



**EARTHSTONE**  
*Energy, Inc.*

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## **IPAA / TIPRO**

July 12, 2017



# Disclaimer

## ***Forward-Looking Statements***

This presentation contains 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”). Statements that are not strictly historical statements constitute forward-looking statements and may often, but not always, be identified by the use of such words such as “expects,” “believes,” “intends,” “anticipates,” “plans,” “estimates,” “potential,” “possible,” or “probable” or statements that certain actions, events or results “may,” “will,” “should,” or “could” be taken, occur or be achieved. The forward-looking statements include statements about the expected benefits of the proposed transaction pursuant to the Contribution Agreement (the “Transaction”) to Earthstone and its stockholders, the anticipated completion of the proposed Transaction or the timing thereof, the expected future reserves, production, financial position, business strategy, revenues, earnings, costs, capital expenditures and debt levels of the combined company, and plans and objectives of management for future operations. Forward-looking statements are based on current expectations and assumptions and analyses made by Earthstone and its management in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors appropriate under the circumstances. However, whether actual results and developments will conform to expectations is subject to a number of material risks and uncertainties, including but not limited to: the ability to obtain stockholder and regulatory approvals of the proposed Transaction; the ability to complete the proposed Transaction on anticipated terms and timetable; Earthstone’s ability to integrate its combined operations successfully after closing the Transaction and achieve anticipated benefits from it; the possibility that various closing conditions for the Transaction may not be satisfied or waived; risks relating to any unforeseen liabilities of Earthstone or Bold; declines in oil, natural gas liquids or natural gas prices; the level of success in exploration, development and production activities; adverse weather conditions that may negatively impact development or production activities; the timing of exploration and development expenditures; inaccuracies of reserve estimates or assumptions underlying them; revisions to reserve estimates as a result of changes in commodity prices; impacts to financial statements as a result of impairment write-downs; risks related to level of indebtedness and periodic redeterminations of the borrowing base under Earthstone’s credit agreement; Earthstone’s ability to generate sufficient cash flows from operations to meet the internally funded portion of its capital expenditures budget; Earthstone’s ability to obtain external capital to finance exploration and development operations and acquisitions; the ability to successfully complete any potential asset dispositions and the risks related thereto; the impacts of hedging on results of operations; uninsured or underinsured losses resulting from oil and natural gas operations; Earthstone’s ability to replace oil and natural gas reserves; and any loss of senior management or technical personnel. Earthstone’s 2016 Annual Report on Form 10-K, recent current reports on Form 8-K, and other Securities and Exchange Commission (“SEC”) filings discuss some of the important risk factors identified that may affect Earthstone’s business, results of operations, and financial condition. Earthstone undertakes no obligation to revise or update publicly any forward-looking statements except as required by law.

# Investment Highlights

## Midland Basin Focused Company with Growing Inventory

- ✓ Actively growing in the Midland Basin via completed business combination with Bold Energy III LLC
- ✓ Presence in the most prolific, domestic oil-bearing shale plays—Midland Basin, Eagle Ford, and Bakken / Three Forks
- ✓ Growth through drill bit and significant business combinations
- ✓ ~1,100 total gross drilling locations across core plays
- ✓ Upside from down-spacing and other formations

## Prudently Managed Balance Sheet

- ✓ Adequate liquidity and cash flow to fund near-term capital plans
- ✓ Simple and unburdened capital structure
- ✓ Managing through downturn with an under-leveraged balance sheet
- ✓ Traditional reserve-based credit facility with standard covenants

## Visible Production Growth & Drilling Program with Substantial Optionality

- ✓ Midland Basin and Eagle Ford wells-in-progress provide ability to ramp up production quickly
- ✓ Majority of acreage in key areas is HBP

## Proven Management Team

- ✓ Four prior successful public entities
- ✓ Operational excellence
- ✓ Repeat institutional investors
- ✓ Market recognition from investors and sellside research analysts

# Track Record

- **Management team has consistently created shareholder value**
  - Repeated success with multiple entities over 25+ years
  - Results have created long-term and recurring shareholders
  - Extensive industry and financial relationships
  - Technical and operational excellence
    - Multi-basin experience
    - Resource & conventional expertise
    - Complex Gulf Coast drilling & horizontal resource proficiency
    - Efficient and low-cost operator
    - Proven acquisition and exploitation results



**2007 – 2012 GeoResources, Inc. (“GEOI”)**  
Eagle Ford, Bakken / Three Forks, Gulf Coast  
*Initial investors – 35% IRR*  
*Initial investors – 4.8x return*

Initial Southern Bay investors achieved a combined 7.4x ROI upon the merger with GeoResources and subsequent sale in 2012

**2005 – 2007 Southern Bay Energy, LLC (Private)**

Gulf Coast, Permian Basin

*Initial investors – 40% IRR*

**2001 – 2004 AROC, Inc. (Private)**

Gulf Coast, Permian Basin, Mid-Con.

