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Carbon Energy Corporation

Annual Meeting Presentation

May 21, 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 resource potential may change significantly as development of our resource 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 value, which is a non-GAAP financial measure, as defined under Regulation G of the rules and regulations of the SEC.

EBITDA

"EBITDA" is a non-GAAP financial measure. We define EBITDA as net income or loss before interest expense, taxes, depreciation, depletion and amortization, accretion of asset retirement obligations and unrealized commodity gains/losses. 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 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 provides no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, and working capital movement or tax position. EBITDA does 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 is useful to an investor in evaluating our operating performance because the measure is 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 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 reported by different companies.

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Carbon Growth 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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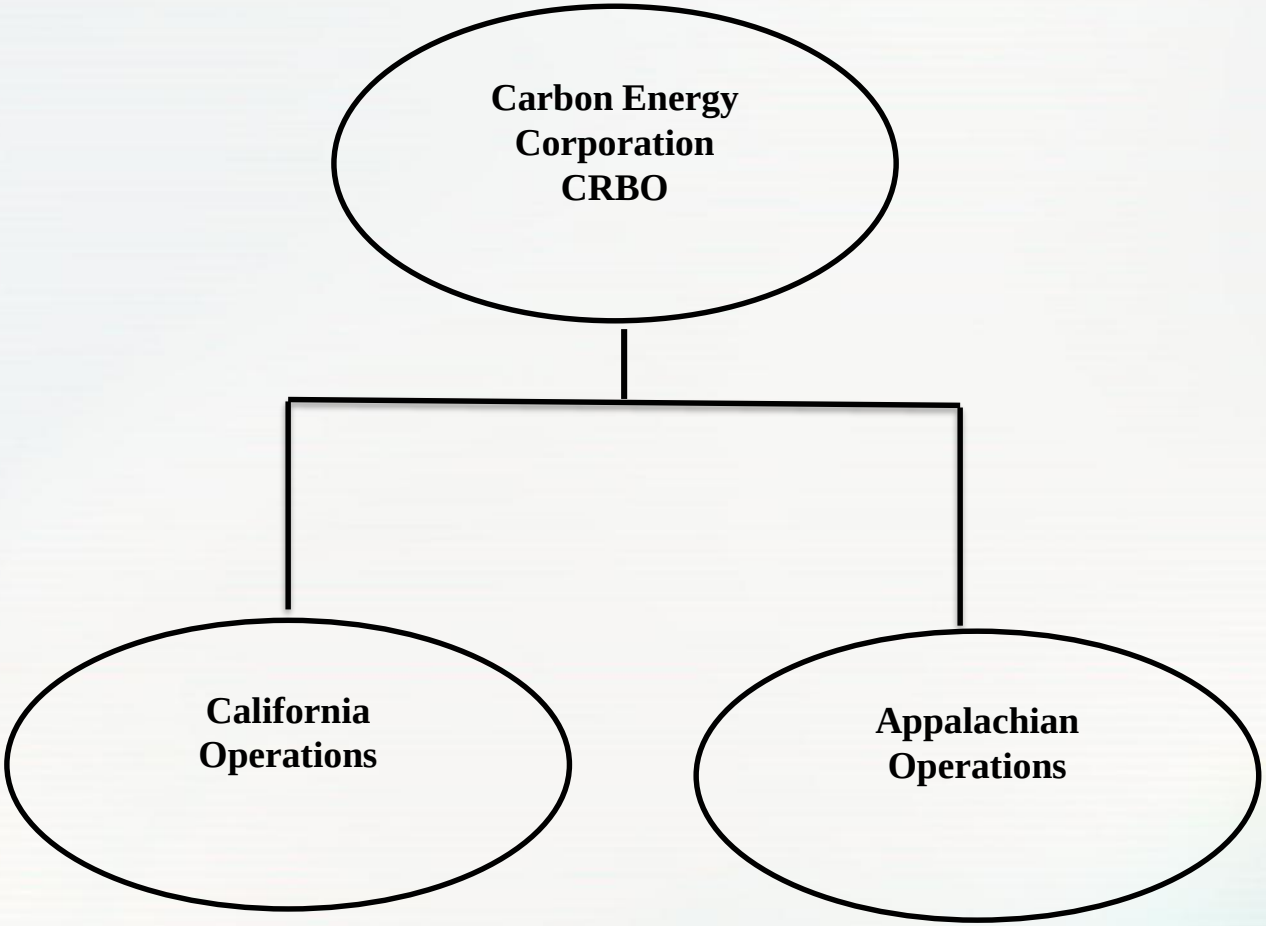
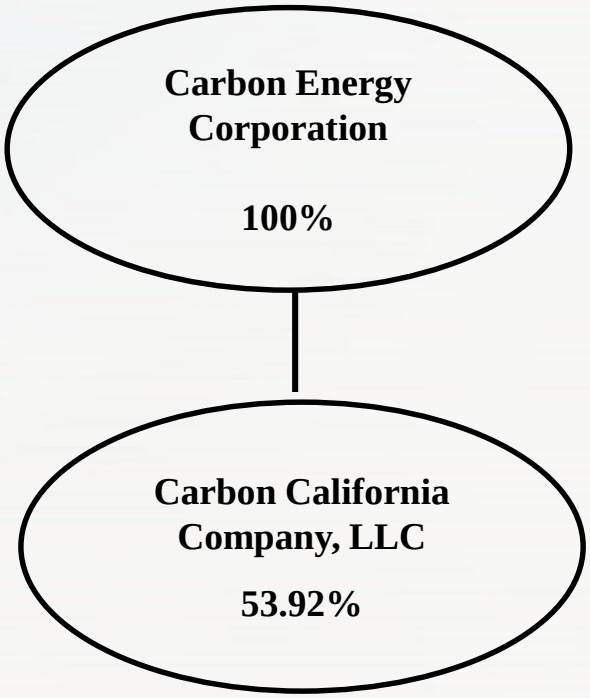

