

# The Oil & Gas Conference 2019

August 13, 2019



**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.

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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>**

**~\$3.7 B**

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

~10.3% (Distribution)  
~13.3% (DCF)

**2Q19 Production**

**52.2 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 \$14.35 per unit on August 6, 2019  
2) Distribution yield calculated by annualizing the common distribution for 2Q19 of \$0.37 per unit and DCF yield calculated by annualizing DCF per unit for 2Q19 of \$0.476; respective yields calculated using the unit price of \$14.35 on August 6, 2019

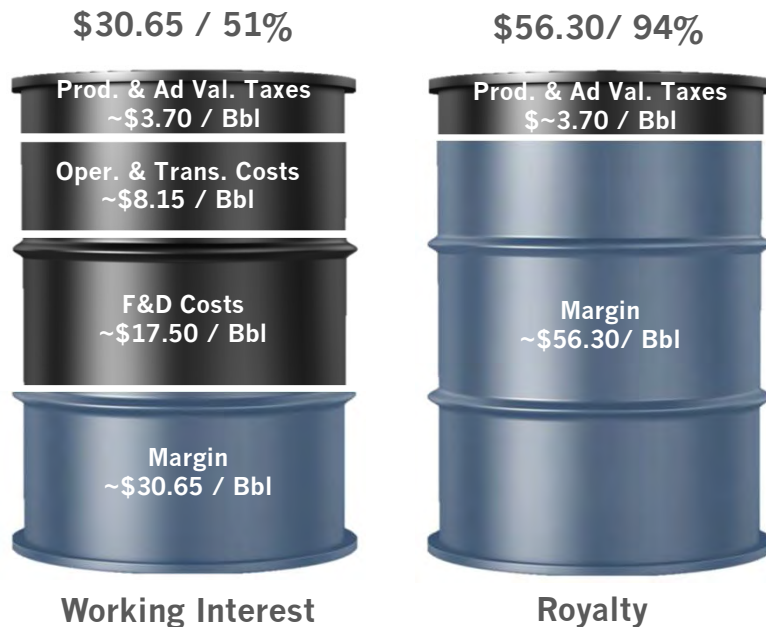
# Benefits of Mineral Ownership



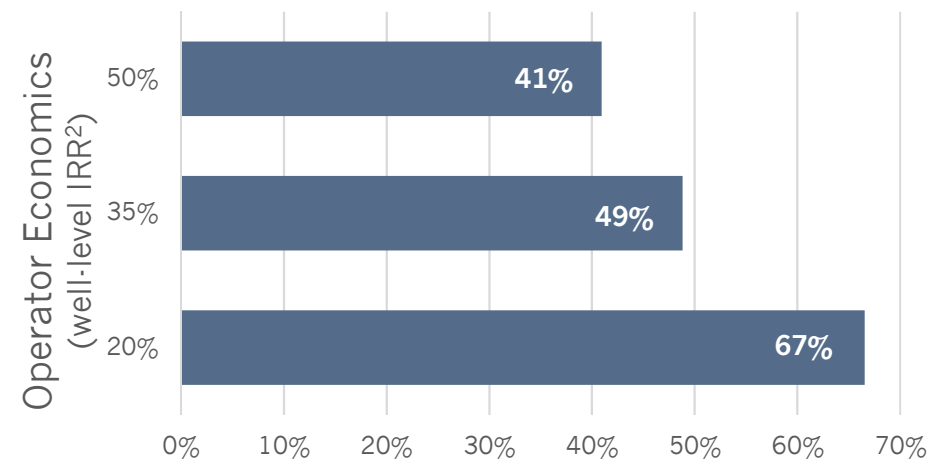
- ▲ Oil and gas exposure with no operating cost or capital spending requirements
- ▲ Direct benefit from technology advances to enhance recovery and well economics
- ▲ Represents perpetual call option on future oil & gas development activity
- ▲ Scale facilitates opportunities to partner with operators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

## Comparative Well Economics

Illustrative Margin<sup>1</sup> (Assuming \$60 Bbl)



