



BLACK STONE MINERALS COMPANY, L.P.

Schedule of Net Profits Payments
Louisiana Central Oil & Gas Company and
Pioneer Natural Gas Company

December 31, 2020

BLACK STONE MINERALS COMPANY, L.P.

Contents

	Page
Independent Accountant's Report	3
Schedule of Net Profits Payments for the Year Ended December 31, 2020	4
Supplemental Schedule of Net Profits Payments from Inception (October 1, 1966) through December 31, 2020	5
Notes to Schedule of Net Profits Payments	6



Tel: 713-960-1706
Fax: 713-960-9549
www.bdo.com

2929 Allen Parkway, 20th Floor
Houston, Texas 77019-7100

Independent Accountant's Report

To the Partners of
Black Stone Minerals Company, L.P.
Houston, Texas

We have examined management's assertion that the accompanying schedule of net profits payments for the year ended December 31, 2020 is presented in accordance with the terms of an agreement dated October 3, 1966 between Louisiana Central Oil & Gas Company and Pioneer Natural Gas Company (the "Agreement") on the basis described in Note 2. Black Stone Minerals Company, L.P.'s management is responsible for the schedule of net profits payments. Our responsibility is to express an opinion on the schedule of net profit payments based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of net profits payments and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule of net profits payments referred to above, presents, in all material respects, the schedule of net profits payments from Black Stone Minerals, L.P. for the year ended December 31, 2020, on the basis described in Note 2.

Our examination was conducted for the purpose of forming an opinion on the schedule of net profits payments for the year ended December 31, 2020. The supplemental schedule of net profits payments from Inception (October 1, 1966) through December 31, 2020, includes historical net profits payments information and is presented for purposes of additional analysis and is not a required part of the schedule of net profits payments. Such supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the schedule of net profits payments. The supplemental information has been subjected to procedures applied in the examination of the schedule of net profits payments and certain additional procedures, including comparing and reconciling such information to records used to prepare the schedule of net profits payments or to the schedule of net profits payments themselves, and other additional procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants; however, we express no opinion with respect to the supplemental schedule.

BDO USA, LLP

May 14, 2021

BLACK STONE MINERALS COMPANY, L.P.

Schedule of Net Profits Payments For the Year Ended December 31, 2020 (Under Terms of an Agreement Dated October 3, 1966 Between Louisiana Central Oil & Gas Company and Pioneer Natural Gas Company)

	Quantity	Amount Subject to 95% Net Profits Payments	Amount Subject to 85% Net Profits Payments
RECEIPTS			
Petroleum products			
Oil, Bbls	17,966	\$ 783,953	\$ -
Gas, Mcf	74,953	140,164	-
Condensate, Bbls	917	35,336	-
		959,453	-
Plant products		10,685	-
Delay rentals and shut-in royalties		-	-
Samson Settlement		-	-
Lease bonus		-	-
TOTAL RECEIPTS		970,138	-
DEDUCTIONS			
Production taxes		76,777	-
Windfall profits taxes		-	-
Gathering, transportation and compression fees		27,357	-
General and administrative		3,000	-
Other		30,352	-
TOTAL DEDUCTIONS		137,486	-
NET PROFITS		\$ 832,652	\$ -
NET PROFITS PAYMENTS⁽¹⁾		\$ 791,019	\$ -

⁽¹⁾ Net profits payments amount, subject to 95% of net profits payments, include \$223,922 that has been paid to the disbursing agent in February 2021.

BLACK STONE MINERALS COMPANY, L.P.