Carbon Energy Corporation CRBO
California Operations
Appalachian Operations


Carbon Energy Corporation
100%
Carbon California Company, LLC
53.92%

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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2018 Highlights

- Emphasis on Health, Safety and Environmental best practices and compliance
- Name change to Carbon Energy Corporation, June 1, 2018
- Sespe Field acquisition, Ventura Basin, May 1, 2018
- Acquire balance of interest in Carbon Appalachian Company, LLC, December 31, 2018
- Integration of acquired assets with existing Carbon properties
- Increase in reserves, production and cash flow through development programs
- Significant operating cost reductions

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2019 Plan
Growth Through Field Development

- **Emphasis on Health, Safety and Environmental best practices and compliance**
- **Create incremental value from assets**
  - **Continue lease operating expense reduction**
  - **Identify and execute workover and recompletion opportunities**
  - **Optimize gas gathering compression, marketing and transportation**
- **Develop properties through development drilling as commodity prices warrant, focus on Ventura basin oil**
- **Continue acquisitions of producing properties with development potential**
  - **Southern Appalachian Basin**
  - **Ventura Basin**
- **Debt reduction**

Carbon Financial Summary

		December 31, 2018 (1)
Natural Gas (mcf of gas per day)		14,576
Oil (barrels of oil per day)		1,235
Natural Gas Liquids (barrels of oil per day)		91
Mcfe of gas per day (@6:1)		22,529
Adjusted EBITDA ($000) (2)	$	19,841

(1) Activity shown above includes only that which is included in the consolidated financial statements. Therefore, the above represents all of Carbon's activities for the year ended December 31, 2018 and only the activity of Carbon California for the period February 1, 2018 through December 31, 2018. It does not include any activity for Carbon Appalachia as the OIE Membership Acquisition, which resulted in consolidation of Carbon Appalachia, did not occur until December 31, 2018.

(2) EBITDA calculation includes equity investment gain, which includes the investment gains and losses associated with Carbon's equity investments in Carbon Appalachia and Carbon California calculated using the Hypothetical Liquidation at Book Value ("HLBV") method as required by GAAP. Further details can be found within the Company's Form 10-K.

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Carbon Financial Summary

	Three Months Ended March 31, 2019 [1]
Natural Gas (mcf of gas per day)	61,601
Oil (barrels of oil per day)	1,639
Natural Gas Liquids (barrels of oil per day)	147
Mcfe of gas per day (@6:1)	72,314
EBITDA ($000)	$ 9,535

(1) Activity above includes Carbon's consolidated activities for the three months ended March 31, 2019, which is inclusive of all activities of Carbon California and Carbon Appalachia as well as properties historically held by Carbon prior to the consolidation of Carbon California and Carbon Appalachia, effective February 1, 2018 and December 31, 2018, respectively.

