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Carbon Energy Corporation

Corporate Overview

2019

IMPORTANT DISCLOSURES

Forward-Looking Statements

The slides contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Except for historical information, statements made in the slide presentation, including those relating to the Company's strategies, estimated and anticipated production, expenditures, infrastructure, estimated costs, number of wells to be drilled, estimated reserves, reserve potential, recoverable reserves, and financial position are forward-looking statements as defined by the Securities and Exchange Commission. These statements are based on assumptions and estimates that management believes are reasonable based on currently available information; however, management's assumptions and the Company's future performance are subject to a wide range of business risks and uncertainties and there is no assurance that these goals and projections can or will be met. Any number of factors could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, the volatility of oil and gas prices, the costs and results of drilling and operations, the timing of production, mechanical and other inherent risks associated with oil and gas production, weather, the availability of drilling equipment, changes in interest rates, litigation, uncertainties about reserve estimates, and environmental risk. We caution you not place undue reliance on these forward-looking statements, which speak only as of the date reflected in the slide presentation, and we undertake no obligation to publicly update or revise any forward-looking statements. Further information on risks and uncertainties is available in the Company's filings with the Securities and Exchange Commission, which are incorporated by reference.

Actual quantities of oil and gas that may be ultimately recovered from Carbon's interests will differ substantially from our estimates. Factors affecting ultimate recovery include the scope of Carbon's drilling program, which will be directly affected by the availability of capital, drilling and production costs, commodity prices, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals, field spacing rules, recovery of gas in place, length of horizontal laterals, actual drilling results, and geological and mechanical factors affecting recovery rates and other factors. Estimates of reserves potential may change significantly as development of our reserves plays provides additional data. Investors are urged to consider closely the disclosure in our filings with the SEC available upon request to: Corporate Secretary, Carbon Energy Corporation, 1700 Broadway, Suite 1170, Denver, Colorado 80290; tel: (720) 407-7030. You can also obtain our public filings from the SEC's website, http://www.sec.gov.

Non-GAAP Measures

The slide presentation contains certain references to EBITDA and Adjusted EBITDA value, which are non-GAAP financial measures, as defined under Regulation G of the rules and regulations of the SEC.

EBITDA and Adjusted EBITDA

"EBITDA" and "Adjusted EBITDA" are non-GAAP financial measures. We define EBITDA as net income or loss before interest expense, taxes, depreciation, depletion and amortization. We define Adjusted EBITDA as EBITDA prior to accretion of asset retirement obligations, ceiling test write downs of oil and gas properties, non-cash stock-based compensation expense and the gain or loss on sold investments or properties. EBITDA and Adjusted EBITDA is consolidated including non-controlling interests and as used and defined by us, may not be comparable to similarly titled measures employed by other companies and are not measures of performance calculated in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by or used in operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP. EBITDA and Adjusted EBITDA provide no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, and working capital movement or tax position. EBITDA and Adjusted EBITDA do not represent funds available for discretionary use because those funds are required for debt service, capital expenditures, working capital, income taxes, franchise taxes, exploration and development expenses, and other commitments and obligations. However, our management believes EBITDA and Adjusted EBITDA are useful to an investor in evaluating our operating performance because these measures are widely used by investors in the oil and natural gas industry to measure a company's operating performance without regard to items excluded from the calculation of such term, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors; and help investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating structure; and are used by our management for various purposes, including as a measure of operating performance, in presentations to our board of directors, as a basis for strategic planning and forecasting and by our lenders pursuant to a covenant under our credit facility.

There are significant limitations to using EBITDA and Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss, the lack of comparability of results of operations of different companies and the different methods of calculating EBITDA and Adjusted EBITDA reported by different companies.