## % of PV10 to Royalty Owner

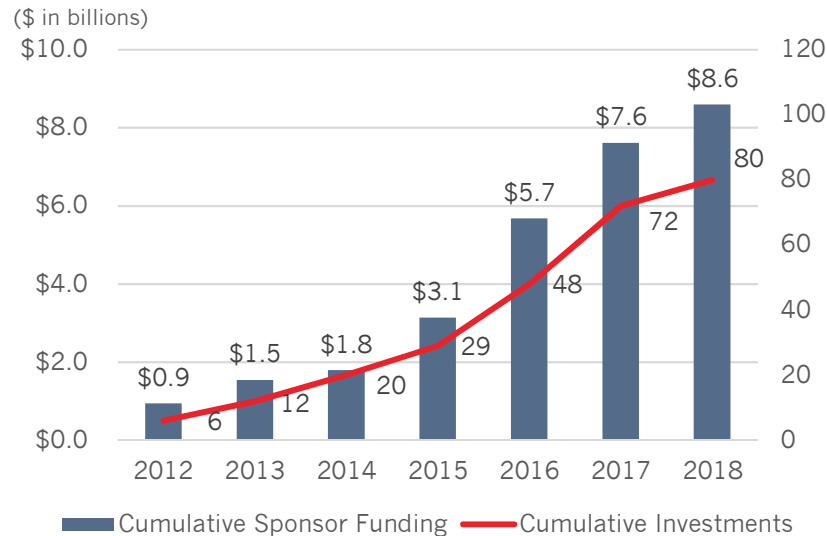


1) Illustrative example.  
 2) Illustrative well economics assuming 20% royalty; excluding royalty acquisition costs and operator leasing costs.

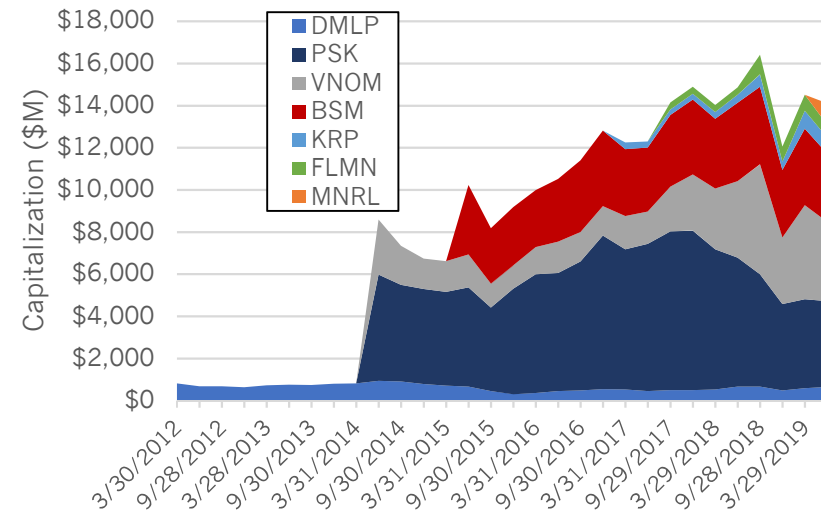
# Evolution of the Minerals Market



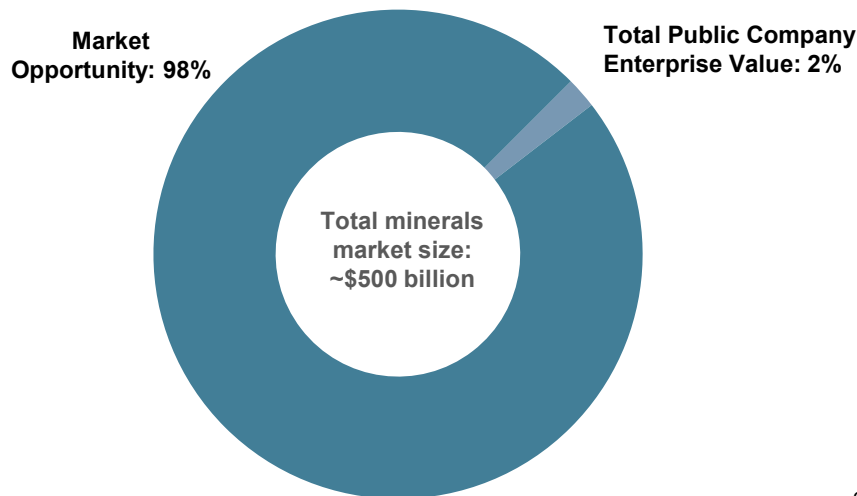
## Sponsors Continue to Ramp-Up Exposure



## Public Minerals Sector Expanding



## Sizing the U.S. Minerals Market



## Robust Acquisition Environment

- ▲ Very early stages of consolidation; market remains highly fragmented
- ▲ Monetization options for sellers include sale to a larger public or private entity, or an IPO
- ▲ Private equity's need for liquidity and value enhancement should lead to continued consolidation

# 2Q19 Summary



2Q18

2Q19

## Total Production

(MBoe/d)

↑ ~17%

44.7

52.2

## Royalty Production

(MBoe/d)

↑ ~28%

31.1

39.7

## Realized Price

(\$/Boe, pre-hedge)

↓ ~17%

\$32.22

\$26.90

## Adjusted EBITDA

(\$MM)

