

# Citi 2021 Global Energy & Utilities Virtual Conference

May 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>**

**~\$2.6 B**

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

**~6.6% (Distribution)**

**~10% (DCF)**

### **1Q'21 Production**

**36.8 Mboe/d**

### **Inside Ownership**

**> 25% Insiders**

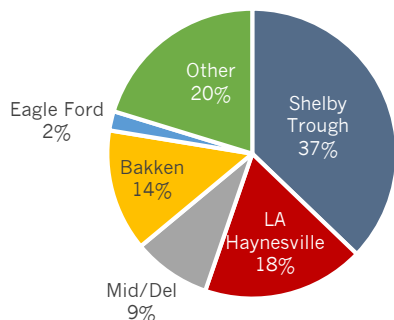
**> 80% Legacy Owners**

1) Enterprise value includes pref. equity and assumes unit price of \$10.57 per unit on May 6, 2021

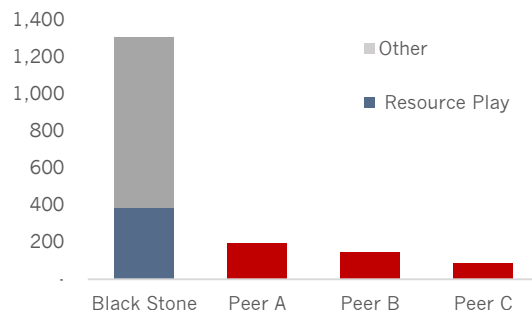
2) Distribution yield calculated by annualizing the common distribution for 1Q'21 of \$0.175 per unit and DCF yield calculated by annualizing DCF per unit for 1Q'21 of \$0.26; respective yields calculated using the unit price of \$10.57 per unit on May 6, 2021

- ▲ 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

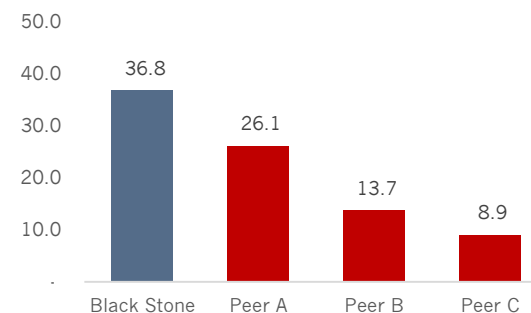
**1Q'2021 Production Mix**



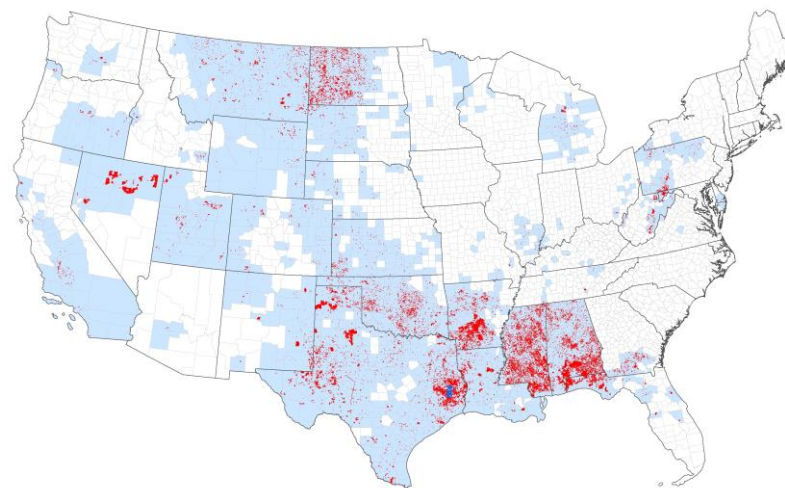
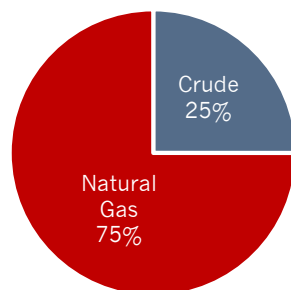
**Net Royalty Acres (000s)<sup>(1)</sup>**