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Carbon Strategy

- Emphasize Health, Safety and Environmental best practices and compliance
- Acquire and develop oil and gas producing assets
  - Appalachian Basin
  - Ventura Basin
- Build value from acquired assets through
  - Lease operating expense reductions
  - Gathering and compression optimization
  - Return to production projects
  - Recompletions
  - Operational synergies
- Utilize science and technology to develop assets with highest rate of return on capital invested
- Develop assets through drilling as commodity prices warrant
- Maintain favorable debt metrics and financial flexibility
- Management team has long-term successful track record of creating value for its shareholders and partners
- Strong technical team with acquisition, production and drilling expertise

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Carbon Growth Strategy
Acquire and Develop

Appalachian Basin

- **Legacy producers are divesting southern Appalachia production and midstream assets.**
- **This creates opportunity to acquire and develop producing and midstream assets and consolidate a southern Appalachian position.**
- **Extensive field development opportunities exist within the company's existing properties.**

Ventura Basin, California

- **Legacy producers are divesting Ventura Basin production and midstream assets.**
- **This creates an opportunity to acquire and develop a portfolio of light oil, low operating cost producing properties.**
- **Extensive field development opportunities exist within the company's existing properties.**

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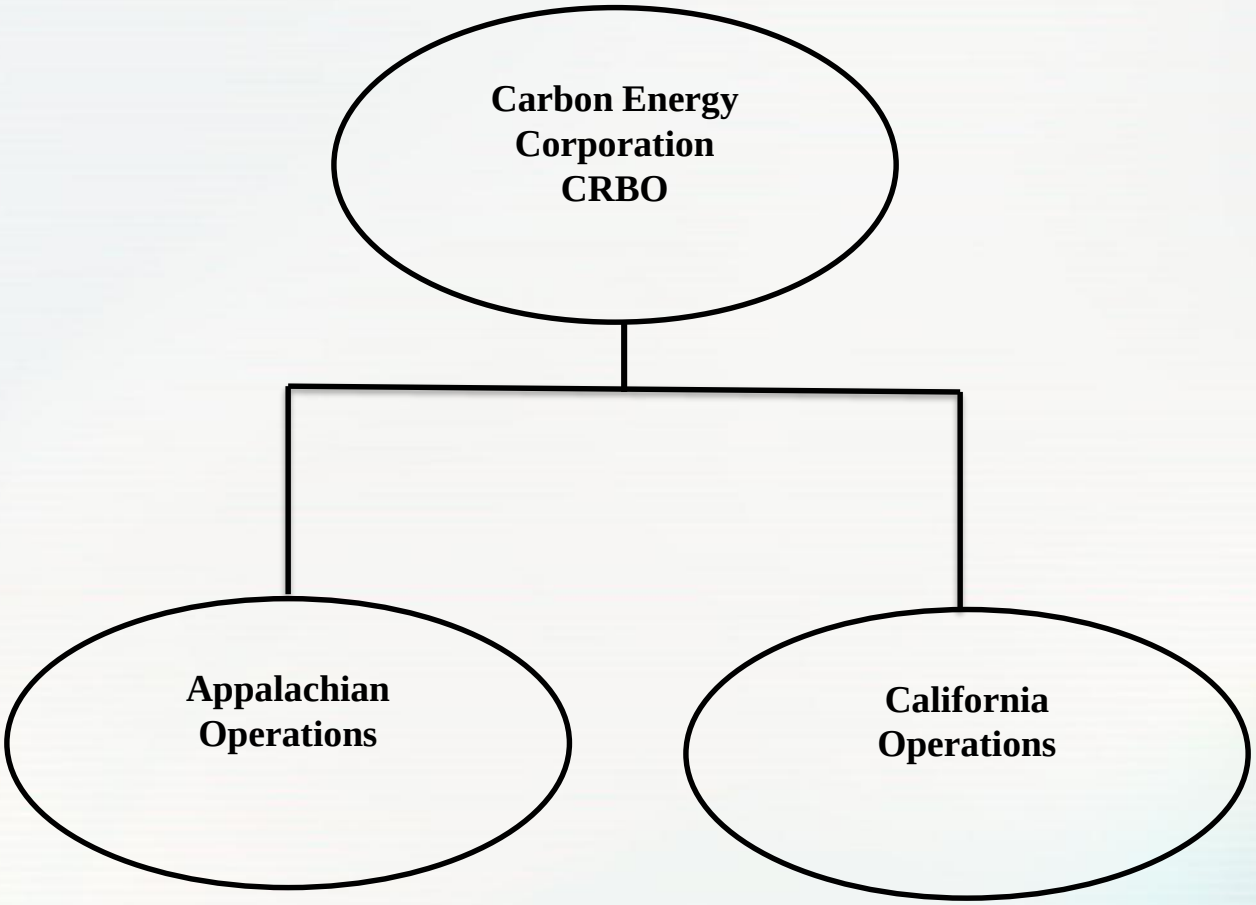
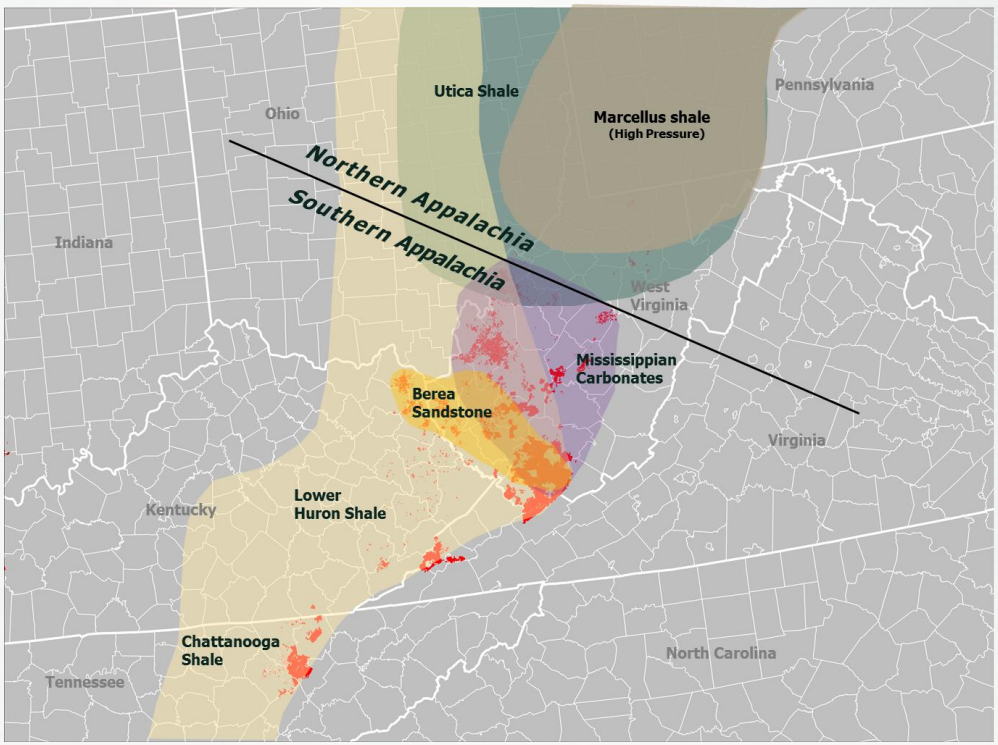

