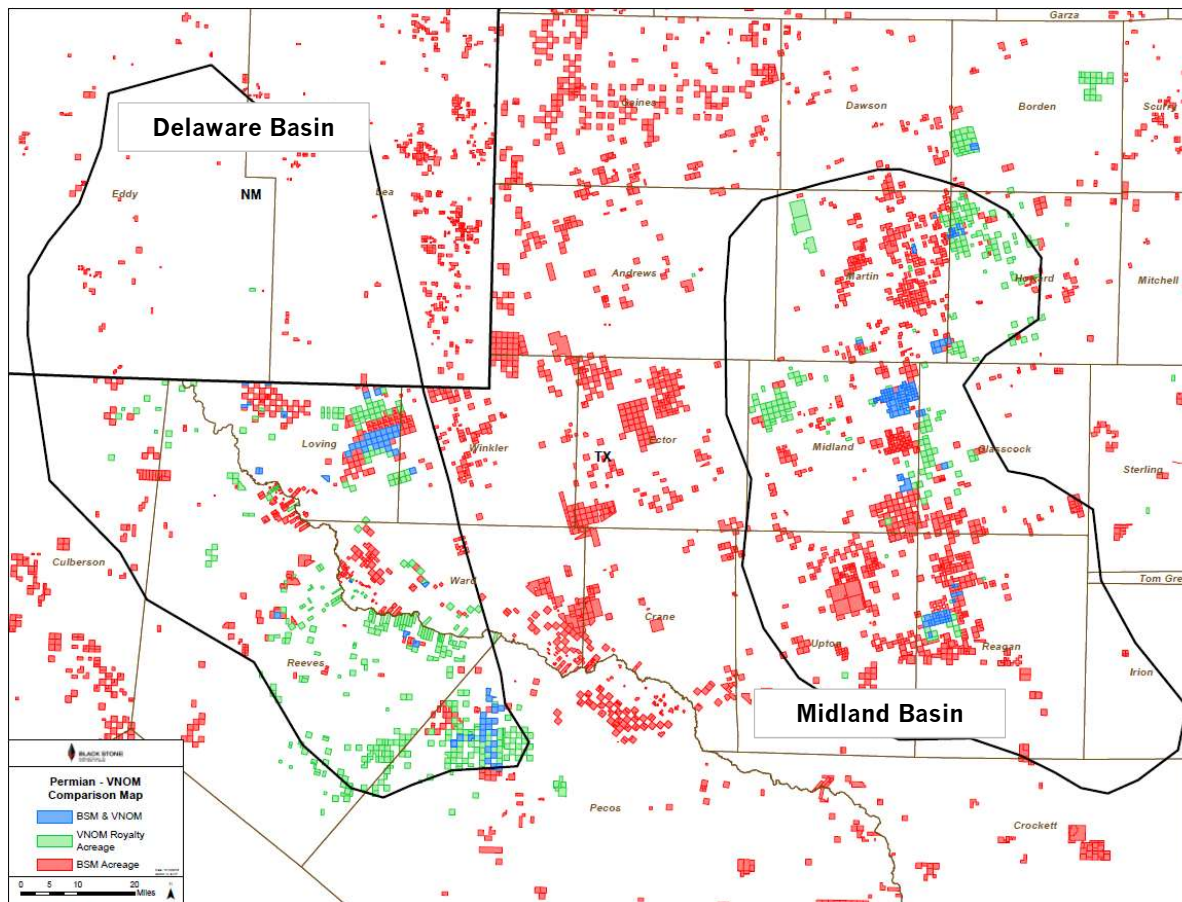
### Active Operators



# High Quality Permian Position



## BSM and VNOM Permian Royalty Acreage



- ▲ Black Stone has meaningful exposure to the rapid development occurring in the Midland and Delaware basins
- ▲ Permian acquisitions have been the largest part of our acquisition effort since IPO, with over \$440 million of assets purchased
- ▲ The Partnership has ~62,000 net royalty acres<sup>1</sup> in the Midland and Delaware Basin (excluding CBP acreage); our position compares favorably with Permian pure play competitors

1) A net royalty acre is defined as one surface acre leased at a 1/8<sup>th</sup> royalty.