**Production (MBoe/d)**



**1Q'2021 Product Mix**

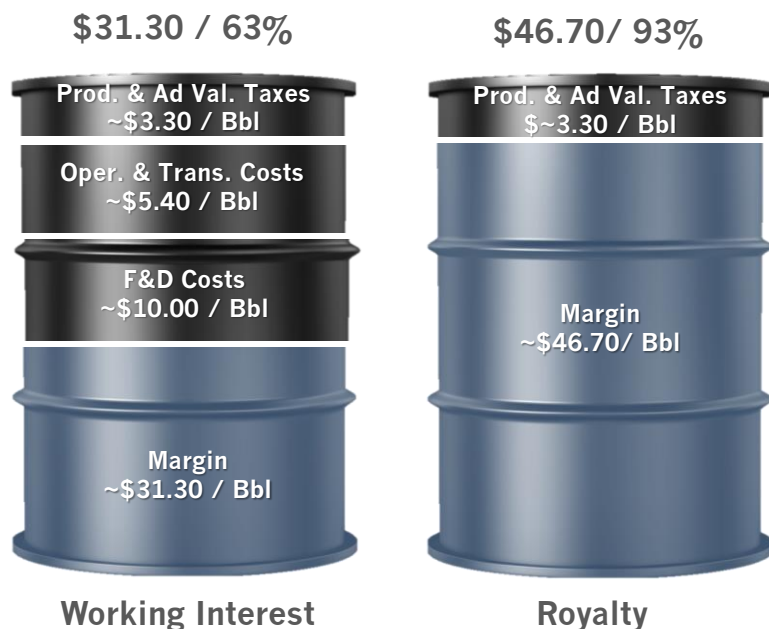


1) Net Royalty Acres represents leased acreage in resource and non-resource plays

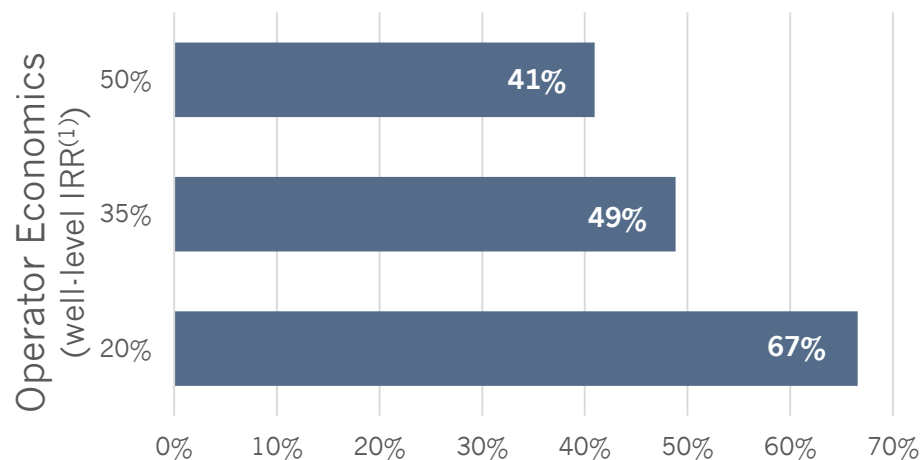
- ▲ Oil and gas exposure with no operating cost or capital spending requirements
- ▲ Direct benefit from technology advances to enhance recovery and well economics
- ▲ Represents perpetual call option on future oil & gas development activity
- ▲ Scale facilitates opportunities to partner with operators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