Carbon Energy Corporation CRBO
Appalachian Operations
California Operations

Southern Appalachian Basin Investment Strategy

Northern and Southern Appalachia are both historical producing regions.

Both have same geologic history and similar producing formations.

- ***Marcellus and Utica Shales in North***
  - ✓ **Very high land, drilling and completion costs**
  - ✓ **Low gas price netback**
  - ✓ **Highly competitive**
- ***Huron/Chattanooga Shale in the South***
  - ✓ **Reasonable costs**
  - ✓ **Attractive gas price netback**
  - ✓ **Lack of competition**



Exploration and production companies are divesting legacy production in Southern Appalachia to focus on the Marcellus and Utica Shales in the north.

This creates opportunity for Carbon to acquire and develop producing assets in the south, build on existing operations, and to consolidate Southern Appalachian position.

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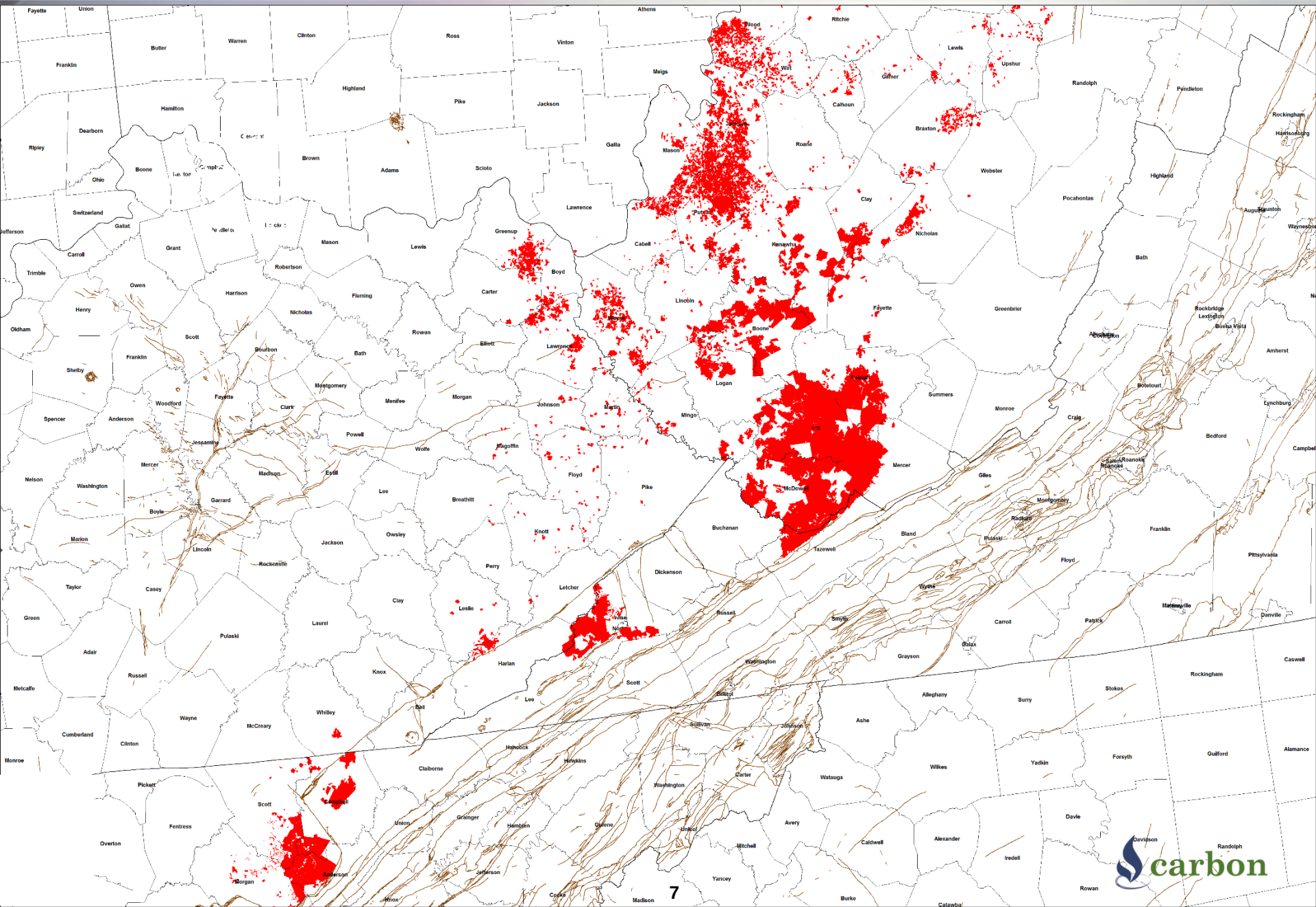
Carbon Appalachian Basin Assets



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Carbon Appalachian Basin Operations

- Approximately 60,000 mcfe net daily production, 90% operated
- Proved reserves of 442 bcfe
- Interest in approximately 8,200 wells
- Ownership of 4,700 miles of midstream gathering pipelines and associated compression facilities
- Multiple direct connect end use customers and transportation pipeline interconnects
- Operation of natural gas storage facilities enhances midstream operations
- Approximately 1,650,000 net acres of oil, gas and/or coalbed methane rights
  - 73% Held by Production
  - 80% of remainder expires later than 5 years
- Extensive Inventory of Field Development Projects
  - Berea Sandstone Oil
  - Lower Huron Shale
  - Chattanooga Shale
- Low lease operating expenses
- High BTU natural gas in close proximity to market, average netback price Nymex $(0.25)/mmbtu