↑ ~8%

\$100.3

\$108.3

## Distributable Cash Flow

(\$MM)

↑ ~12%

\$87.2

\$98.0

## Common Distribution

(\$ per unit, TTM)

↑ ~16%

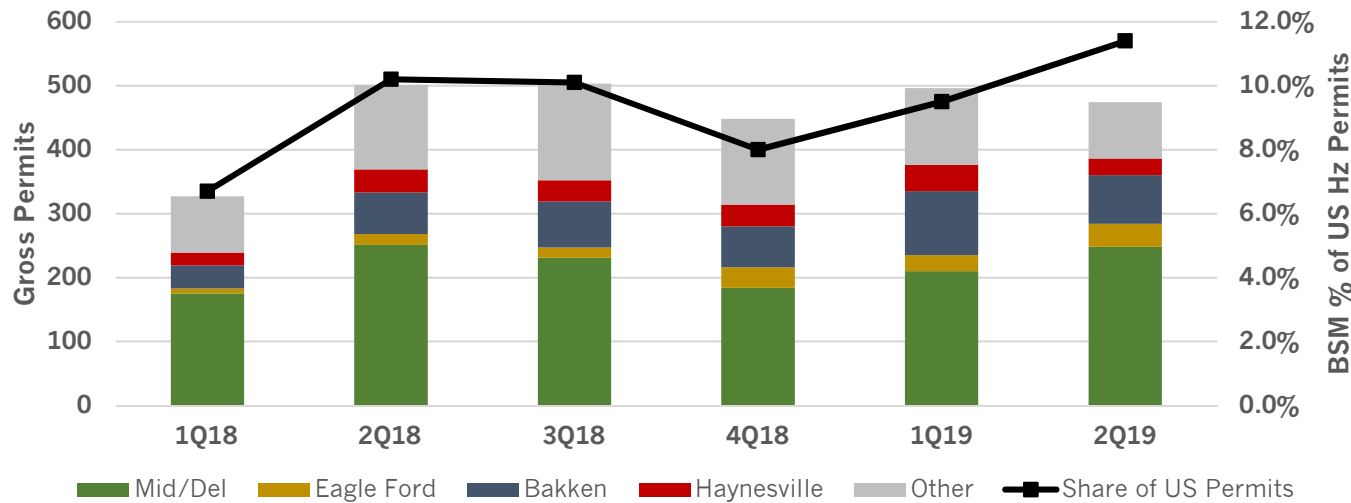
\$1.28

\$1.48

# Consistent Operational Activity

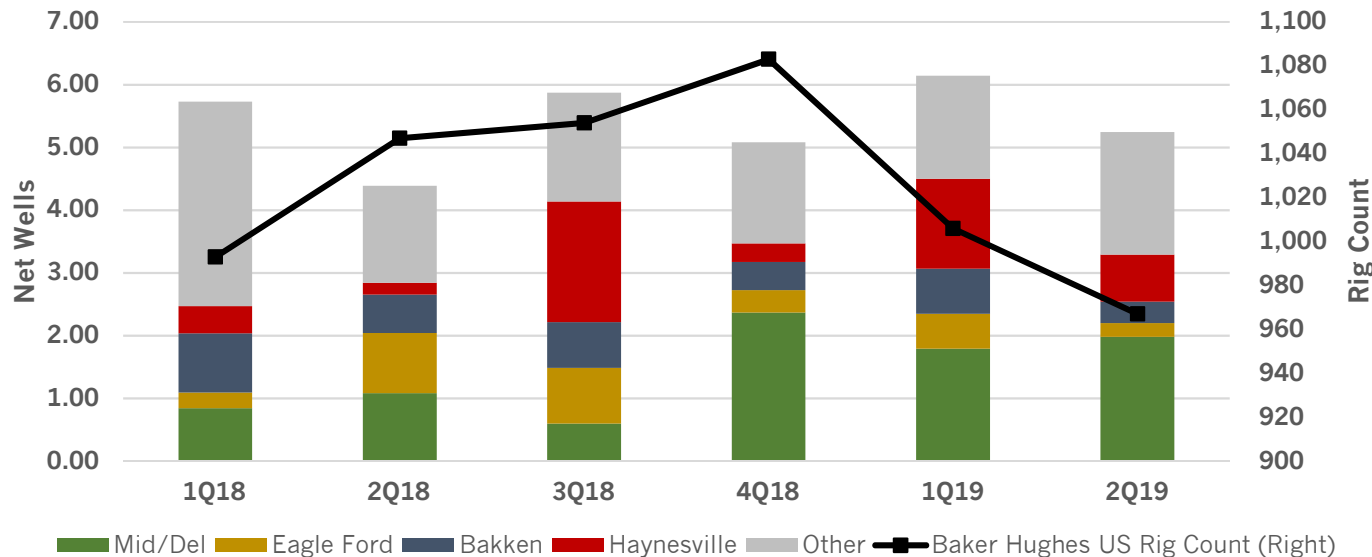


## Permitting Activity<sup>1</sup>



- ▲ Black Stone’s diverse asset footprint helps moderate volatility of industry activity
- ▲ Horizontal permitting remains robust, and BSM’s share of permits is growing
- ▲ Net well additions, led by activity in the Midland and Delaware basins, continue at healthy levels despite lower levels of drilling activity