## Comparative Well Economics

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

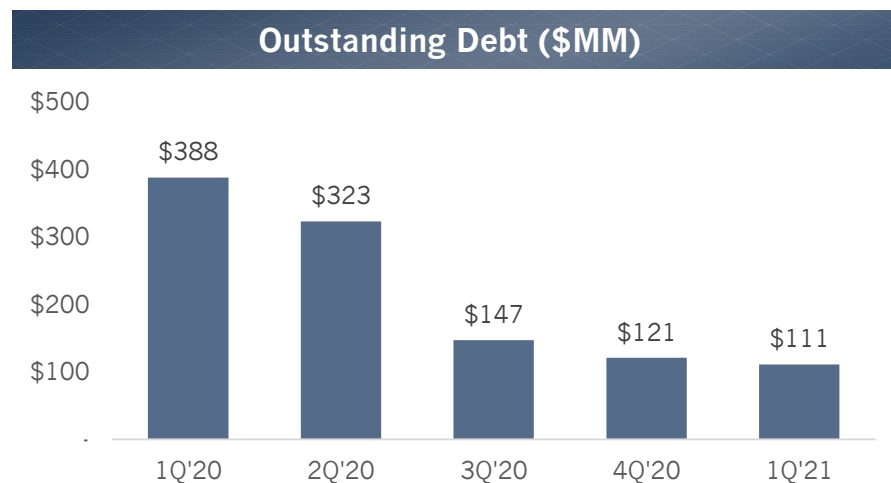


### % of PV10 to Royalty Owner



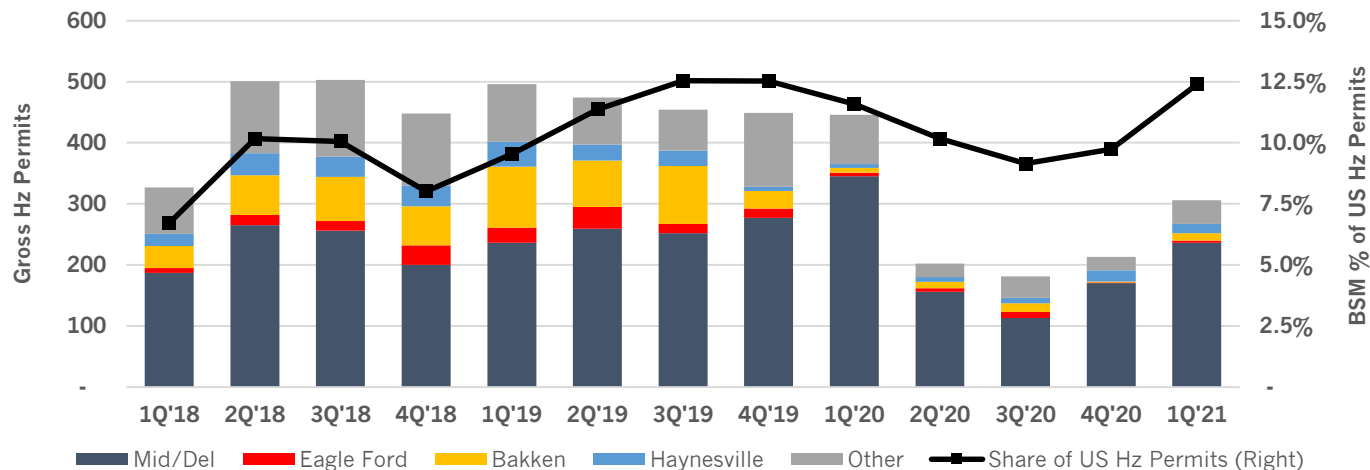
1) Illustrative well economics assuming 20% royalty; excluding royalty acquisition costs and operator leasing costs

- ▲ Black Stone is well positioned to capitalize on a market recovery
  - ▲ Recently announced \$20.7 million acquisition funded with equity and cash
- ▲ 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 Q1 2021 was at \$111 million
- ▲ Prioritized the existing portfolio to spur new development on our existing acreage over external acquisitions to maintain a clean balance sheet



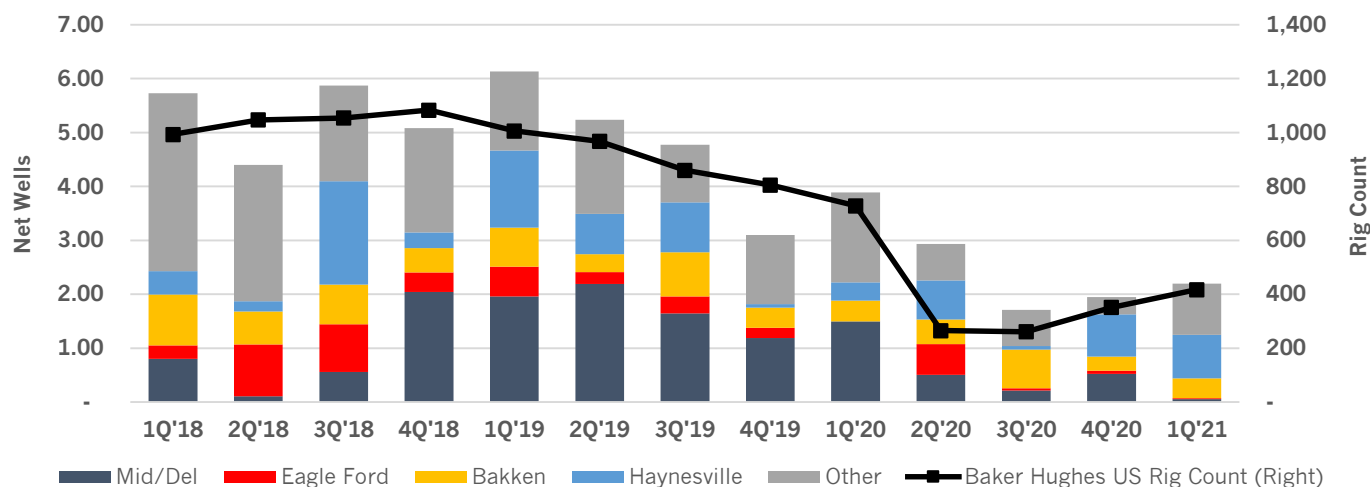
# Operational Activity

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



- ▲ Black Stone's diverse asset footprint helps moderate volatility of industry activity
- ▲ Horizontal permitting has started to increase compared to the pandemic lows in 2020. Net well additions have grown steadily since the low in 3Q'20
- ▲ BSM's share of those permits remained in line with historical averages throughout the downturn and is near the all-time highs of 2019