# Key Messages



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



Upside exposure from increase in commodity prices, accelerated development, and future break-out plays across portfolio



Investors benefit from management team with substantial experience unlocking value from mineral-and-royalty assets



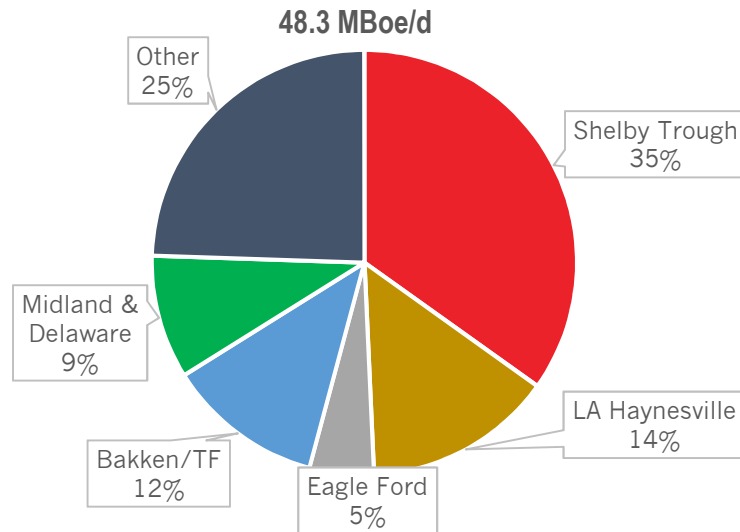
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Appendix

## 3Q18 Production by Play



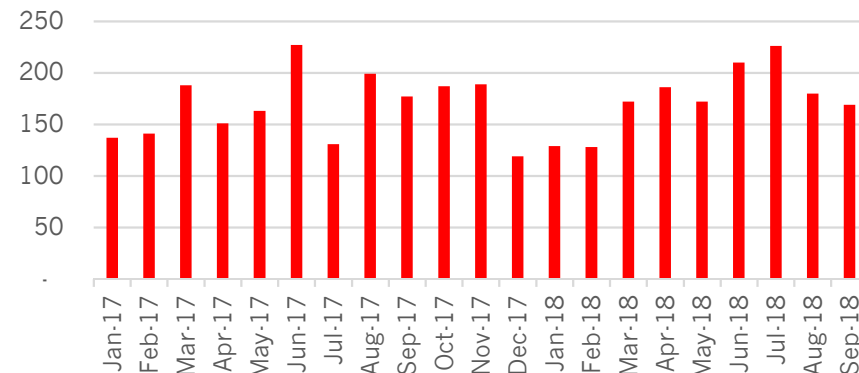
### ▲ Black Stone benefits from the significant diversity of its asset base

- ▲ BSM tracks activity at a play level for approximately 40 individual plays
- ▲ Broad exposure to new discoveries and development activity
- ▲ Acreage in every resource play, with large positions in several of the most active resource plays

### ▲ Black Stone consistently sees meaningful permitting activity across its acreage position

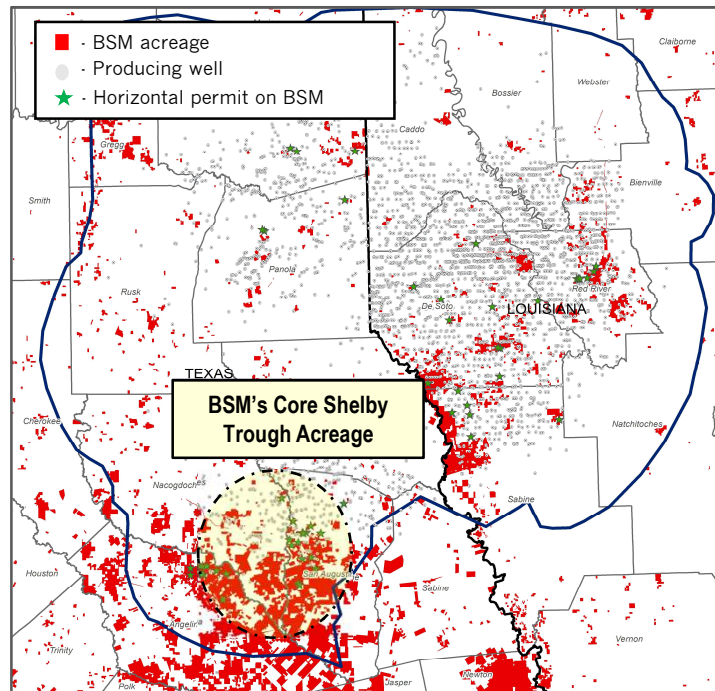
- ▲ Trailing 12-month permits filed as of September 30, 2018 stands at ~2,000 permits<sup>1</sup>
- ▲ Approximately 8% of all permits filed in the Lower 48 over the last 12 months have been on BSM acreage