## Net Well Additions

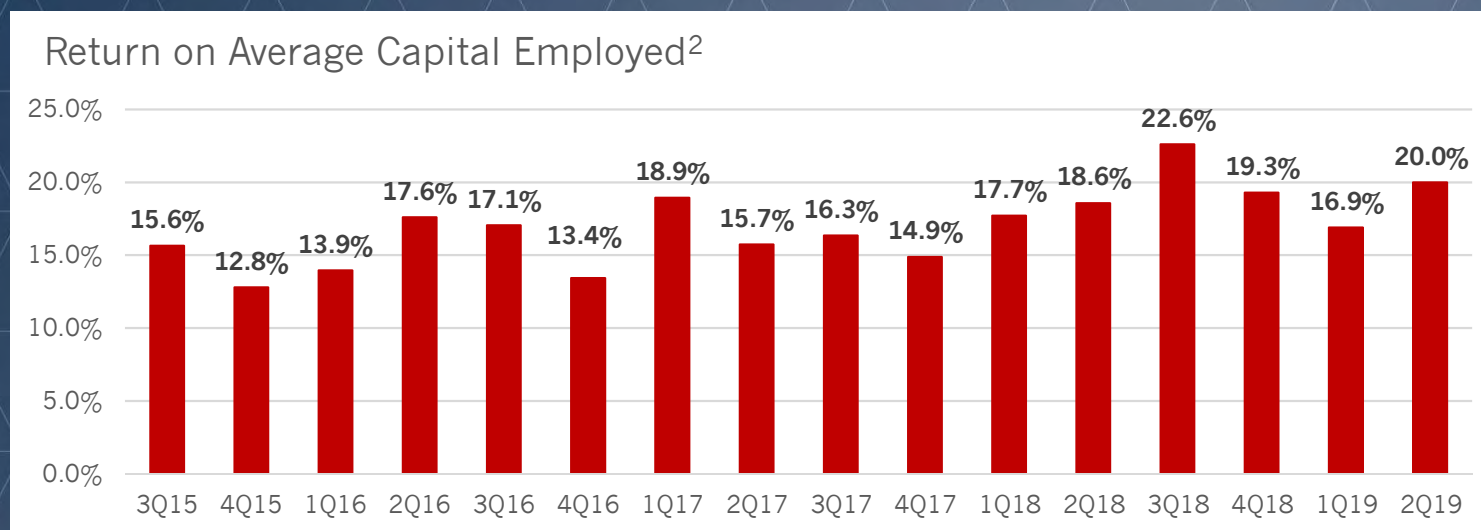


1) Permit counts exclude all Wyoming permits

## ▲ Long history of returning cash to equity holders

- ▲ >10% distribution yield supported by coverage
- ▲ >\$3.3 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