## Net Well Additions

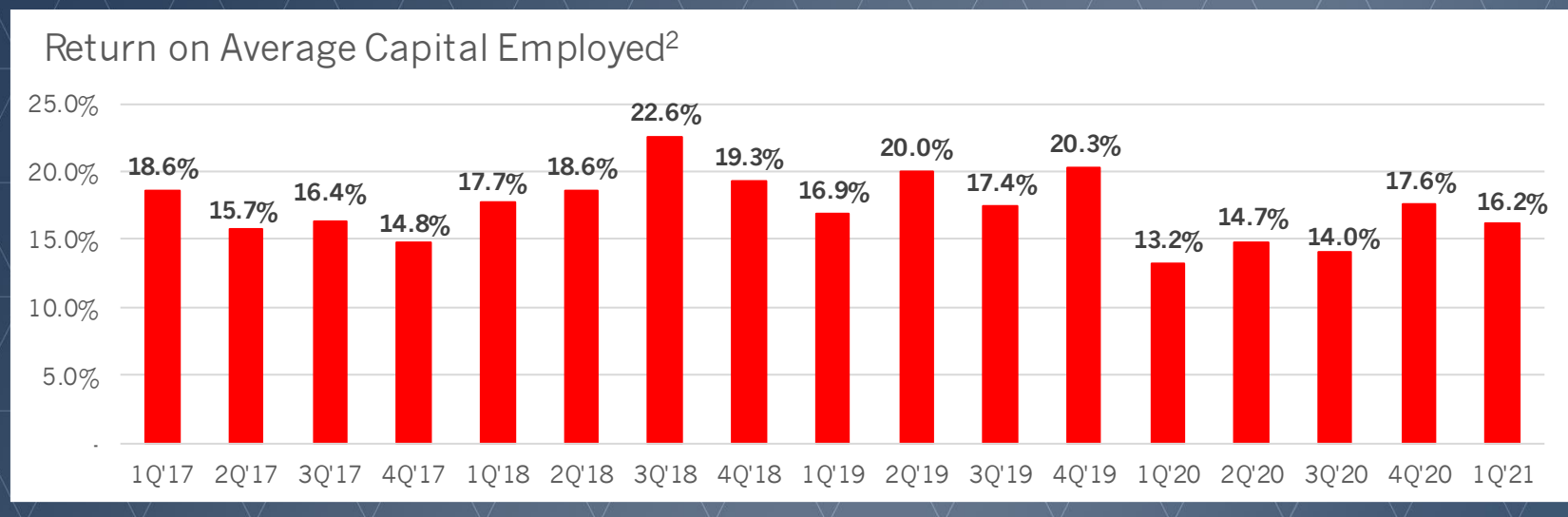


1) Permit counts exclude all Wyoming permits

## ▲ 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

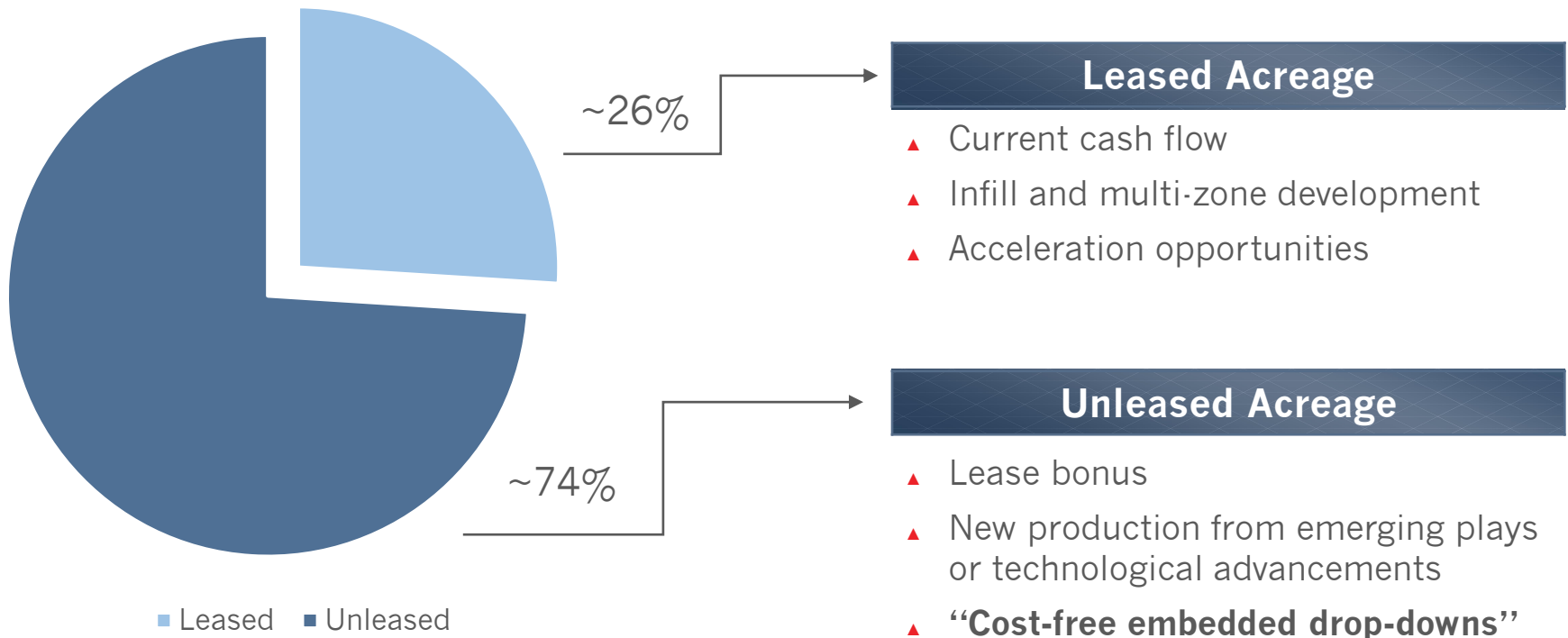


1) Return on Investment (ROI) calculated as (Cumulative Distributions + Adj. BSM Market Cap) / Capital Raised through March 31, 2021

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