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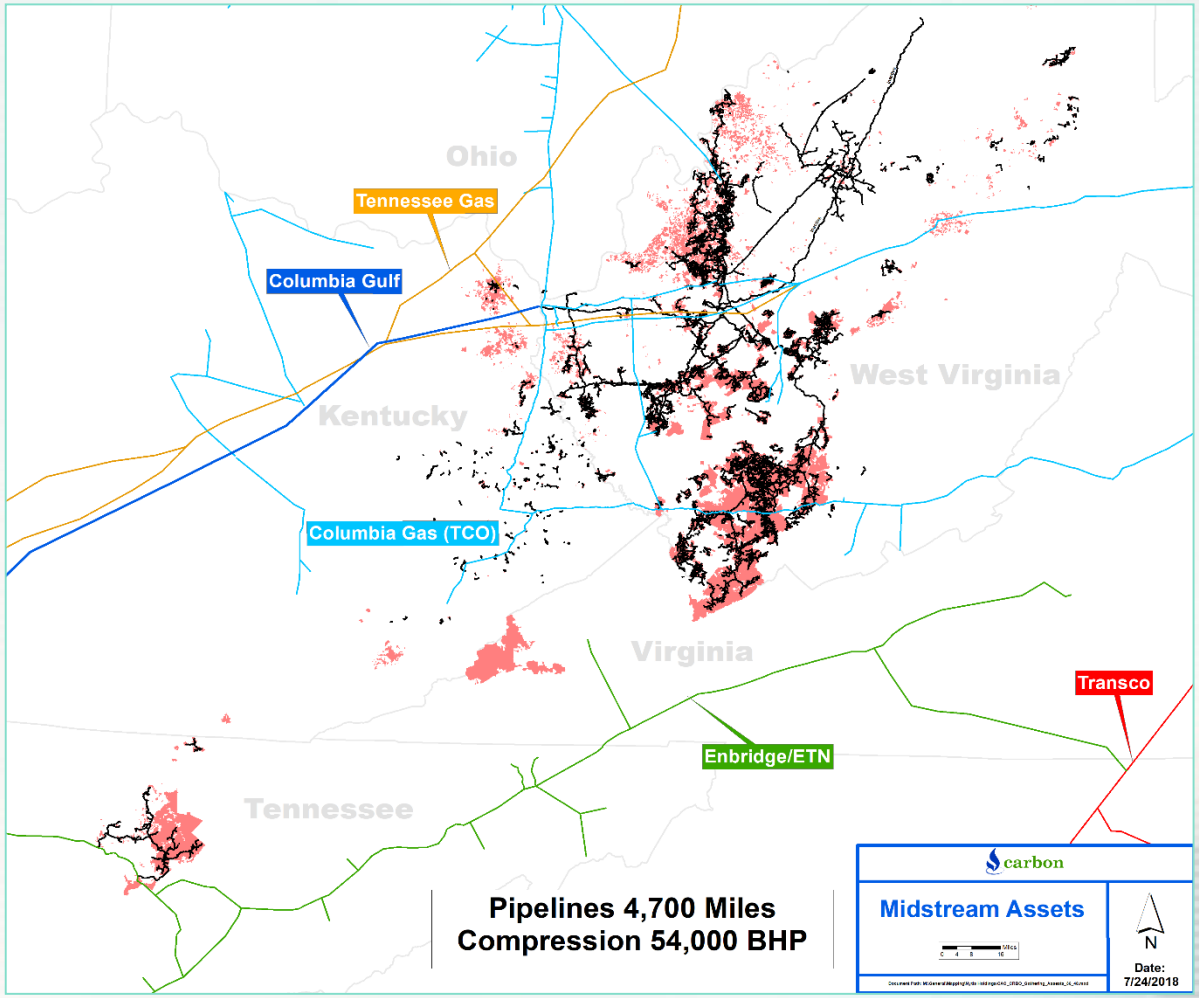
Southern Appalachia | *Midstream Business Segment*