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Carbon Credit Facilities

Carbon Credit Facilities ($000)		
December 31, 2018		
	Carbon Energy Corporation	Carbon California Company, LLC
Ownership Interest	100.00%	53.92%
2018 Credit Facility (Revolver)	$ 69,150	
2019 Credit Facility (Term Loan)	$ 15,000	
Promissory Note	$ 25,065	
Senior Revolving Notes[1]	$ -	$ 20,759
Subordinated Notes[1]	$ -	$ 7,010
Total Debt	$ 109,215	$ 27,769
2018 Credit Facility (Revolver) Borrowing Base	$ 75,000	
Senior Revolving Notes Borrowing Base		$ 41,000 [2]

(1) Carbon California debt is non-recourse to Carbon Energy Corporation

(2) Reflects 100% of Senior Revolving Notes borrowing base

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Carbon Credit Facilities

Carbon Credit Facilities ($000)		
March 31, 2019		
	Carbon Energy Corporation	Carbon California Company, LLC
Ownership Interest	100.00%	53.92%
2018 Credit Facility (Revolver)	$ 70,150	
2019 Credit Facility (Term Loan)	$ 13,333	
Promissory Note	$ 23,660	
Senior Revolving Notes[1]	$ -	$ 20,759
Subordinated Notes[1]	$ -	$ 7,010
Total Debt	$ 107,143	$ 27,769
2018 Credit Facility (Revolver) Borrowing Base	$ 75,000	
Senior Revolving Notes Borrowing Base		$ 41,000 [2]

(1) Carbon California debt is non-recourse to Carbon Energy Corporation
(2) Reflects 100% of Senior Revolving Notes borrowing base

~$2.1mm in net debt reduction during Q1 2019

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Carbon Energy Corporation

Proved Reserves Summary

As of January 1, 2019

SEC 18Q4 Prices

Total Proved	MBO	MMCF	MBBL	MMBOE	BCFE	%Oil + NGL	%GAS	NPV @ 10%
Carbon	1,382	429,999	-	73	438	2%	98%	$ 237,488
Carbon California	9,445	11,919	1,037	12	75	84%	16%	$ 136,827
Combined	10,827	441,918	1,037	86	513	14%	86%	$ 374,315

Proved Developed Producing	MBO	MMCF	MBBL	MMBOE	BCFE	%Oil + NGL	%GAS	NPV @ 10%
Carbon	1,382	429,985	-	73	438	2%	98%	$ 237,473
Carbon California	4,919	6,308	534	7	39	84%	16%	$ 68,995
Combined	6,301	436,293	534	80	477	9%	91%	$ 306,468

Proved Developed Non-Producing	MBO	MMCF	MBBL	MMBOE	BCFE	%Oil + NGL	%GAS	NPV @ 10%
Carbon	-	14	-	0	0	0%	0%	$ 15
Carbon California	2,067	2,927	260	3	17	83%	17%	$ 37,188
Combined	2,067	2,941	260	3	17	83%	17%	$ 37,203

Proved Undeveloped	MBO	MMCF	MBBL	MMBOE	BCFE	%Oil + NGL	%GAS	NPV @ 10%
Carbon	-	-	-	-	-	0%	0%	$ -
Carbon California	2,460	2,683	243	3	19	86%	14%	$ 30,644
Combined	2,460	2,683	243	3	19	86%	14%	$ 30,644

SEC 18Q4 Price Basis:

Average First Day of Month Prices Trailing 12 Months

$65.56 per barrel of oil

$3.100 per MMBtu of gas

CRBO Ownership Position

Carbon	100%
CAC	100%
CCC	53.92%

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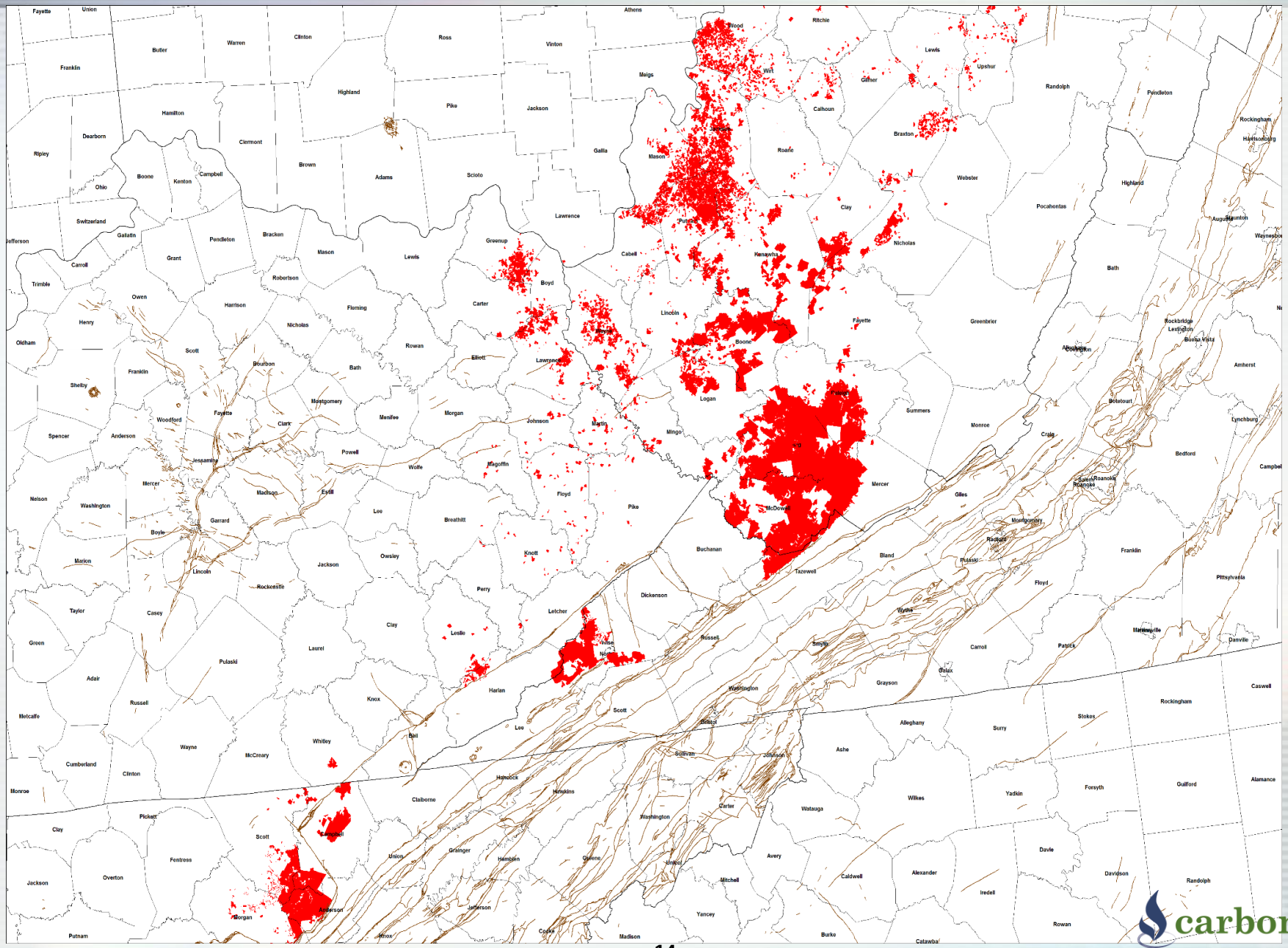
Appalachian Basin Assets



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Carbon Appalachian Business Unit Overview December 31, 2018

- 58,100 mcf gas and 360 barrels oil per day net production
- 6% base production decline rate
- No capital obligations
- Low lease operating expenses
- Interest in 8,200 wells (6,700 operated), 92% working interest
- SEC proved reserves
  - 430 bcf of natural gas
  - 1.4 million barrels of oil
  - 438 bcf equivalent
  - $PV_{10\%}$ Value $238,000,000
  - 100% proved developed producing
- Over 1,600,000 net acres of oil, gas rights
  - 73% Held by Production
  - 80% of remainder expires later than 5 years
- 4,700 miles of midstream pipelines
- Significant natural gas midstream business