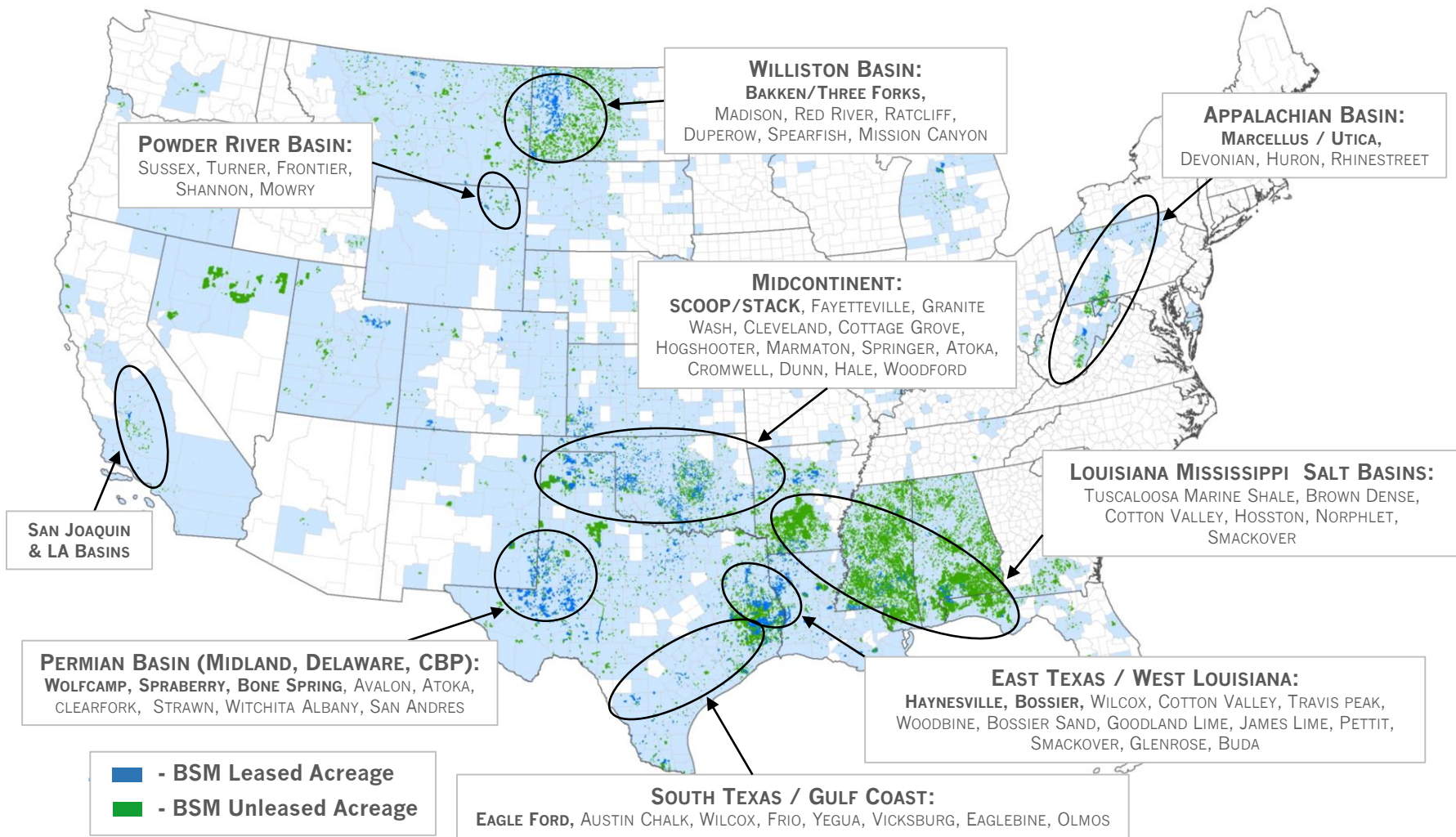
- ▲ **20 million gross acres<sup>(1)</sup> (7.4 million net) of opportunity leads to organic growth with no incremental capital requirements**
  - ▲ Black Stone's team of landmen, engineers and geologists actively promote its acreage to industry operators
  - ▲ Most recent examples are partnering with 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