### Lower 48 Permitting Activity on BSM<sup>1</sup>



1) Permit counts include those on recently acquired Noble acquisition properties; excludes all Wyoming permits

# Haynesville/Bossier Position



## Key Statistics

Gross Mineral and Royalty Acres <sup>1</sup>	~415,000
Net Royalty Acres <sup>1,2</sup>	~387,500
Permits on BSM last 12 mos <sup>3</sup>	114
% Permits on BSM acreage last 12 mos <sup>3</sup>	24%

- ▲ There were 11 rigs running on acreage in which BSM has an interest as of October 29, 2018
- ▲ Improved completions and a favorable regional gas market have brought the Haynesville/Bossier into the top quartile of US oil and gas plays
- ▲ Black Stone believes its Shelby Trough position in East Texas to be the best part of the Haynesville/Bossier play in terms of ultimate recoveries and economics
  - ▲ Recent results demonstrate EURs ranging from 2.5 – 3.0+ Bcf / 1,000' of lateral
  - ▲ Operators continue to improve and optimize completion designs
- ▲ BSM is also significantly exposed to the Louisiana Haynesville/Bossier

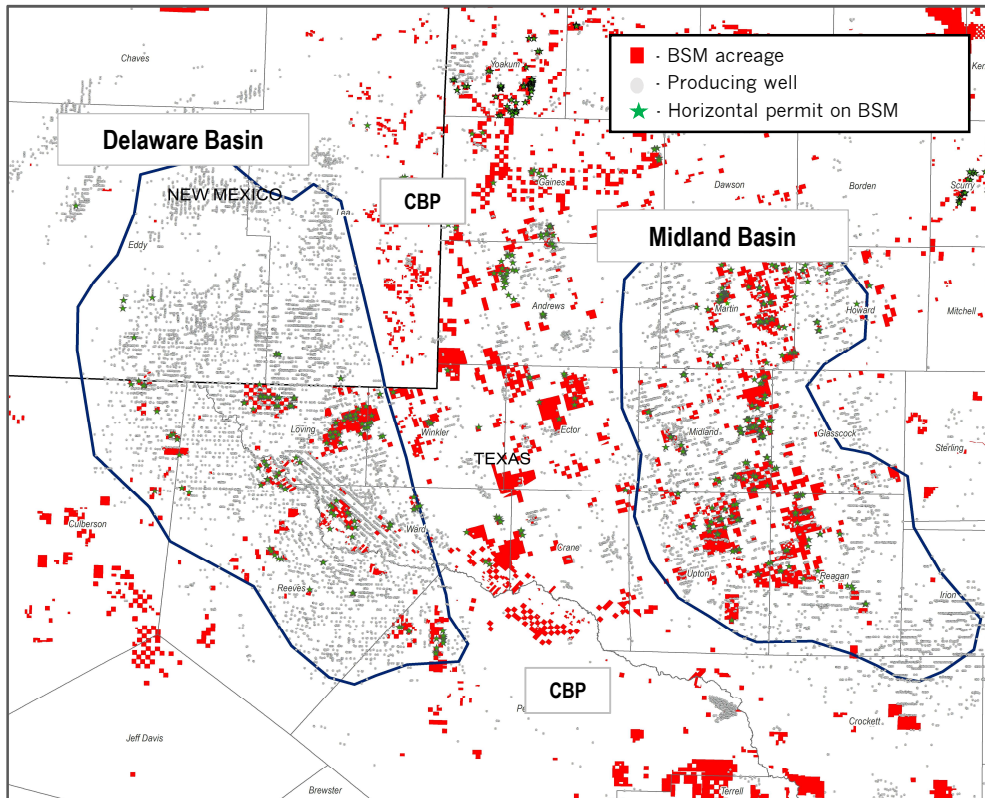
## Active Operators



1) Includes only Haynesville acreage as of 8/16/18 and includes mineral interests, NPRIs, and ORRIs  
 2) A net royalty acre is defined as one surface acre leased at a 1/8<sup>th</sup> royalty  
 3) Permit data sourced from IHS and represents permits filed through 9/30/18; includes permits on Noble acreage