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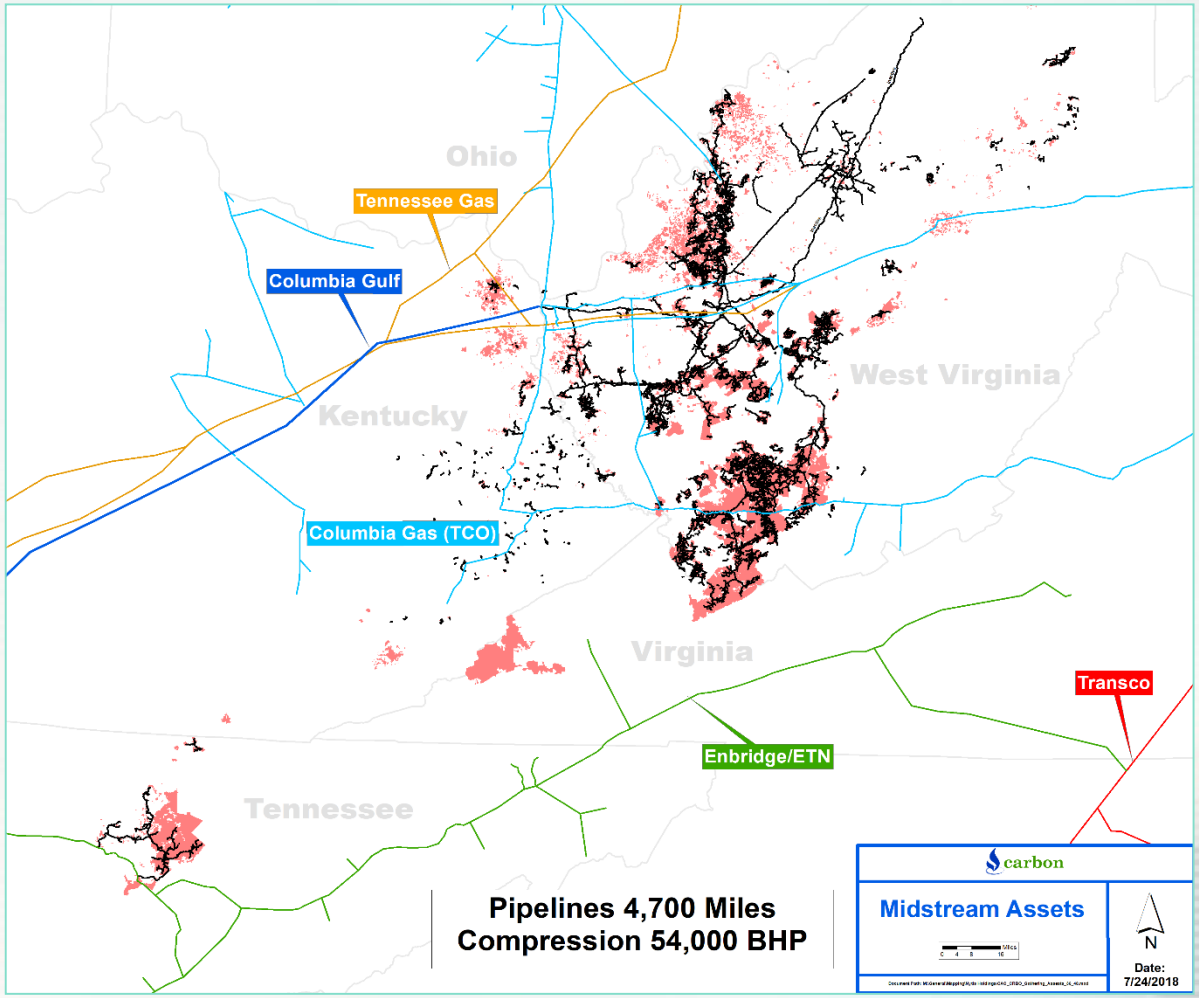