# 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



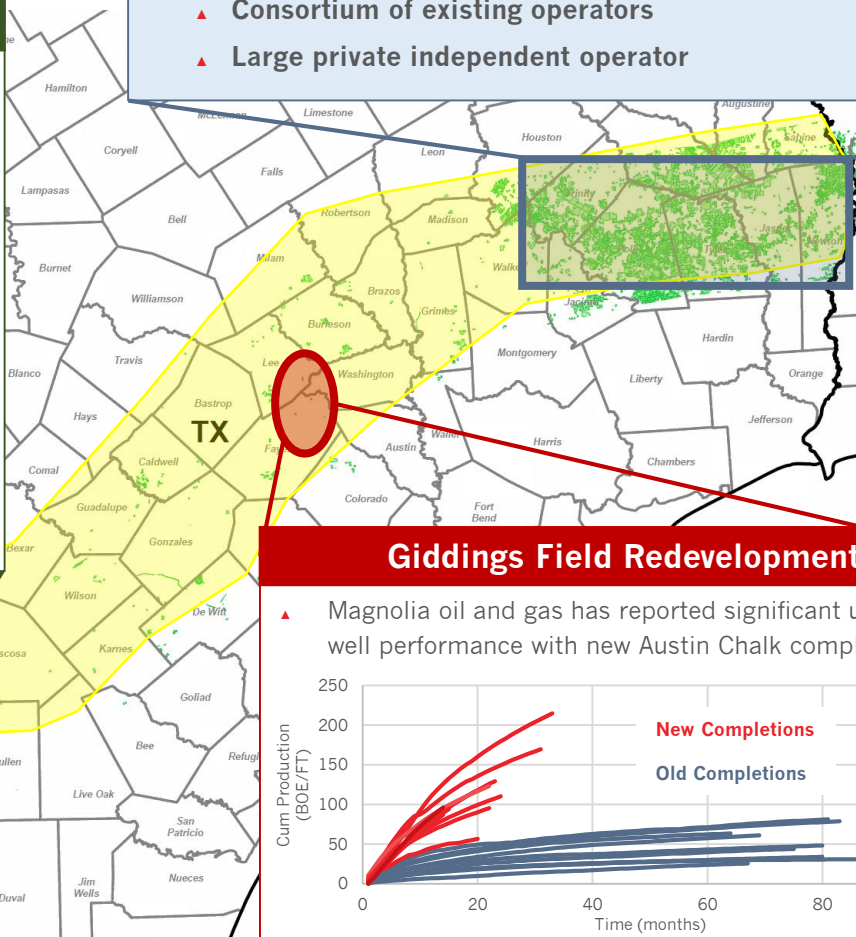
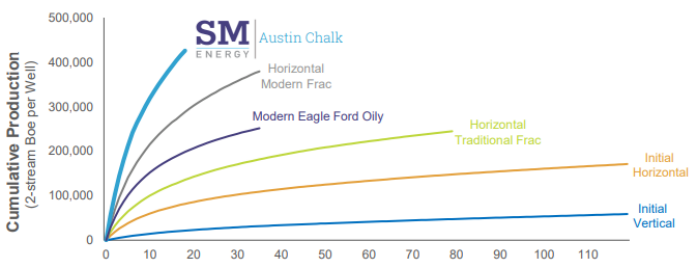
- ▲ Operators are having success throughout Texas reviving existing Austin Chalk plays with high-intensity, multi-stage completions