*Preferred investors – 17% IRR*

*Initial investors – 4x return*

**1997 – 2001 Texoil, Inc. (“TXLI”)**

Gulf Coast, Permian Basin

*Preferred investors – 2.5x return*

*Follow-on investors – 3x return*

*Initial investors – 10x return*

**1992 – 1996 Hampton Resources Corp. (“HPTR”)**

Gulf Coast

*Preferred investors – 30% IRR*

*Initial investors – 7x return*

Note: “Initial investors” refers to (i) in the case of private entities, investors that participated in the initial capitalization or recapitalization of the entity at the time a change in management occurred, or (ii) in the case of public entities, public shareholders existing at the date the transaction was announced to the public. Past performance is not necessarily indicative of future results.

## Management

- Strong management and technical team with demonstrated ability and prior success
- Equity investors—interests are clearly aligned with shareholders
- Will retain a Midland office and key Bold personnel

	Years of Experience	Years Working Together	Responsibility
Frank Lodzinski	44	28	President and CEO
Robert Anderson	30	13	Corporate Development and Reservoir Engineering
Steve Collins	28	21	Completions and Operations
Chris Cottrell	33	19	Land and Marketing
Tim Merrifield	37	17	Geological and Geophysical
Francis Mury	42	28	Drilling and Development
Ray Singleton	37	3	Operations and A&D, Northern Region
Tony Oviedo	35	1	Accounting
Scott Thelander	11	1	Finance

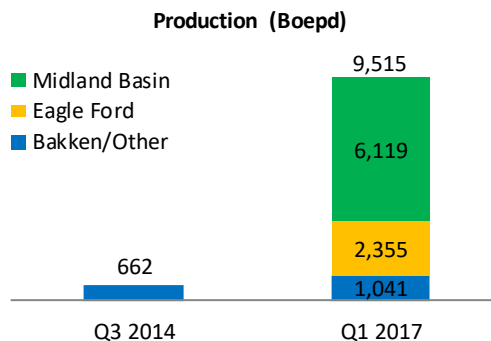
# Earthstone – A Platform for Steady Growth

- Since December 2014, Earthstone has evolved from a micro cap, non-op Bakken / Three Forks company to a small cap operator that is primarily focused in the Midland Basin

**November 2014**



**Bakken / Three Forks  
622 Boepd<sup>1</sup>**



**Q2 2017**



**Midland Basin  
Eagle Ford  
Bakken / Three Forks  
9,515 Boepd<sup>2</sup>**




**December 2014**



**Strategic  
Combination  
Eagle Ford Operator**


**December 2014**



**Q2/Q3 2015  
Private Sellers**

**Eagle Ford  
Karnes, Gonzales,  
Fayette Counties, TX**

**Q2 2016**



**Midland Basin  
5,883 Net Acres  
Howard, Glasscock  
Counties, TX**

**Q2 2017**



**Midland Basin  
20,900 Net Acres  
Reagan, Upton,  
Midland Counties, TX**

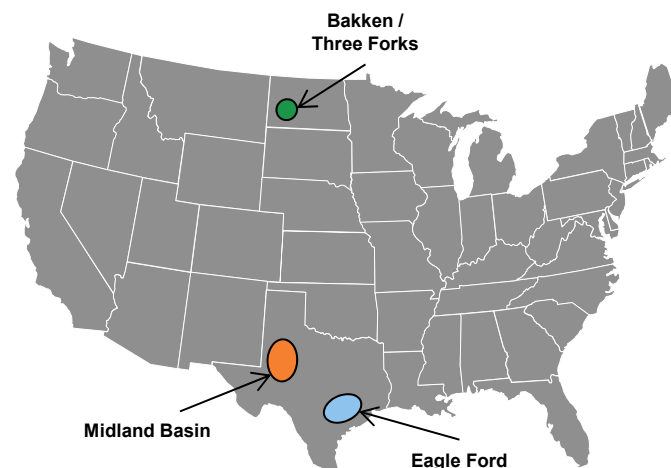
**Notes:**

- Daily production for the three month period ended September 30, 2014
- Earthstone and Bold combined production for Q1 2017 (Earthstone – 4,735 Boepd; Bold – 4,780 Boepd)