# Permian Position



- ▲ As of October 29, 2018, there were 55 and 20 drilling rigs operating on BSM interests in the Midland and Delaware basin, respectively
- ▲ Black Stone has aggregated a significant position in these basins since the IPO to complement its legacy position
- ▲ Black Stone has also expanded its position in the Central Basin Platform with exposure to emerging plays such as the horizontal San Andres, Wichita/Albany, and Mississippian plays

## Key Statistics (Midland and Delaware only)

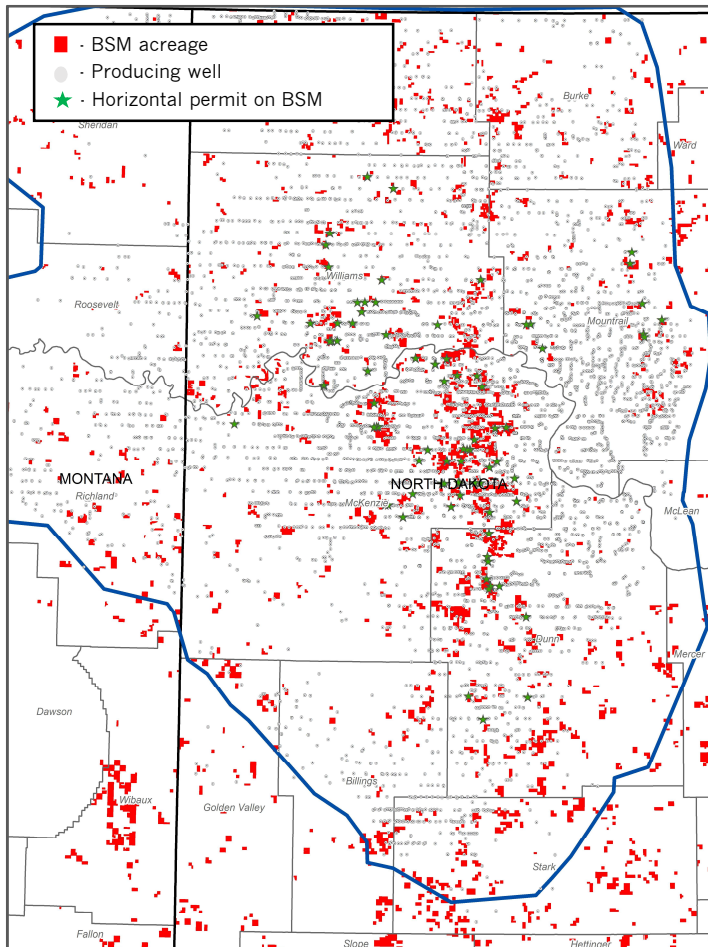
Gross Mineral and Royalty Acres <sup>1</sup>	~730,000
Net Royalty Acres <sup>1,2</sup>	~62,000
Permits on BSM last 12 mos <sup>3</sup>	814
% Permits on BSM acreage last 12 mos <sup>3</sup>	13%

1) As of 8/30/18, inclusive of mineral interests, NPRIs, and ORRIs  
 2) A net royalty acre is defined as one surface acre leased at a 1/8<sup>th</sup> royalty  
 3) Permit data sourced from IHS and represents permits filed through 9/30/18; includes permits on Noble acreage

## Active Operators



# Bakken/Three Forks Position



- ▲ At the end of October 2018, 8 drilling rigs were operating on acreage where BSM has an interest
- ▲ Production for the play is above prior peak and continuing to grow
- ▲ Black Stone’s concentration in the core, attractive pricing differentials, and improved completion designs continue to drive strong Bakken/Three Forks performance