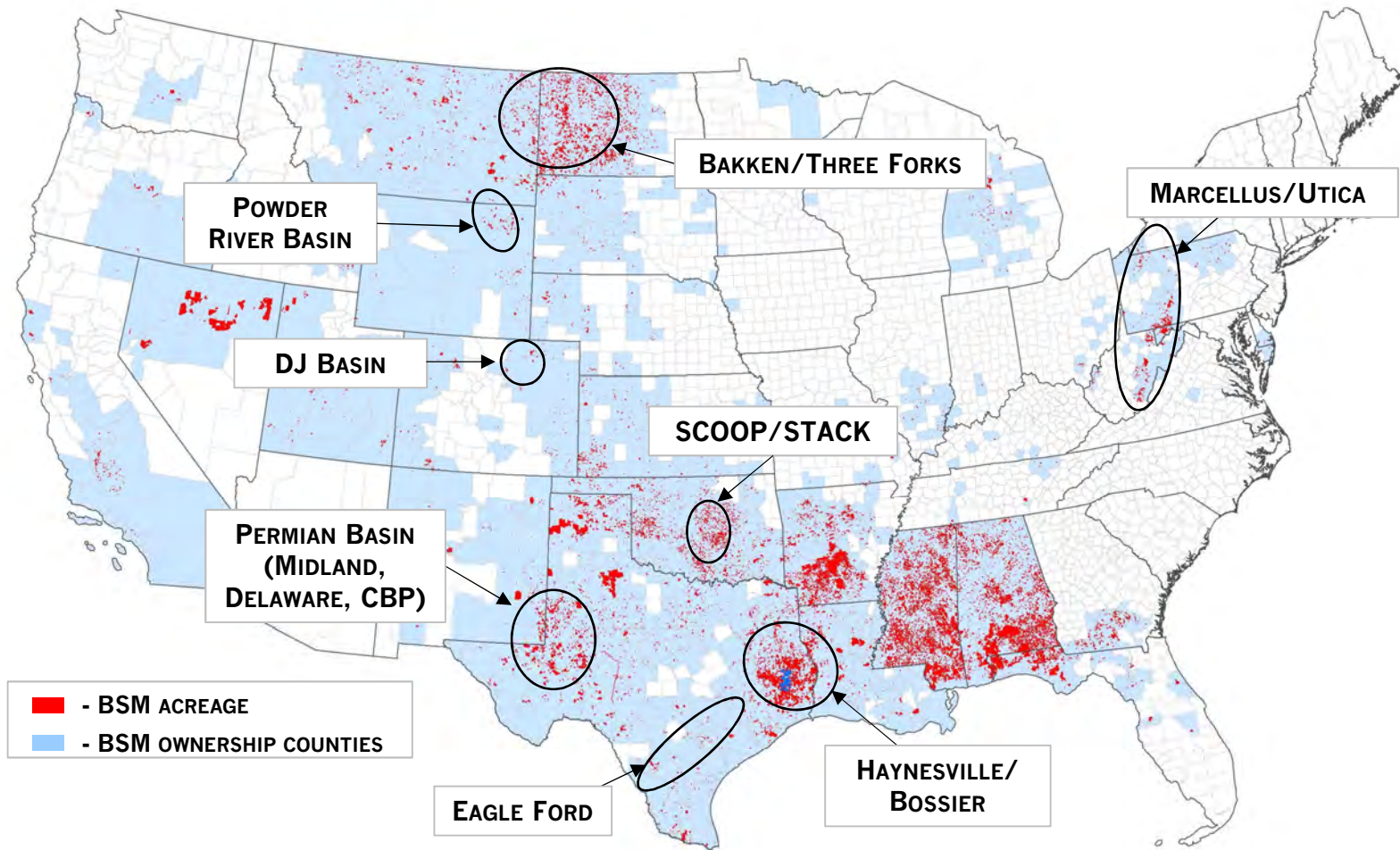
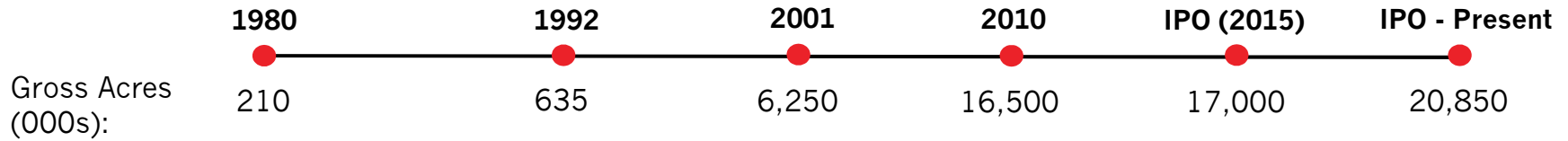


1) Return on Investment (ROI) calculated as (Cumulative Distributions + Adj. BSM Market Cap) / Capital Raised through June 30, 2019