### Black Stone Initiatives

- ▲ In 2021, Black Stone has signed multiple agreements to test and develop our extensive Austin chalk acreage position with new completion methods
  - ▲ Large independent operator
  - ▲ Consortium of existing operators
  - ▲ Large private independent operator

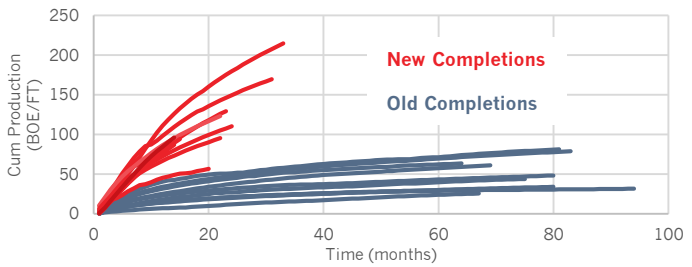
## South Texas Austin Chalk

- ▲ EOG calls its Austin Chalk “Dorado” the lowest-cost dry gas play in North America with break-even prices under \$1.25/Mcf
- ▲ SM Energy is reporting initial results from its Austin Chalk completions delivering superior returns to modern Eagle Ford and Delaware Basin wells



## Giddings Field Redevelopment

- ▲ Magnolia oil and gas has reported significant uplift in well performance with new Austin Chalk completions