# Company Overview

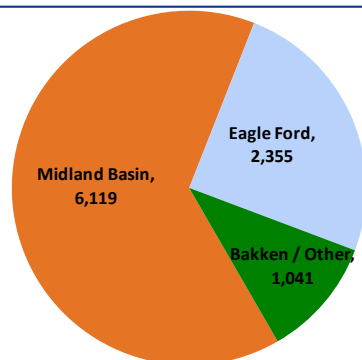
- The Woodlands, Texas based E&P company focused on development and production of oil and natural gas with current operations in the Midland Basin, Eagle Ford, and Bakken / Three Forks
  - 27,000 net acres with multiple economic zones
- Strategy of growing through the drill bit, organic leasing, and attractive asset acquisitions and business combinations
- Q1 2017 combined net production of 9,515 Boepd (66% oil, 81% liquids), inclusive of Bold business combination<sup>1</sup>
- On May 9, 2017, Earthstone closed a business combination with Bold Energy III LLC
  - Q1 2017 net production of 4,780 Boepd (72% oil, 87% liquids)
  - 20,900 net acres predominantly in Reagan, Upton, and Midland Counties
  - 500+ gross locations; 99% operated; 85% working interest
- In May 2016, Earthstone closed its business combination with Lynden Energy Corp. and established its initial presence in the Midland Basin
  - 5,883 net acres in Howard, Glasscock, Midland, and Martin Counties
  - 195 gross locations; 40% working interest

## Asset Location



## Combined Production Summary

Q1 2017 Net Production: 9,515 Boepd<sup>1</sup>



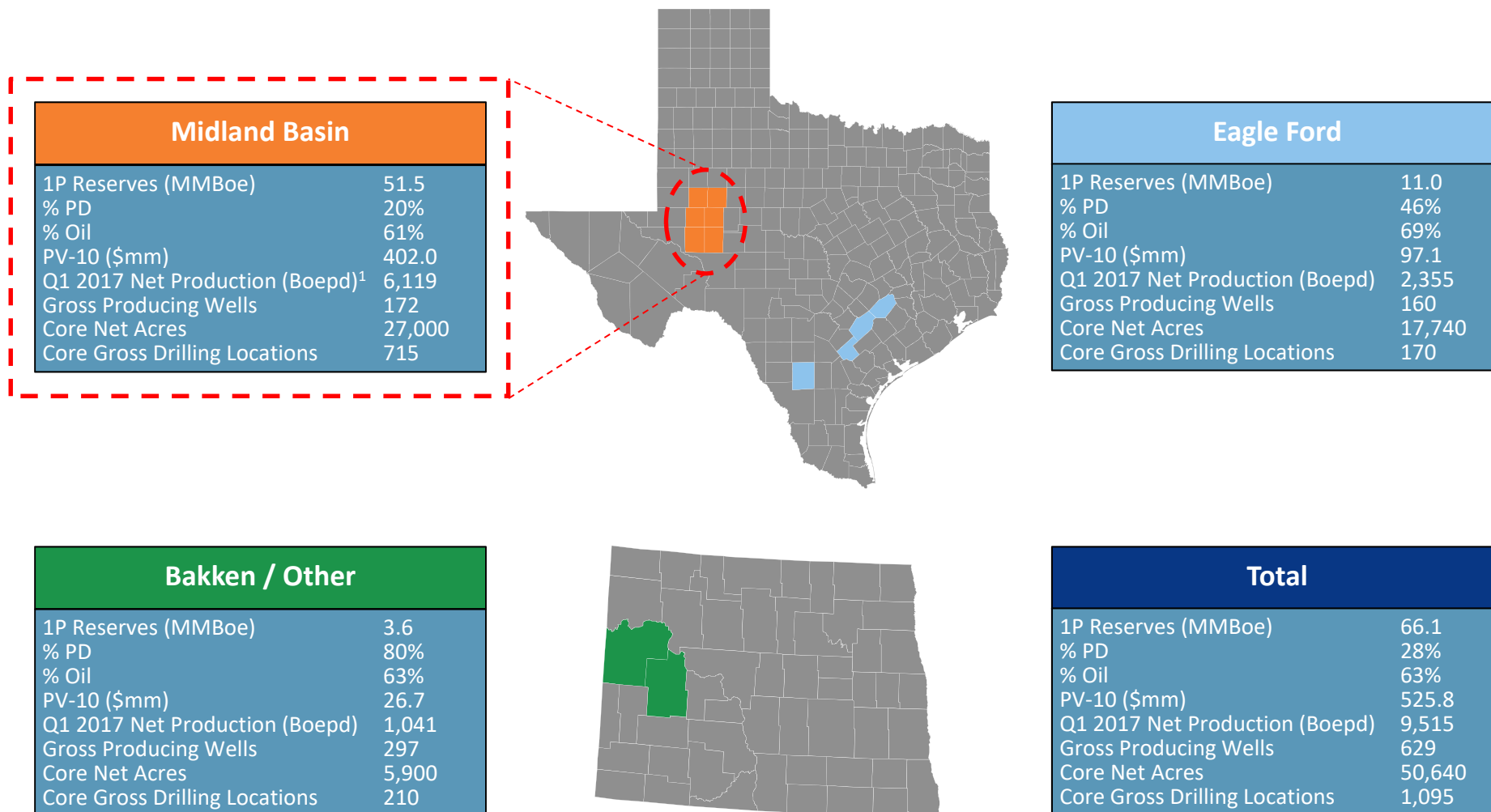
## Market Statistics (as of May 8, 2017)