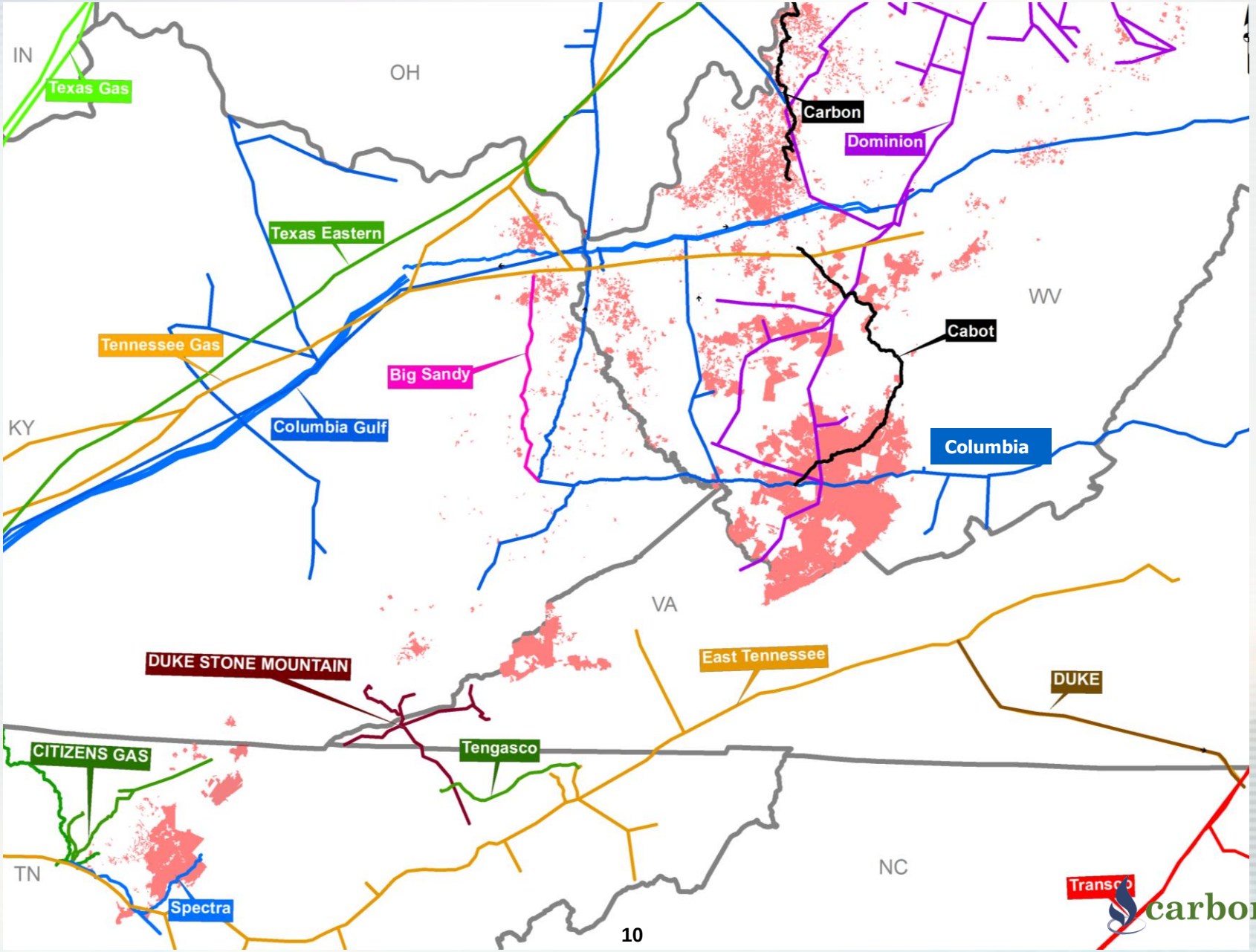
Overview

- System transports over 90 MMcf/d
- Direct on system industrial end use customers
- Carbon owned gas storage facilities provide direct end user sales flexibility and gas marketing opportunities
- Extensive gathering and compression system basin wide
  - Gas Gathering: 4,700 miles of pipe
  - Compression: 54,000 BHP
- Access to 3rd party pipelines (TCO, ETN, DTI) provide gas marketing and index arbitrage opportunities
- Firm transport agreements on main line transportation pipelines

