

# Annual Shareholders Meeting December 11, 2018

# TENGASCO, INC.



# Annual Shareholders Meeting – December 11, 2018

## Outline of Presentation

- Directors and Officers
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- Significant Activities Since The Last Shareholders Meeting
- Oil Prices
- Capital Spending and Drilling Results
- Kansas Production
- Borrowings on Credit Facility
- Financial Review
  - Nine months ended September 30, 2018 and 2017
  - Year ended December 31, 2017 and 2016
- 2019 Outlook
- Results of Voting
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# Annual Shareholders Meeting – December 11, 2018

## Directors and Officers

- Peter Salas
  - Director, Chairman of the Board
  - Elected to the Board in 2002 and as Chairman of the Board in 2004
- Matt Behrent
  - Director, Chairman of the Audit Committee, member of the Compensation Committee
  - Elected to the Board in 2007
- Rich Thon
  - Director, Chairman of the Compensation Committee, member of the Audit Committee,
  - Elected to the Board in 2013
- Mike Rugen
  - CFO since 2009 and Interim CEO since 2013
- Cary Sorensen
  - VP, General Counsel, and Corporate Secretary since 1999



# ***Forward Looking Statements***

Except for the historical information contained in this review, the matters discussed in this presentation are forward-looking statements within the meaning of applicable securities laws, that are based upon current expectations. Important factors that could cause actual results to differ materially from those in the forward-looking statements include risks inherent in drilling activities, the timing and extent of changes in commodity prices, unforeseen engineering and mechanical or technological difficulties in drilling wells, availability of drilling rigs and other services, land issues, federal and state regulatory developments and other risks more fully described in the Company's filings with the U.S. Securities and Exchange Commission (SEC).



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## Significant Activities Since The Last Shareholders Meeting

- Sold the Methane Facility assets in January 2018
  - Received \$2.65 million
  - Recorded a gain on the sale of approximately \$1.16 million
- Acquired most of the drilling program interest - \$164K
- Continued to evaluate opportunities (primarily in Kansas, Oklahoma, New Mexico, and Texas)
  - Current inventory
  - Corporate
  - Acquisition of producing properties
  - Acreage
  - Non-operated opportunities
    - Drilled two wells – both were dry holes
    - Participated in seismic programs
  - Operated opportunities
    - Drilled two wells – one producer, one dry
    - Three polymers
  - Although we continue evaluating several opportunities, no agreements have been entered into by the Company to move forward with any of the opportunities currently under evaluation
- Cash position and credit facility
  - Approximately \$3.2 million cash at 12/11/2018
  - \$3 million borrowing base, subject to a credit limit based on current covenants of approximately \$2.74 million
  - \$0 drawn at 12/11/2018



# Annual Shareholders Meeting – December 11, 2018

## Capital Spending and Drilling Results

(\$ Thousands)