Shares Outstanding <sup>2</sup> :	58.8mm
Share Price:	\$13.75
Market Cap:	\$808.2mm
Enterprise Value <sup>3</sup> :	\$872.0mm

Notes:

- 1 Earthstone and Bold combined production for Q1 2017 (Earthstone – 4,735 Boepd; Bold – 4,780 Boepd)
- 2 Includes 36.1mm ESTE Class B shares and 150,000 Class A shares issued to Bold on May 9, 2017
- 3 Net debt of \$63.8mm as of May 8, 2017

# Key Operating Areas



Notes: Reserve quantities and values for Earthstone and Bold were independently estimated by Cawley, Gillespie & Associates, Inc. utilizing NYMEX 5-year strip prices as of December 31, 2016 (Oil – \$56.19, \$56.59, \$56.10, \$56.05, \$56.21 / Gas - \$3.61, \$3.14, \$2.87, \$2.88, \$2.90)

<sup>1</sup> Earthstone and Bold combined production for Q1 2017 (Earthstone Midland Basin – 1,339 Boepd; Bold – 4,780 Boepd)



# Asset Overview

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# Bold Provides a Significant Operated Position in the Midland Basin

## Operated Position in Core Midland Basin<sup>1</sup>

20,900 net acres, 85% working interest, 500 locations identified in only 3 benches

## Q1 2017 Net Production of 4,780 Boepd

(72% oil, 87% liquids)<sup>1</sup>

5 wells in progress drive immediate production growth

## Attractive Rates of Returns<sup>2</sup>

Single well IRRs of 25-50% (strip prices)