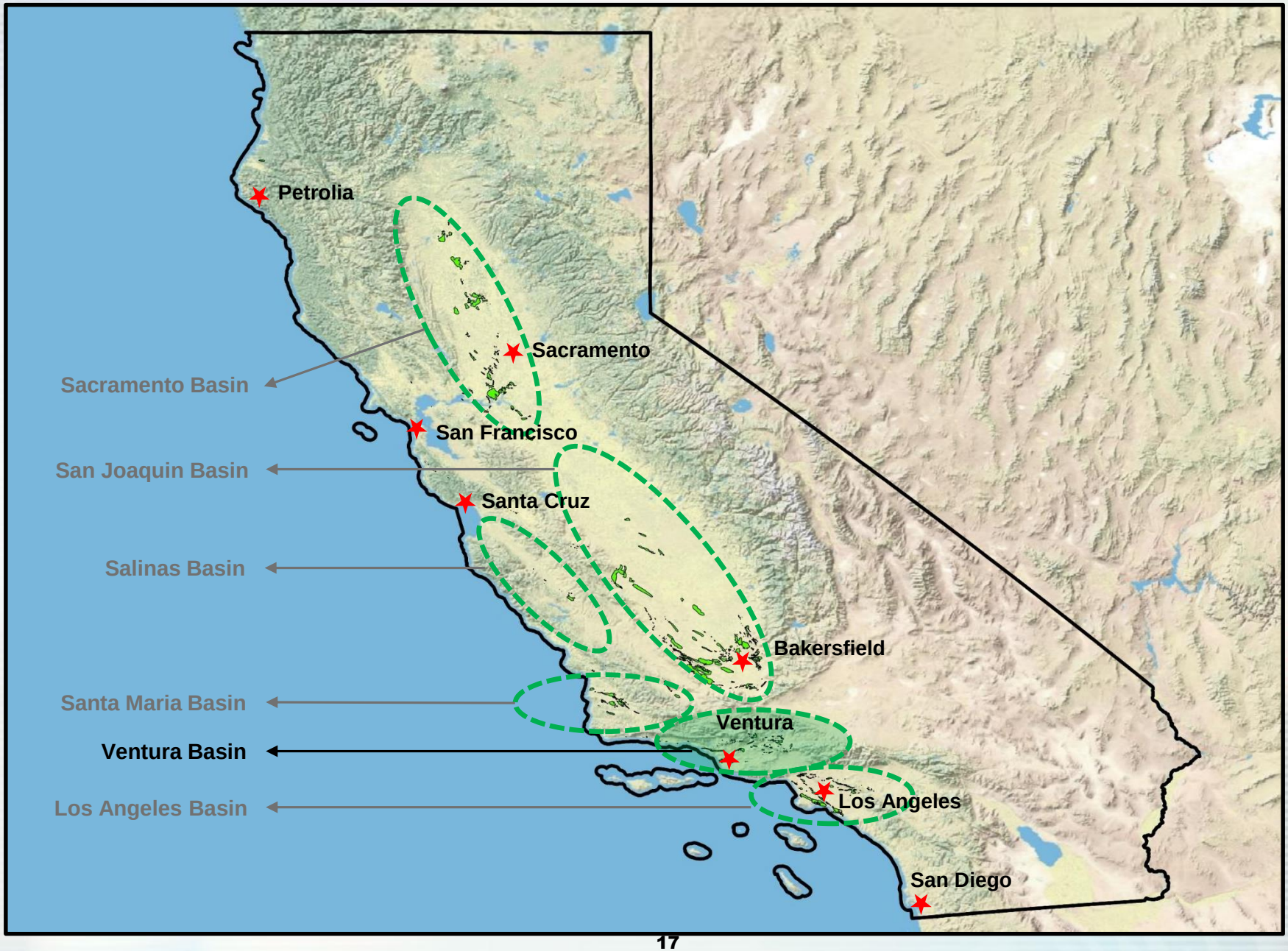
Southern Appalachia | *Midstream Business Segment*