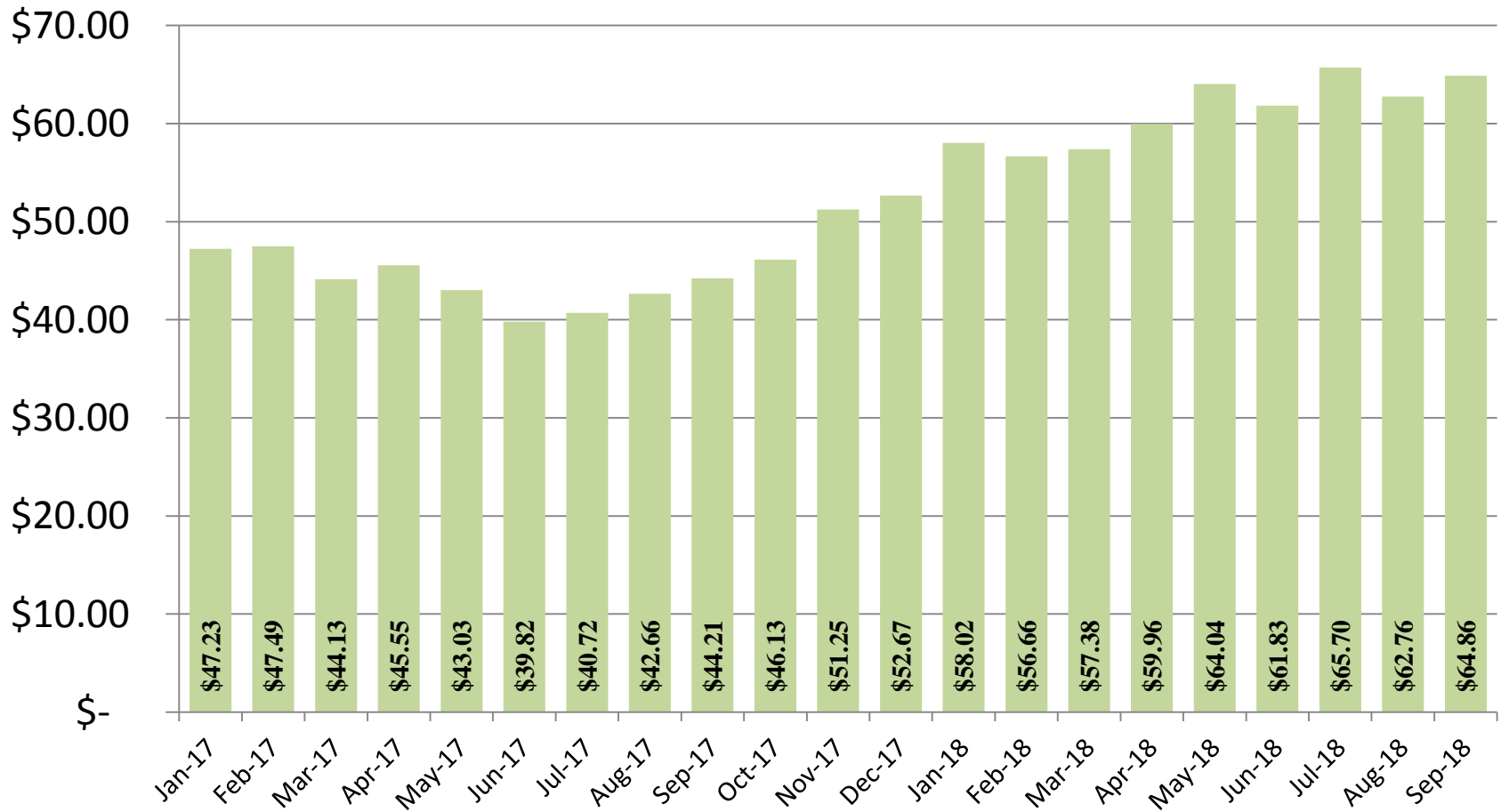
|  | <u>2017</u> | YTD<br><u>Sep. 2018</u> | Est. FY<br><u>2018</u> |
|--|-------------|-------------------------|------------------------|
| Capital Spending (includes accruals):  |             |                         |                        |
| Drilling                               | 70          | 418                     | 467                    |
| Polymers                               | -           | 244                     | 244                    |
| Leasehold and Seismic                  | 93          | 18                      | 109                    |
| Field Vehicles                         | 99          | 163                     | 163                    |
| Acquire Drilling Program Interests     | <u>-</u>    | <u>164</u>              | <u>164</u>             |
| Total Capital Spending                 | <u>262</u>  | <u>1,007</u>            | <u>1,147</u>           |
| Drilling, Polymers, and Recompletions: |             |                         |                        |
| Wells Drilled                          | 1           | 4                       | 4                      |
| Wells Completed                        | 1           | 1                       | 1                      |
| Polymers                               | -           | 3                       | 3                      |



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## Average Monthly Oil Price Received