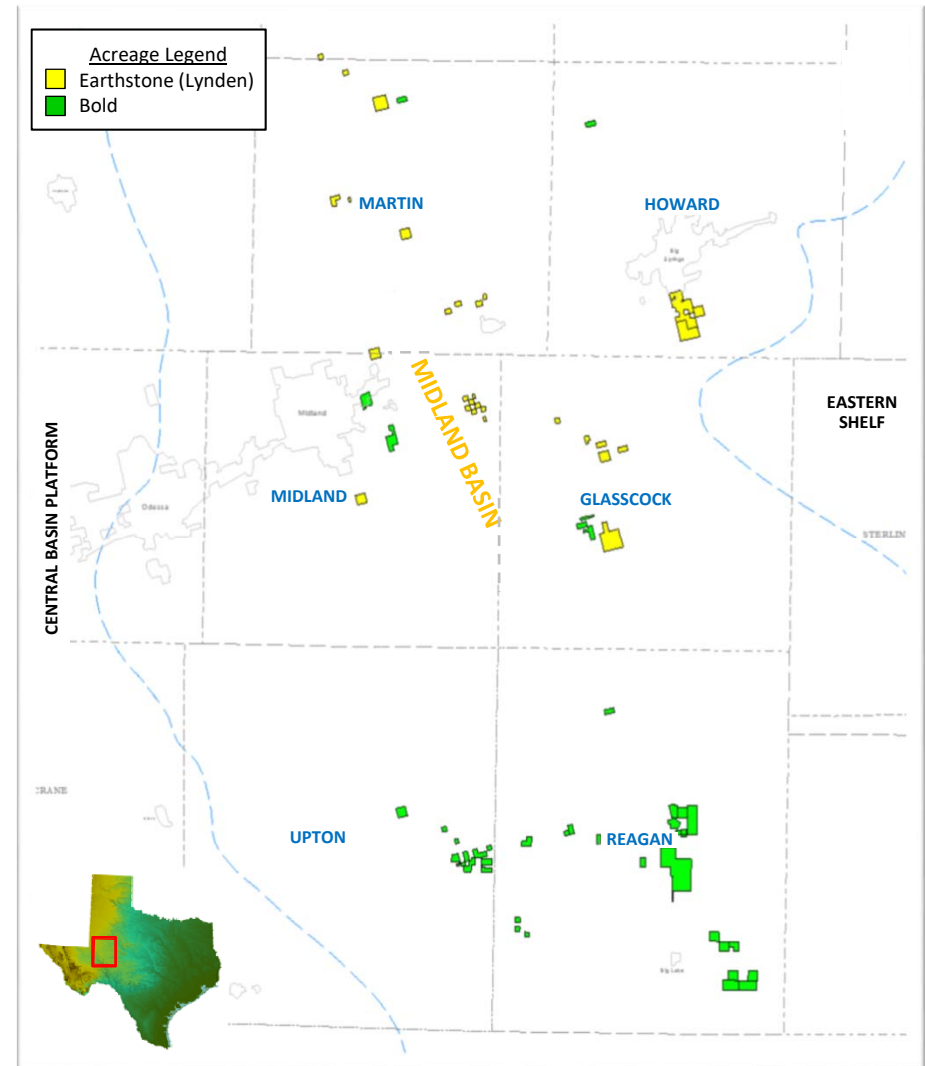
## Position Delineated In Multiple Benches