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



# Acquisitions Over Time

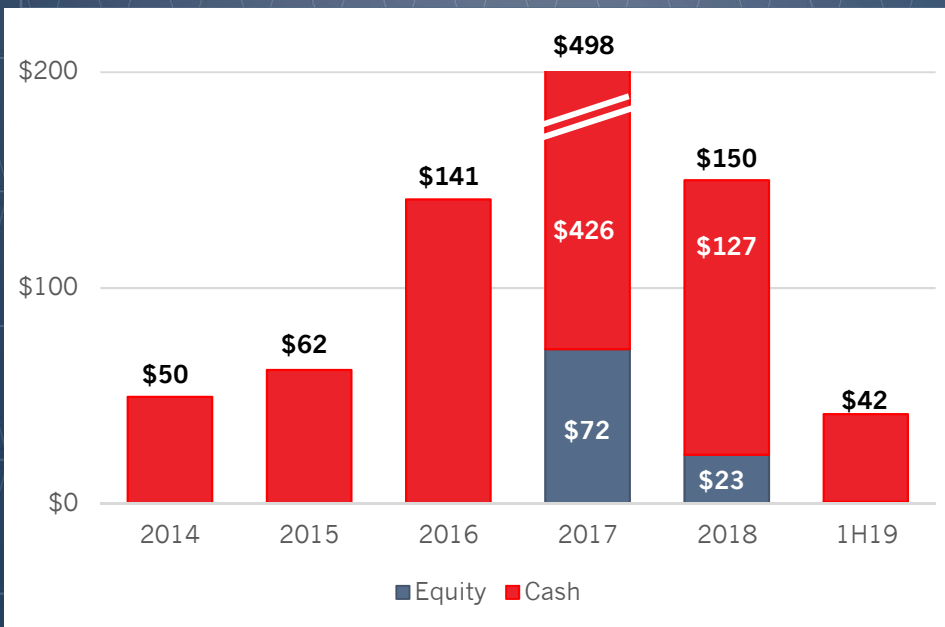


# Recent Acquisition History

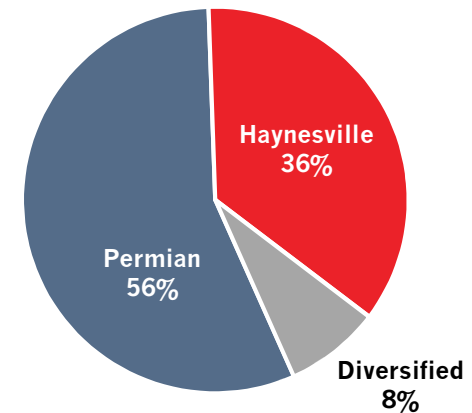


- ▲ Black Stone has added to its core positions while opportunistically pursuing large, diversified mineral packages

Acquisitions by Year (\$MM)

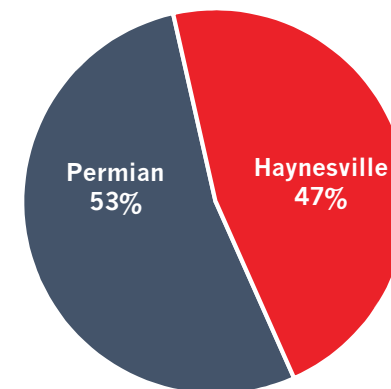


2018 Acquisition Profile



\$150 million

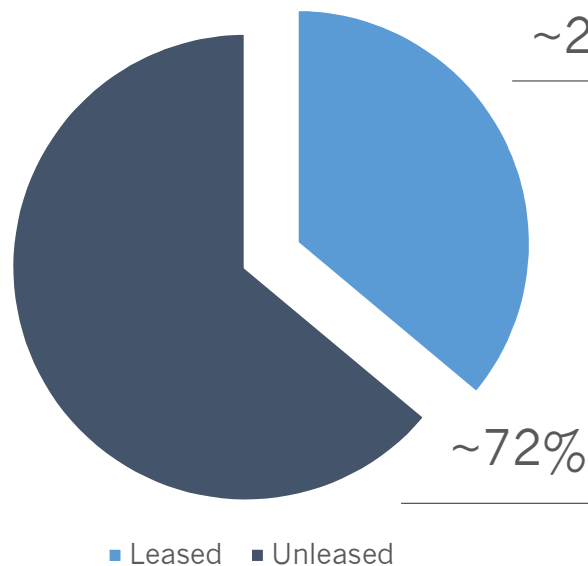
1H19 Acquisition Profile



\$42 million

- ▲ **20 million gross acres (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