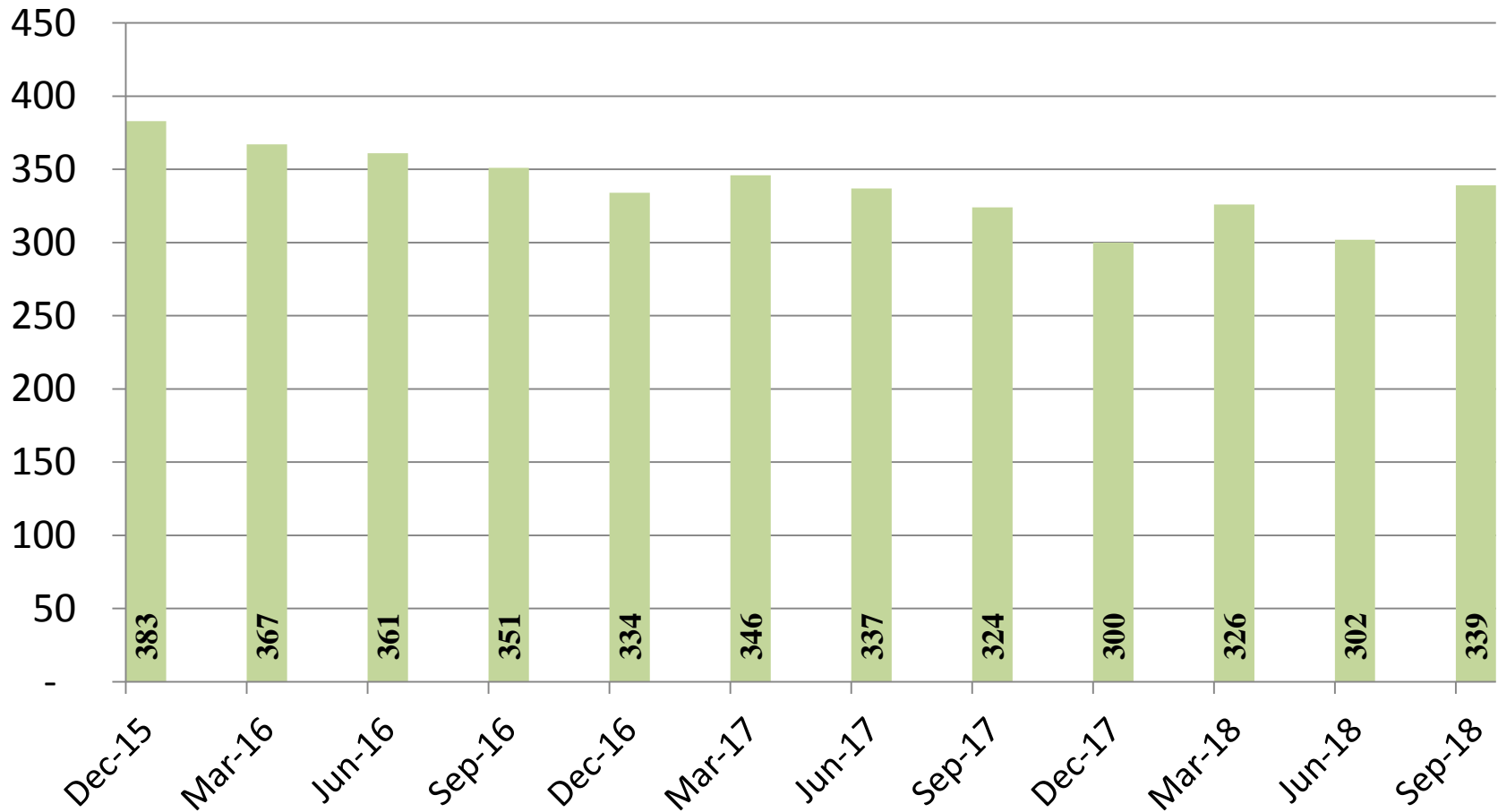
(\$ per barrel)



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## Average Daily Gross Operated Production For Selected Months

(Barrels of Oil Per Day)





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## Financial Summary – Continuing Operations

(\$ Thousands, except per share data, sales volumes, and price per barrel)