Strong offset results in the Wolfcamp A and B, Significant Wolfcamp C potential

## Combined Teams with Proven Track Records

Proven technical execution and operational expertise

## Completion Evolution Sets Stage for Further Well Performance Improvement

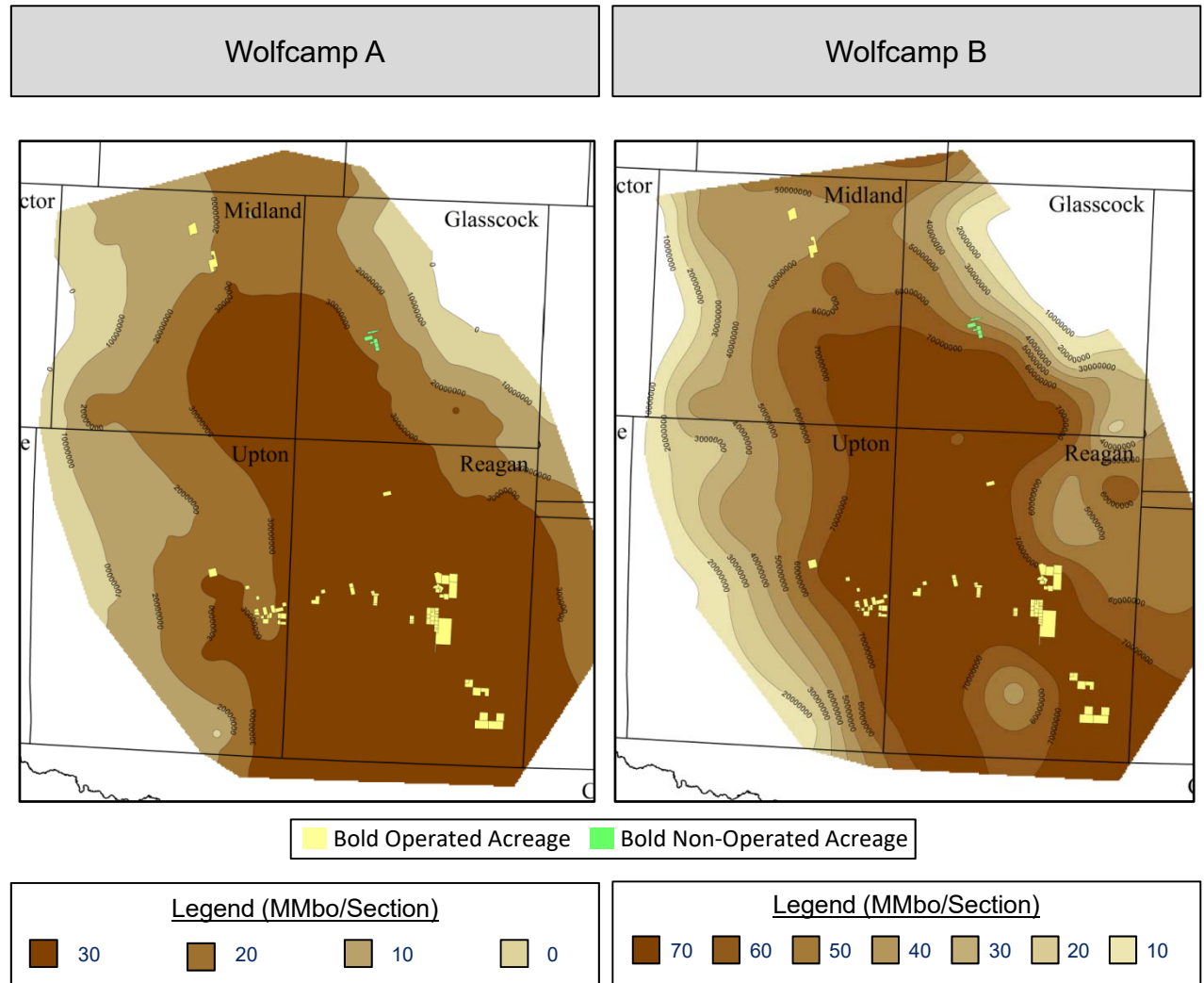


Note:

- 1 Does not include non-operated position from Lynden acquisition
- 2 Single well returns based on NYMEX strip prices as of May 1, 2017

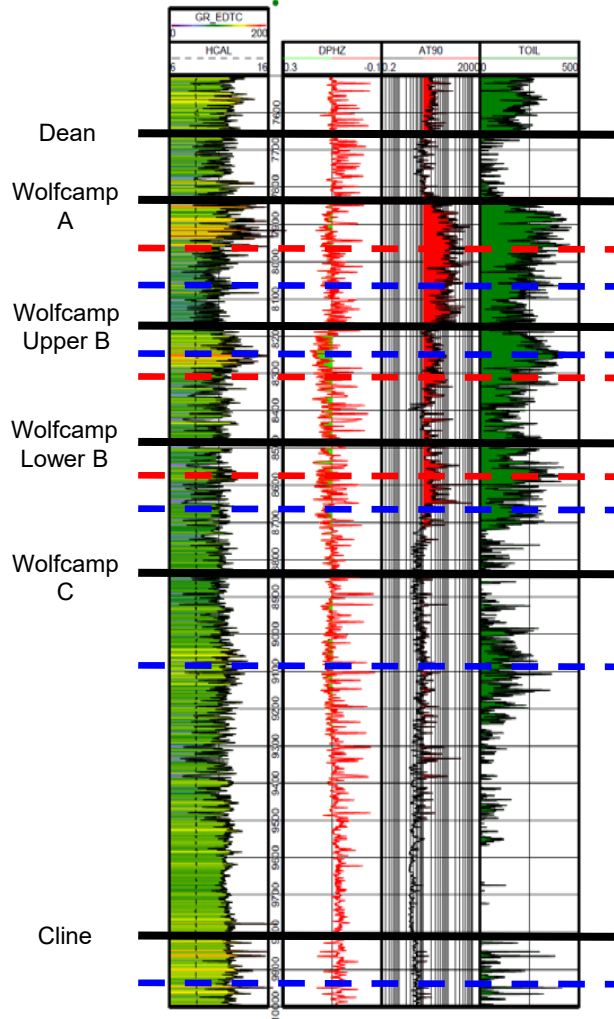
# Significant Oil in Place Across the Position