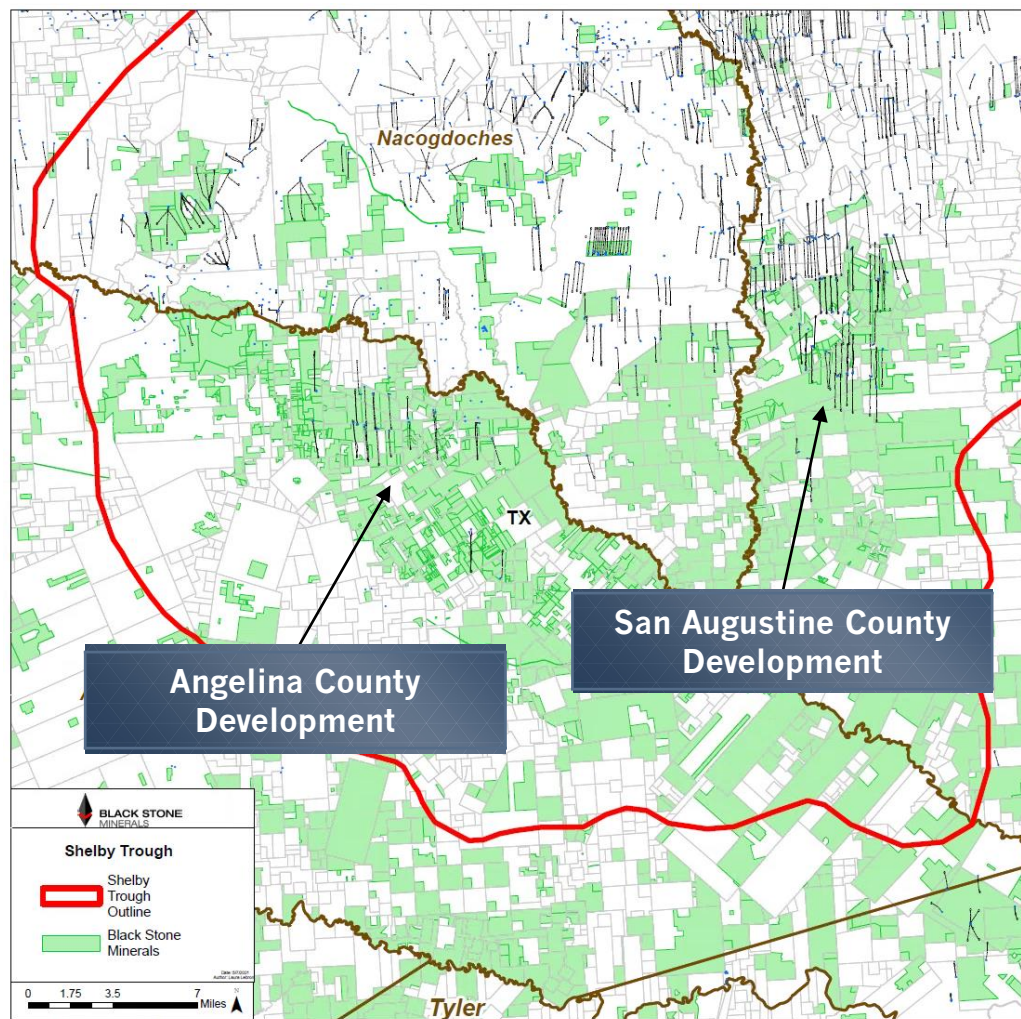
Austin Chalk Trend  
 BSM Acreage

**2014:** The southern portion of the Shelby Trough was relatively undeveloped. BSM invested with XTO to initiate activity and then structured development agreements with XTO and BP

**2019:** XTO and BP ceased development activity; substantial acreage reverted to Black Stone

**2020:** Black Stone remarketed the Angelina acreage to Aethon; development program with 4 wells per year increasing to 15 by the third program year

**2021:** Black Stone partitions certain San Augustine working interest acreage with XTO and subsequently signs a second agreement with Aethon to develop San Augustine County

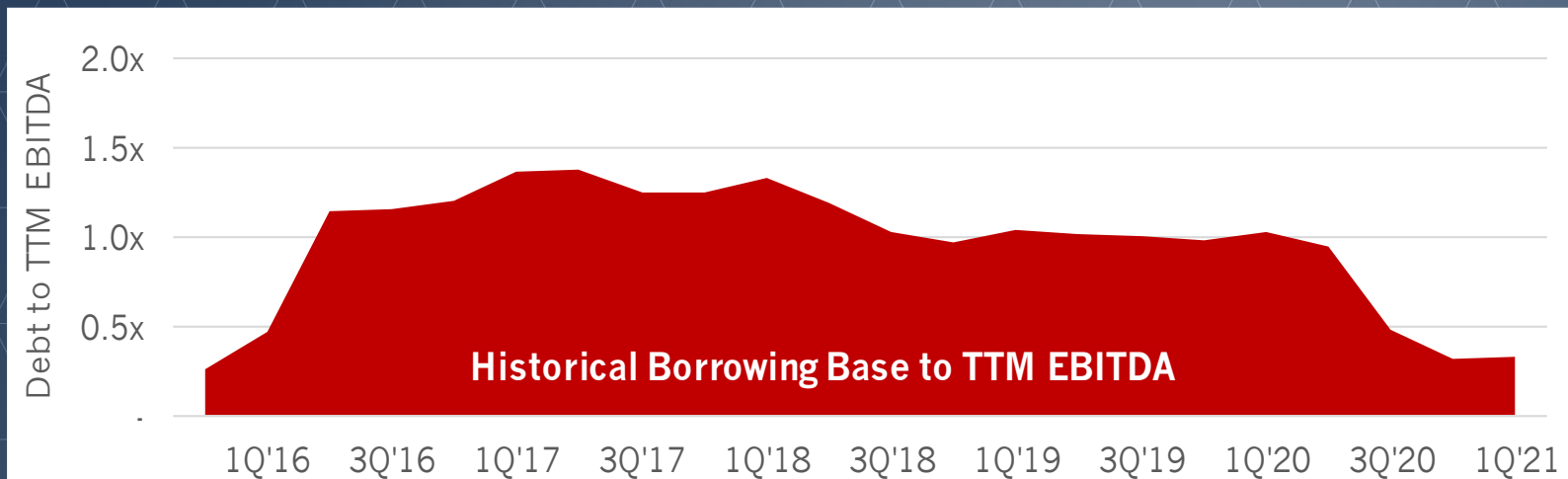


## Strategy: Maximize financing flexibility for new acquisition opportunities

### ▲ 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 1Q21

## 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 March 31, 2021
Net income (loss)	\$16,186
Adjustments to reconcile to Adjusted EBITDA:	
Depreciation, depletion, and amortization	15,632
Interest expense	1,353
Income tax expense (benefit)	(157)
Accretion of asset retirement obligations	292
Equity-based compensation	3,462
Unrealized (gain) loss on commodity derivative instruments	23,359
<b>Adjusted EBITDA</b>	<b>\$59,984</b>
Adjustments to reconcile to Distributable cash flow:	
Change in deferred revenue	(9)
Cash interest expense	(953)
Preferred unit distributions	(5,250)
<b>Distributable cash flow</b>	<b>\$53,772</b>
Total Units Outstanding	207,552
<b>Distributable Cash Flow per Unit</b>	<b>\$0.259</b>