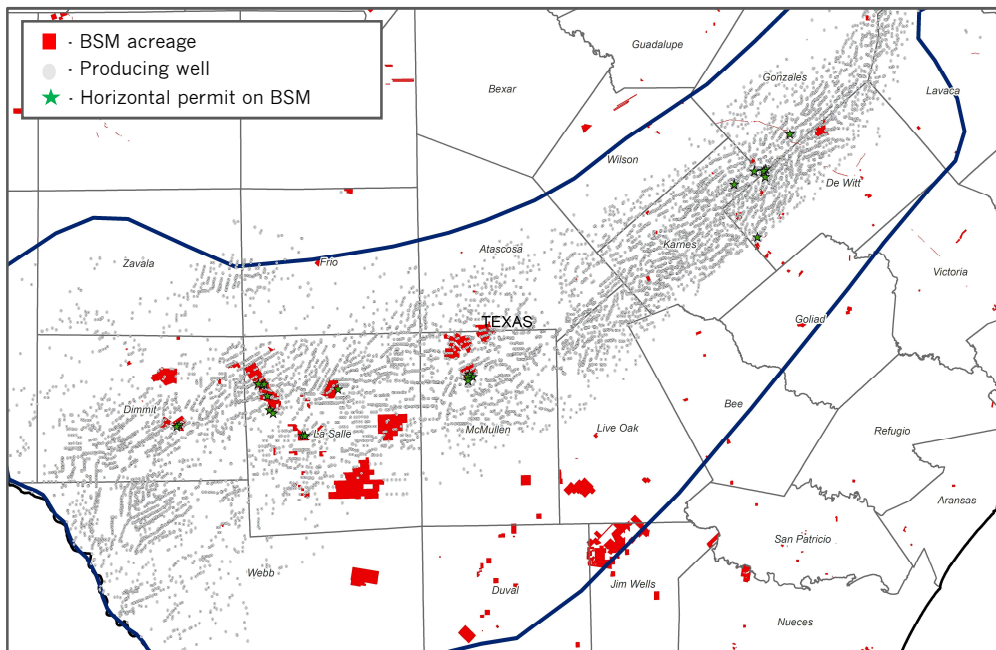
## Active Operators



Key Statistics	
Gross Mineral and Royalty Acres <sup>1</sup>	~420,000
Net Royalty Acres <sup>1,2</sup>	~107,000
Permits on BSM last 12 mos <sup>3</sup>	282
% Permits on BSM acreage last 12 mos <sup>3</sup>	20%

1) Includes only Bakken acreage from 2017 10-K and includes mineral interests, NPRIs, and ORRIs  
 2) A net royalty acre is defined as one surface acre leased at a 1/8<sup>th</sup> royalty  
 3) Permit data sourced from IHS and represents permits filed through 9/30/18; includes permits on Noble acreage

# Eagle Ford Position



- ▲ On October 29, 2018, 4 drilling rigs were operating on BSM acreage
- ▲ Year-to-date activity in play ahead of 2017 activity on BSM acreage
- ▲ BSM exposed to some of the best parts of the play

## Active Operators



## Key Statistics

Gross Mineral and Royalty Acres <sup>1</sup>	~224,000
Net Royalty Acres <sup>1,2</sup>	~34,000
Permits on BSM last 12 mos <sup>3</sup>	75
% Permits on BSM acreage last 12 mos <sup>3</sup>	4%

1) Per 2017 10-K and includes mineral interests, NPRIs, and ORRIs

2) A net royalty acre is defined as one surface acre leased at a 1/8<sup>th</sup> royalty

3) Permit data sourced from IHS and represents permits filed through 9/30/18; includes permits on Noble acreage

# Financial Summary



Current 2018 Guidance (Revised August 6, 2018)	
Average daily production (Mboe/d)	44.5 – 45.5
Percentage natural gas	~71%
Percentage royalty	~68%
Lease bonus and other income (\$MM)	\$30 - \$40
Lease operating expense (\$MM)	\$16 - \$18
Production costs and ad valorem taxes (as % of total oil & gas revenue)	11% - 13%
Exploration expense	\$7.5 - \$8.5
G&A – cash (\$MM)	\$45 - \$47
G&A – non-cash (\$MM)	\$30 - \$32
G&A – TOTAL (\$MM)	\$75 - \$79
DD&A (\$/Boe)	\$7.00 - \$8.00