Asset Locator Map



Transportation Pipeline Access



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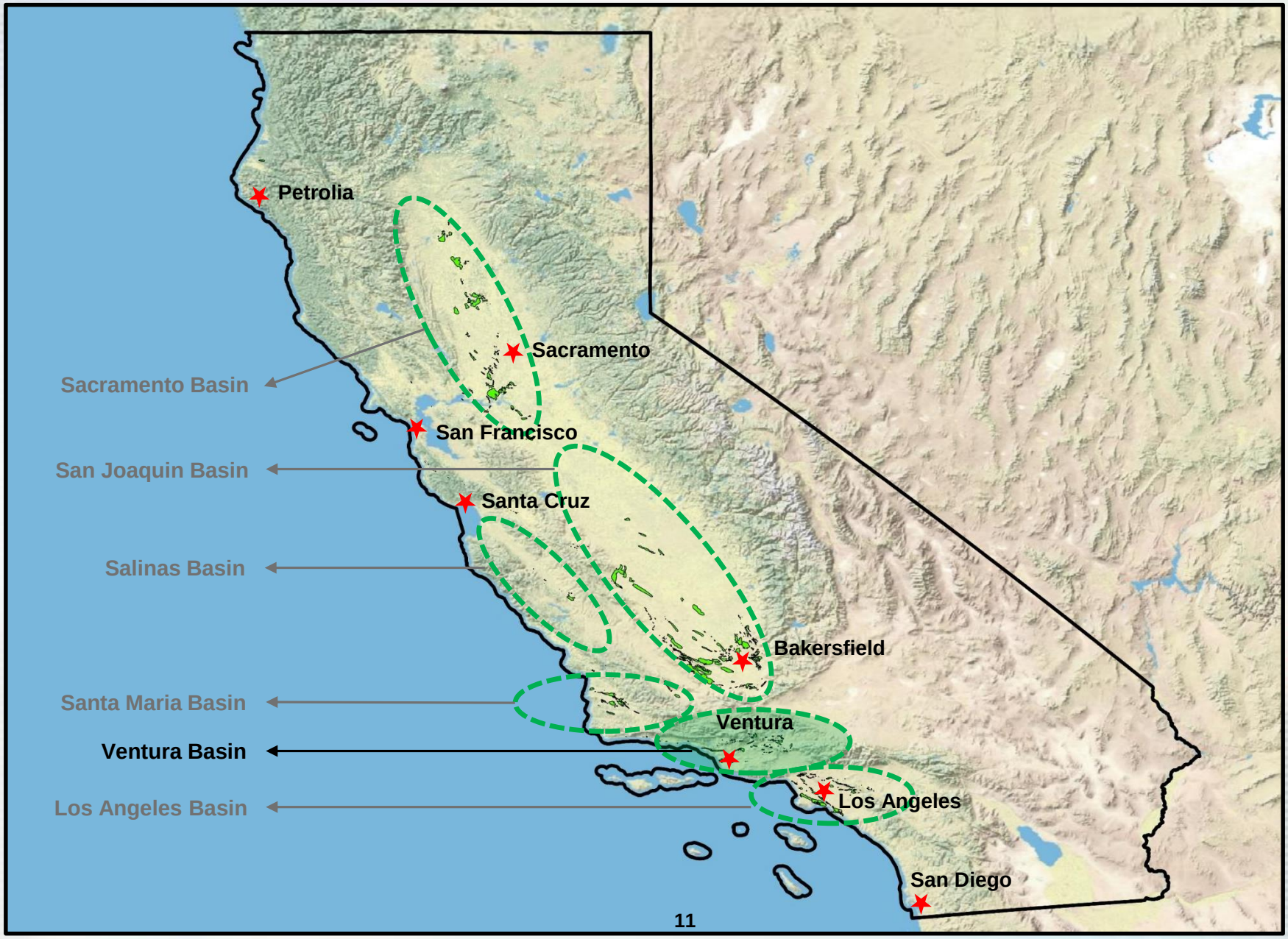
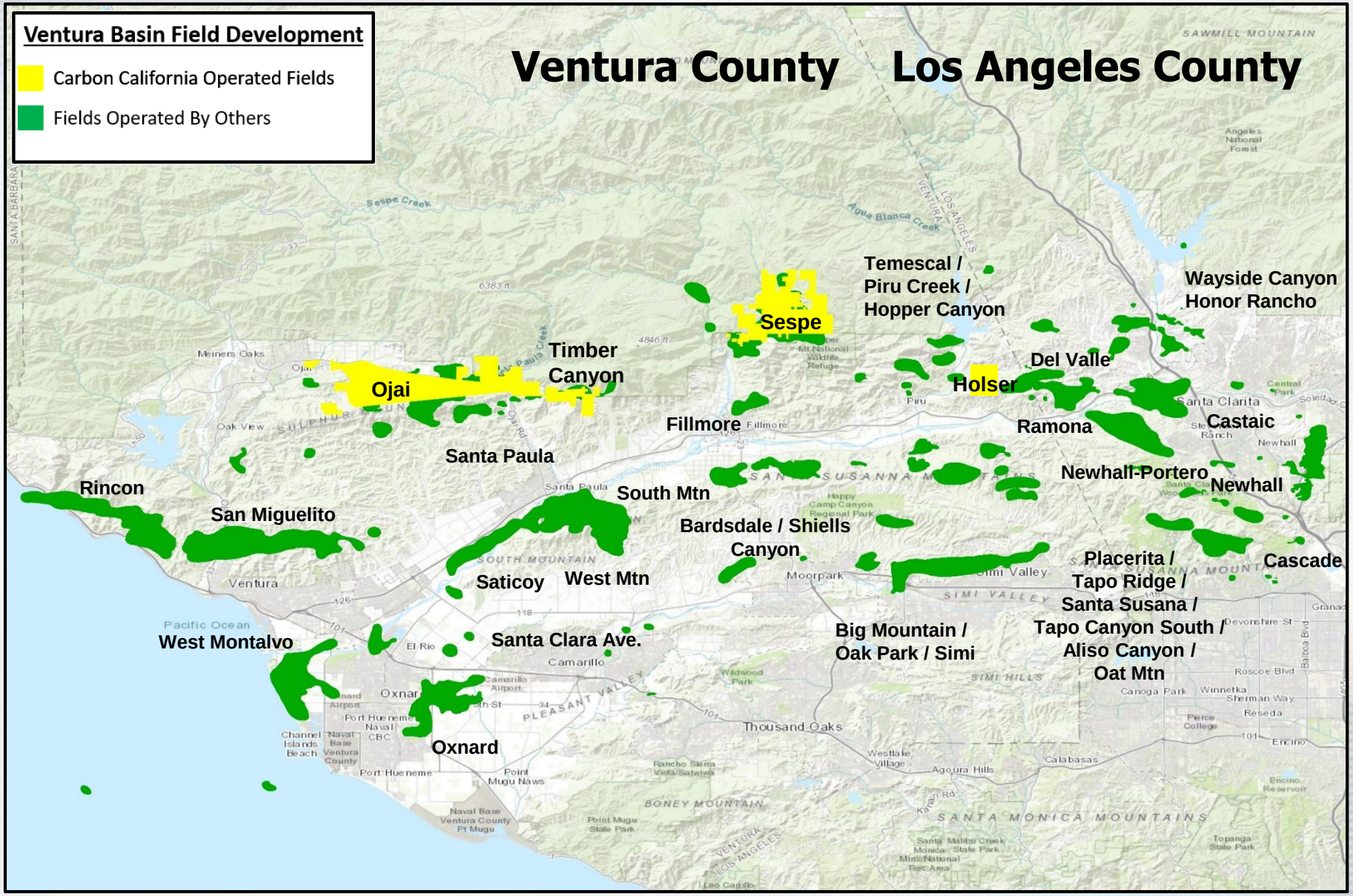
California Oil and Gas Basins