Supplemental Schedule of Net Profits Payments
From Inception (October 1, 1966) through December 31, 2020
(Under Terms of an Agreement Dated October 3, 1966
Between Louisiana Central Oil & Gas Company and Pioneer Natural Gas Company)

	Quantity	Amount Subject to 95% Net Profits Payments	Amount Subject to 85% Net Profits Payments
RECEIPTS			
Petroleum products			
Oil, Bbls	2,974,949	\$ 75,611,637	\$ -
Gas, Mcf	13,138,881	20,952,026	1,385,586
Condensate, Bbls	32,725	2,860,490	-
		99,424,153	1,385,586
Plant products		1,219,652	-
Delay rentals and shut-in royalties		10,931	11,043
Samson Settlement		600,000	-
Lease bonus		161,450	248,308
TOTAL RECEIPTS		101,416,186	1,644,937
DEDUCTIONS			
Production taxes		8,076,210	23,851
Windfall profits taxes		2,312,276	-
Gathering, transportation and compression fees		2,055,490	-
General and administrative		410,084	-
Other		322,516	143,972
TOTAL DEDUCTIONS		13,176,576	167,823
NET PROFITS		\$ 88,239,610	\$ 1,477,114
NET PROFITS PAYMENTS⁽¹⁾		\$ 83,827,629	\$ 1,255,547

⁽¹⁾ Net profits payments amount, subject to 95% of net profits payments, include \$223,922 that has been paid to the disbursing agent in February 2021.

BLACK STONE MINERALS COMPANY, L.P.

Notes to Schedule of Net Profits Payments

1. Organization

Under the terms of an agreement dated October 3, 1966 (the “Agreement”), Pioneer Natural Gas Company purchased certain property interests from Louisiana Central Oil & Gas Company, subject to specified net profits payments. Net profits payments are to equal 95 percent of the net profits (as defined in the Agreement) from the purchased properties which were subject to lease at the time of conveyance to Pioneer Natural Gas Company, and subsequently Black Stone Minerals Company, L.P. (“Black Stone”), so long as those properties remain under such lease or are held by production. In addition, net profits payments are to equal 85 percent of the net profits from the purchased properties which were not subject to lease at the time of conveyance or if the existing lease terminates or expires. The Agreement further provides that the net profits payments are to be made semiannually to the disbursing agent, currently Computershare Investor Services, for the net profits interests.

On June 30, 1986, Mesa Limited Partnership (reorganized as MESA Inc. on December 31, 1991) acquired the assets and assumed the liabilities of Pioneer Corporation, parent company of Pioneer Natural Gas Company, including its rights and obligations under the Agreement. On August 7, 1997, MESA Inc. merged with and into Pioneer Natural Resources Company, formerly a wholly-owned subsidiary of MESA Inc. On July 1, 1999, Black Stone purchased certain property interests from Pioneer Natural Resources Company and in doing so assumed Pioneer Natural Resources Company’s rights and obligations under the Agreement.

2. Summary of Significant Accounting Policies

The schedule of net profits payments is prepared in accordance with the terms of the agreement dated October 3, 1966 between Louisiana Central Oil & Gas Company and Pioneer Natural Gas Company. Receipts and deductions are recognized during the period in which amounts are received or paid rather than on an accrual basis, under which they would be recognized as amounts are earned or incurred. Net profits payments are reflected on an accrual basis based on the receipts and deductions through December 31, 2020. This basis for reporting net profits payments is considered to be the most meaningful because semiannual distributions to the unit holders are based on net cash receipts for such period.

3. Risk and Uncertainties

The COVID-19 pandemic has adversely affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the pandemic has resulted in travel restrictions, business closures, and the institution of quarantining and other restrictions on movement in many communities. This, in turn, resulted in significantly lower market prices for oil, natural gas, and NGLs during the fiscal year ended December 31, 2020. In the first quarter of 2020 and into the second quarter of 2020, oil prices fell sharply and dramatically, due in part to significantly decreased demand as a result of the COVID-19 pandemic and the announcement by Saudi Arabia of a significant increase in its maximum oil production capacity. Additionally, Russia announced that previously agreed upon oil production cuts between members of the Organization of the Petroleum Exporting Countries and its broader partners (“OPEC+”) would expire on April 1, 2020. Agreed-upon production cuts by OPEC+, along with declining U.S. production, have helped to correct the supply and demand imbalance; however, these reductions will take some time to offset the significant inventory build caused by demand destruction from the COVID-19 pandemic in 2020. While oil prices have since recovered, a reversal of recent improvements or a prolonged period of lower prices may materially and adversely affect the future net profit payments.