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



## Leased Acreage

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

## Unleased Acreage

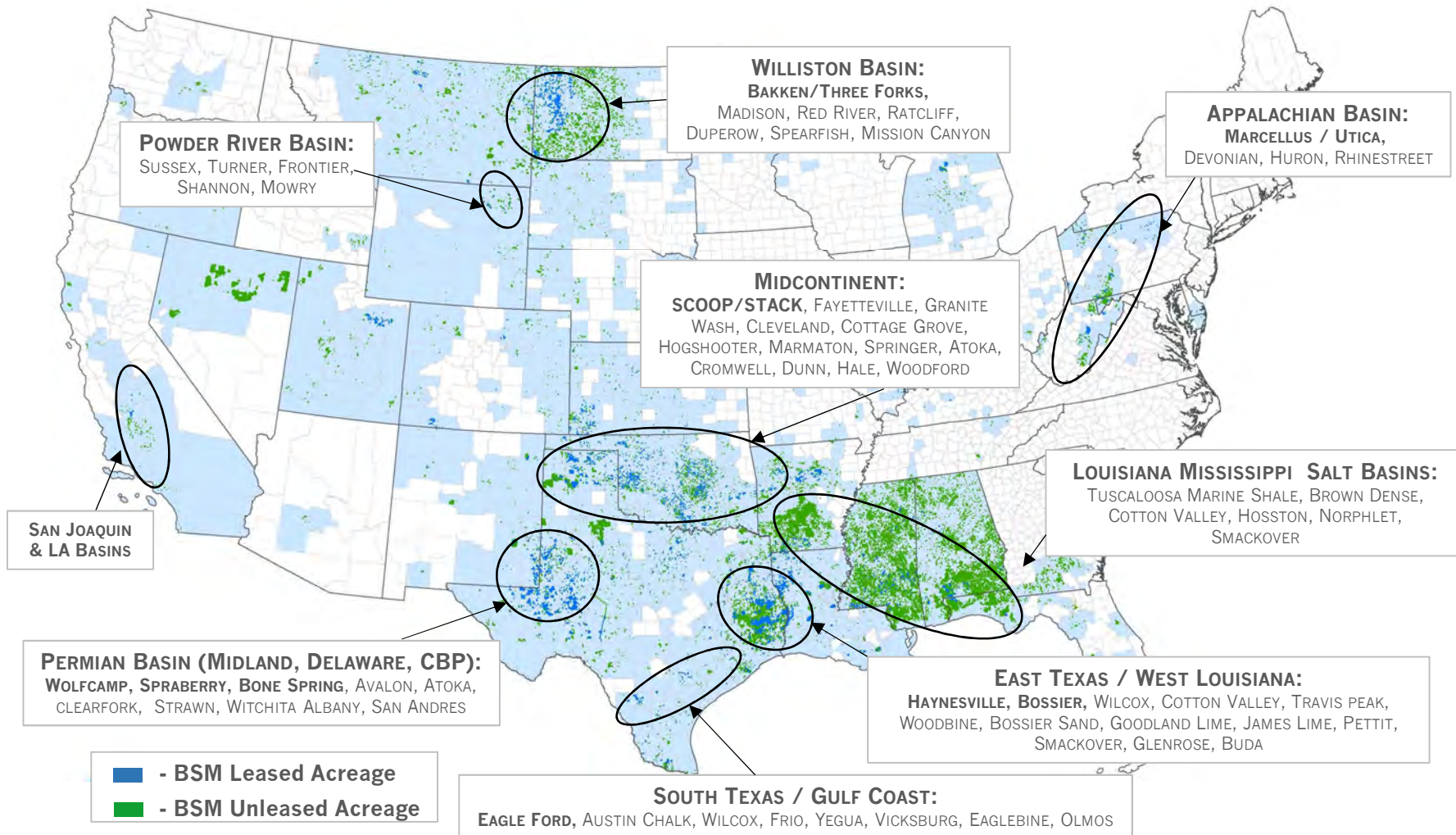
- ▲ Lease bonus
- ▲ New production from emerging plays or technological advancements
- ▲ **“Cost-free embedded drop-downs”**

1) As of December 31, 2018; 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