Ventura Basin



Ventura Basin Investment Strategy

- Carbon has identified the Ventura Basin of California as an area which presents an excellent opportunity to acquire and develop a portfolio of light oil, low operating cost producing properties
- Carbon has acquired Ojai Field, Timber Canyon Field, Holser Field and Sespe Field assets, and is currently implementing production optimization programs and field development
- Carbon will grow the asset base through low-risk exploitation and development of the properties

- **California Acquisition Criteria**
- Shallow decline, long life reserves
- Low capital maintenance requirements
- Multipay "conventional" producing formations
- No thermal / steam flood operations
- Light crude oil
- Low water cut
- Shallow depth (2,000' to 6,500')
- Permitted water management systems
- Favorable land and regulatory environment

Carbon Ventura Basin California

- 1,400 barrels of oil and liquids per day and 1,860 mcf of gas per day net production, 100% operated
- Proved reserves of 23.1 million barrels of oil equivalent (84% oil and NGL)
- Interest in approximately 570 wells
- Approximately 17,000 net acres of oil, gas rights
  - 100% Held by Production
  - 7,700 mineral fee acres
- Multiple producing horizons
- Low lease operating expenses
- Brent oil price
- Inventory of Return to Production, Behind Pipe Recompletion and Proved Undeveloped drilling projects
- Operating cost improvements through facility consolidation

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