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



California Oil and Gas Basins



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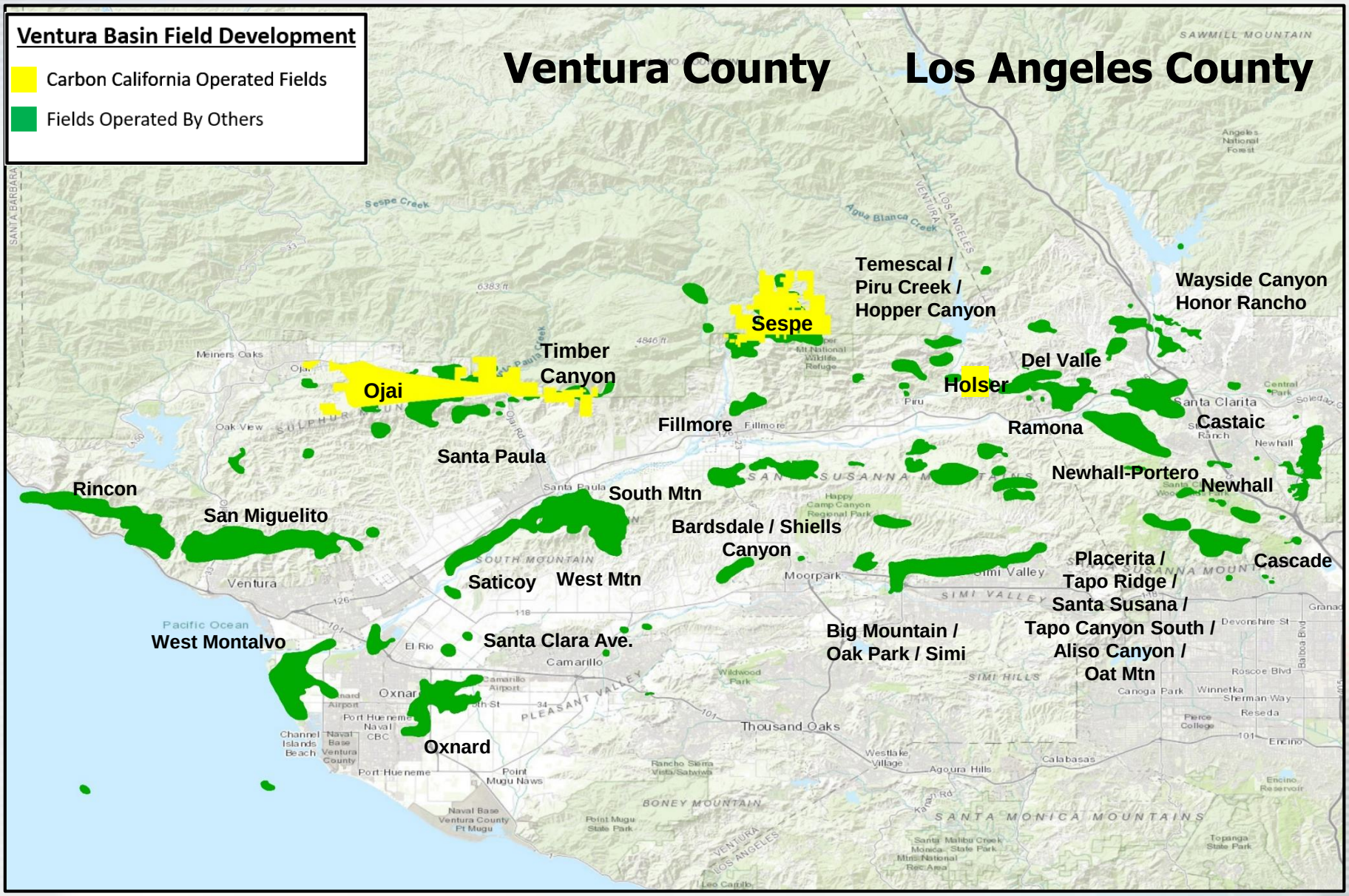
Ventura Basin



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Carbon California Company Overview
December 31, 2018

- 1,470 barrels of oil and 3,500 mcf of gas net daily production
- 3.5% base production decline rate
- No capital obligations
- Low lease operating expenses
- Interest in 571 (545 operated), 95% working interest
- SEC Proved Reserves
  - 19.4 million barrels of oil + ngls
  - 22.1 bcf of natural gas
  - $PV_{10\%}$ Value $253,800,000
  - 78% proved developed
  - 50% proved developed producing
- Approximately 17,200 net acres of oil and gas rights
  - 100% Held By Production or Fee minerals
  - 7,700 net mineral fee acres
- Netback product prices
  - 108% of Nymex oil
  - 90% Nymex natural gas
- Inventory of Return to Production and Recompletion projects
- Facility consolidation and operating cost improvements identified and executed

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