# Strong Balance Sheet Through Cycles

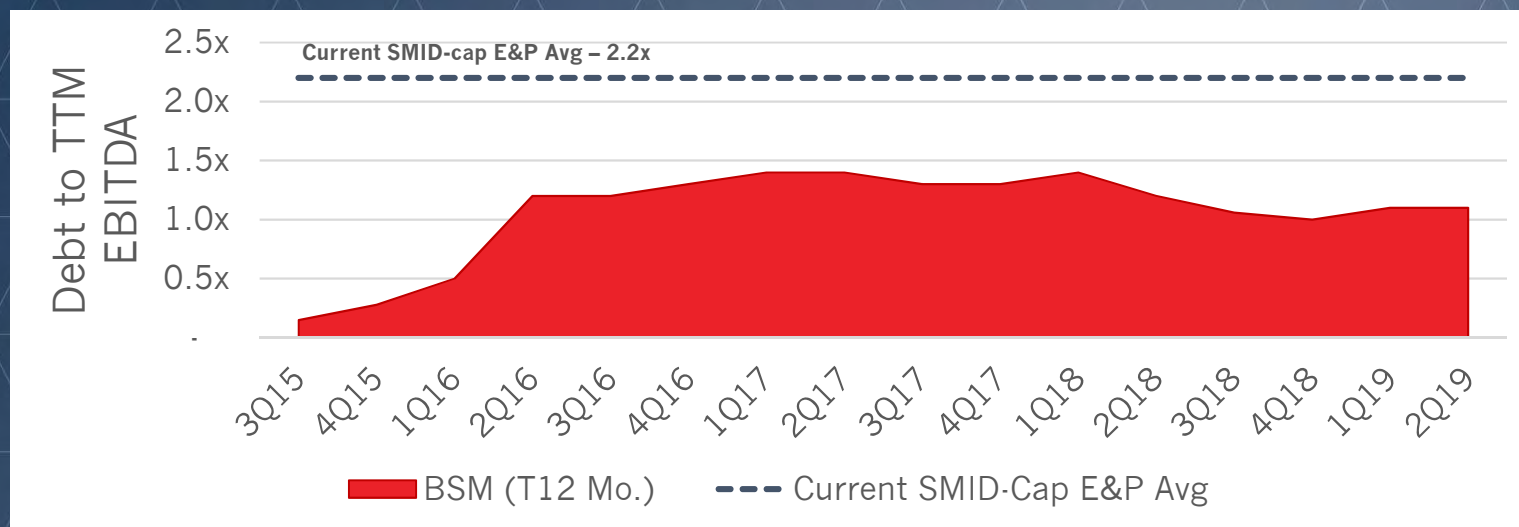


**Strategy: Maximize financing flexibility for new acquisition opportunities**

## ▲ 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 2Q19
- ▲ Credit facility availability – BSM regularly maintains \$100 to \$200 million of dry powder

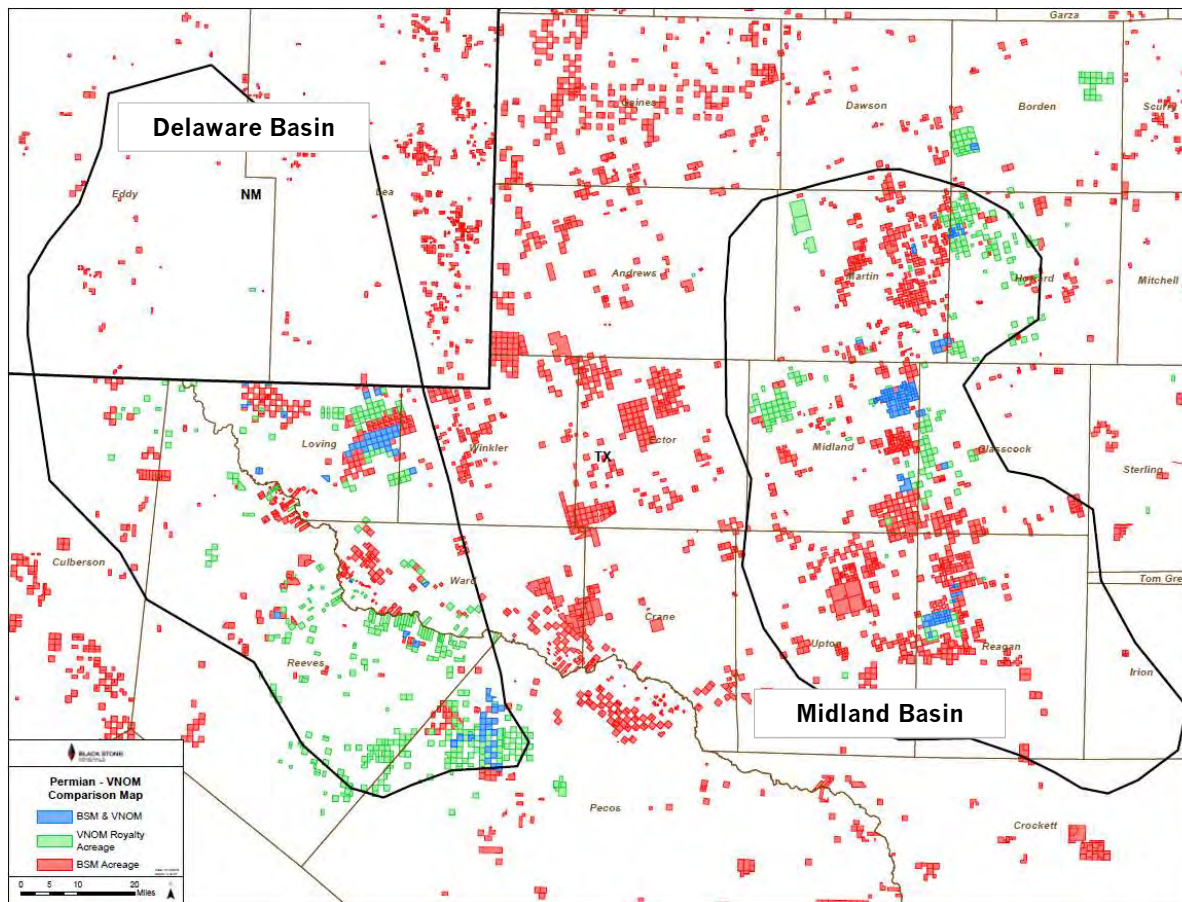
## ▲ BSM has maintained a strong balance sheet through cycles



# 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 \$450 million of assets purchased through 2Q19
- ▲ 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