Financial Position		
(\$ in millions)	As of 9/30/18	As of 11/2/18
Cash	\$4.4	\$7.6
Borrowing base	\$600	\$675
Borrowings under credit facility	402	377
Remaining availability	198	298
Liquidity	\$202.4	\$305.6
Debt to TTM EBITDAX	1.06x	

Hedging Summary					
Oil Hedge Position					
	Oil Swap (MBbl)	Swap Price (\$/Bbl)	Costless Collars (MBbl)	Collar Floor (\$/Bbl)	Collar Ceiling (\$/Bbl)
4Q18	854	\$55.18			
1Q19	645	\$58.66	60	\$65.00	\$74.00
2Q19	645	\$58.66	60	\$65.00	\$74.00
3Q19	645	\$58.20	60	\$65.00	\$74.00
4Q19	645	\$58.20	60	\$65.00	\$74.00
1Q20			210	\$55.00	\$70.85
2Q20			210	\$55.00	\$70.85
3Q20			210	\$55.00	\$70.85
4Q20			210	\$55.00	\$70.85
Gas Hedge Position					
	Gas Swap (MMcf)	Swap Price (\$/MMcf)			
4Q18	13,630	\$3.01			
1Q19	9,000	\$2.86			
2Q19	9,060	\$2.86			
3Q19	9,120	\$2.86			
4Q19	9,120	\$2.86			



# Adjusted EBITDA and Distributable Cash Flow Reconciliation



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Unaudited) (In thousands, except per unit amounts)			
Net income	\$ 60,775	\$ 22,034	\$ 131,422	\$ 137,793
Adjustments to reconcile to Adjusted EBITDA:				
Depreciation, depletion, and amortization	29,273	29,204	88,135	84,483
Interest expense	5,518	4,172	15,319	11,660
Income tax expense	(2)	—	1,059	—
Accretion of asset retirement obligations	278	260	820	760
Equity-based compensation	9,596	7,675	24,947	18,614
Unrealized (gain) loss on commodity derivative instruments	8,718	14,320	47,733	(23,048)
Adjusted EBITDA	114,156	77,665	309,435	230,262
Adjustments to reconcile to distributable cash flow:				
Deferred revenue	(1)	(701)	1,300	(1,670)
Cash interest expense	(5,287)	(3,946)	(14,571)	(10,999)
(Gain) loss on sale of assets, net	—	—	(2)	(931)
Estimated replacement capital expenditures <sup>1</sup>	(2,750)	(3,250)	(8,750)	(10,250)
Cash paid to noncontrolling interests	(47)	(24)	(161)	(90)
Preferred unit distributions	(5,250)	(666)	(15,775)	(2,452)
Distributable cash flow	\$ 100,821	\$ 69,078	\$ 271,476	\$ 203,870
Total units outstanding <sup>2</sup>	204,794	198,786		
Distributable cash flow per unit	\$ 0.492	\$ 0.347		
Common unit price as of November 9, 2018	\$ 17.00			
Implied distributable cash flow yield	11.6 %			

- On August 3, 2016, the Board established a replacement capital expenditure estimate of \$15.0 million for the period of April 1, 2016 to March 31, 2017. On June 8, 2017, the Board established a replacement capital expenditure estimate of \$13.0 million for the period of April 1, 2017 to March 31, 2018. On April 27, 2018, the Board established a replacement capital expenditure estimate of \$11.0 million for the period of April 1, 2018 to March 31, 2019.
- The distribution attributable to the three months ended June 30, 2018 is estimated using 108,465 common units and 96,329 subordinated units as of October 31, 2018; the exact amount of the distribution attributable to the three months ended September 30, 2018 will be determined based on units outstanding as of the record date of November 14, 2018. Distributions attributable to the three months ended September 30, 2017 were calculated using 103,398 common units and 95,388 subordinated units as of the record date of November 17, 2017.