9 Months Ended September 30, \*

|  | <u>2018</u>  | <u>2017</u>  | <u>Change</u> | <u>Percent</u> |
|--|--------------|--------------|---------------|----------------|
| Revenues   | 4,497        | 3,383        | 1,114         | 32.9%          |
| Production cost and taxes                                    | (2,502)      | (2,595)      | 93            | 3.6%           |
| DD&A   | (599)        | (658)        | 59            | 9.0%           |
| General & administrative                                     | <u>(896)</u> | <u>(860)</u> | <u>(36)</u>   | (4.2)%         |
| Net income from operations                                   | 500          | (730)        | 1,230         | 168.5%         |
| Interest expense   | (4)          | (36)         | 32            | 88.9%          |
| Gain on sale of assets                                       | 34           | 5            | 29            | 580.0%         |
| Tax expense  | <u>-</u>     | <u>-</u>     | <u>-</u>      | 0.0%           |
| Net income (loss)  | <u>530</u>   | <u>(761)</u> | <u>1,291</u>  | 169.6%         |
| Net income (loss) per share – Basic and Diluted              | \$ 0.05      | \$ (0.08)    | \$ 0.13       | 162.5%         |
| Net Sales Volumes (MBbl)                                     | 73.0         | 76.5         | (3.5)         | (4.6)%         |
| Oil Price (\$/Bbl)   | \$ 61.27     | \$ 43.92     | \$ 17.35      | 39.5%          |
| Production cost and taxes (\$/Bbl – using net sales volumes) | \$ 34.28     | \$ 33.92     | \$ (0.36)     | (1.1)%         |

\* Operating results for the nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ended December 31, 2018.



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## Financial Summary (includes discontinued operations)

(\$ Thousands, except per share data, sales volumes, and price per barrel)

Year Ended December 31,

|   | <u>2017</u>  | <u>2016</u>    | <u>Change</u> | <u>Percent</u> |
|---|--------------|----------------|---------------|----------------|
| Revenues  | 5,263        | 4,672          | 591           | 12.6%          |
| Production cost and taxes                       | (3,933)      | (3,421)        | (512)         | (15.0)%        |
| DD&A  | (924)        | (1,139)        | 215           | 18.9%          |
| General & administrative                        | (1,171)      | (1,405)        | 234           | 16.7%          |
| Impairment (non-cash charge)                    | <u>-</u>     | <u>(2,805)</u> | <u>2,805</u>  | 100.0%         |
| Net income from operations                      | (765)        | (4,098)        | 3,333         | 81.3%          |
| Interest expense                                | (53)         | (102)          | 49            | 48.0%          |
| Gain on sale of assets                          | 2            | 1              | 1             | 100.0%         |
| Tax benefit (expense)                           | <u>242</u>   | <u>-</u>       | <u>242</u>    | N/A            |
| Net income (loss)                               | <u>(574)</u> | <u>(4,199)</u> | <u>3,625</u>  | 86.3%          |
| Net income (loss) per share – Basic and Diluted | \$ (0.06)    | \$ (0.69)      | \$ 0.63       | 91.3%          |
| Net Sales Volumes (MBbl)                        | 102.4        | 108.3          | (5.9)         | (5.4)%         |
| Oil Price (\$/Bbl)                              | \$ 45.43     | \$ 37.53       | \$ 7.90       | 21.0%          |



# Annual Shareholders Meeting – December 11, 2018

## 2019 Outlook

- Company will monitor oil prices and continue to manage our capital spending and borrowing levels
- Company will continue to identify and evaluate opportunities
  - Current inventory
  - Corporate
  - Acquisition of producing properties
  - Acreage
  - Non-operated opportunities
- Production Cost & General and Administrative
  - When wells go down and require repairs we will only perform the work if it is economic to do so
  - Continue to review personnel, services and the service providers we use to determine if there are cost effective alternatives



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**The Company's management and Board of Directors want to thank all of our employees and their families for their dedication and contribution to Tengasco. We also want to thank the shareholders for your continued support.**

**We hope to see you again next year at our Shareholder Meeting in 2019**



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## Results of Voting



**Annual Shareholders Meeting – December 11, 2018**

## **Shareholder Questions to Management**

**Please state your name, confirm you are a  
shareholder of the Company, and direct  
your questions to Mike Rugen.**