- Reagan County Wolfcamp
  - Thickest Wolfcamp shale section in Midland Basin; greatest oil in place
- Bold current Reagan/Upton inventory
  - 1 Wolfcamp A target
  - 2 Wolfcamp B targets
- 7 viable target benches tested or developed by industry
  - 2 Wolfcamp A targets
  - 3 Wolfcamp B targets
  - 1 Wolfcamp C target
  - 1 Cline target
- Offset operators have developed five benches in a stacked “wine rack” pattern
  - 2 Wolfcamp A targets
  - 3 Wolfcamp B targets
- Thermal maturity places Bold acreage in oil window with low GOR’s
  - Average 80% Liquids, 20% Gas
- Shallower TVD than northern end of Midland Basin
  - D&C costs are lower



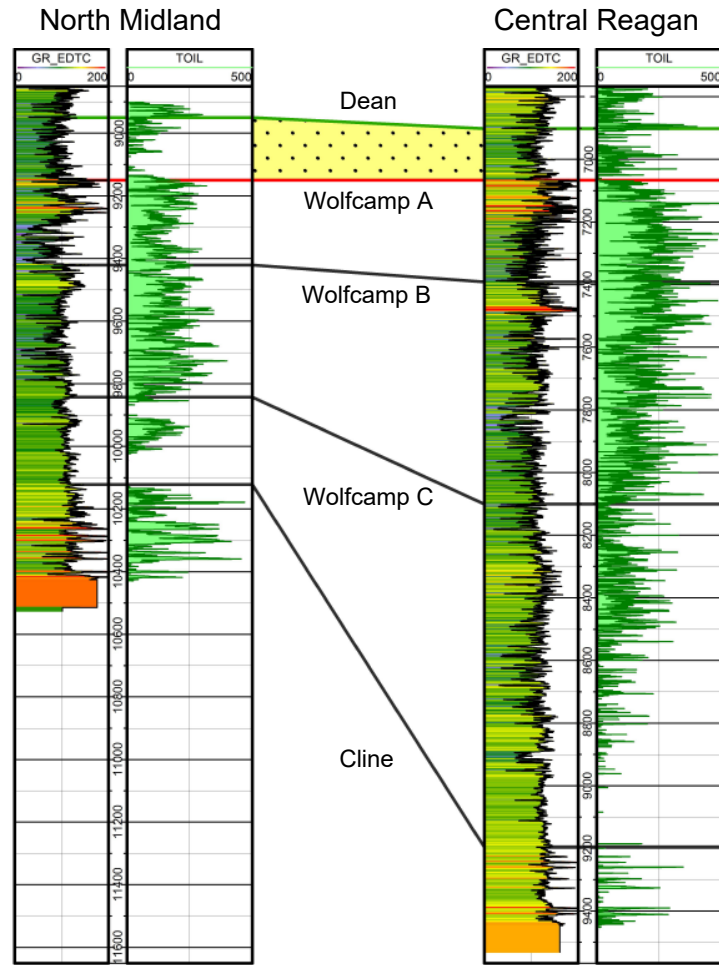
# High Quality Pay Across Multiple Zones

Reagan County Type Section



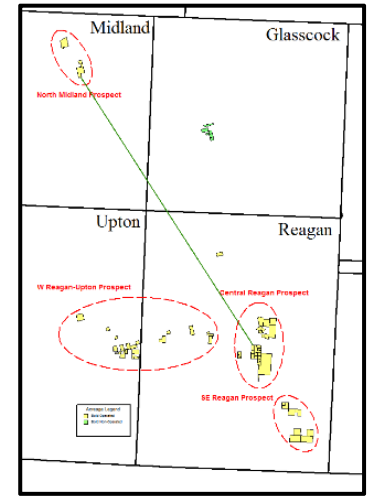
— Primary Bold Targets  
— Prospective Targets<sup>1</sup>

Reagan Co. Resource Greater than Midland Co.



WFMP A OIP: 19 MMBO/SEC  
 WFMP B OIP: 51 MMBO/SEC

WFMP A OIP: 38 MMBO/SEC  
 WFMP B OIP: 74 MMBO/SEC



**Wolfcamp A**  
 Thickness increases 50-100'  
 from Midland to Reagan County.  
 OIP increases from ~20  
 MMBO/sec to 35-45 MMBO/sec.

**Wolfcamp B**  
 Thickness increases 250-300'  
 from Midland to Reagan County.  
 OIP increases from ~50  
 MMBO/sec to 70-80 MMBO/sec.

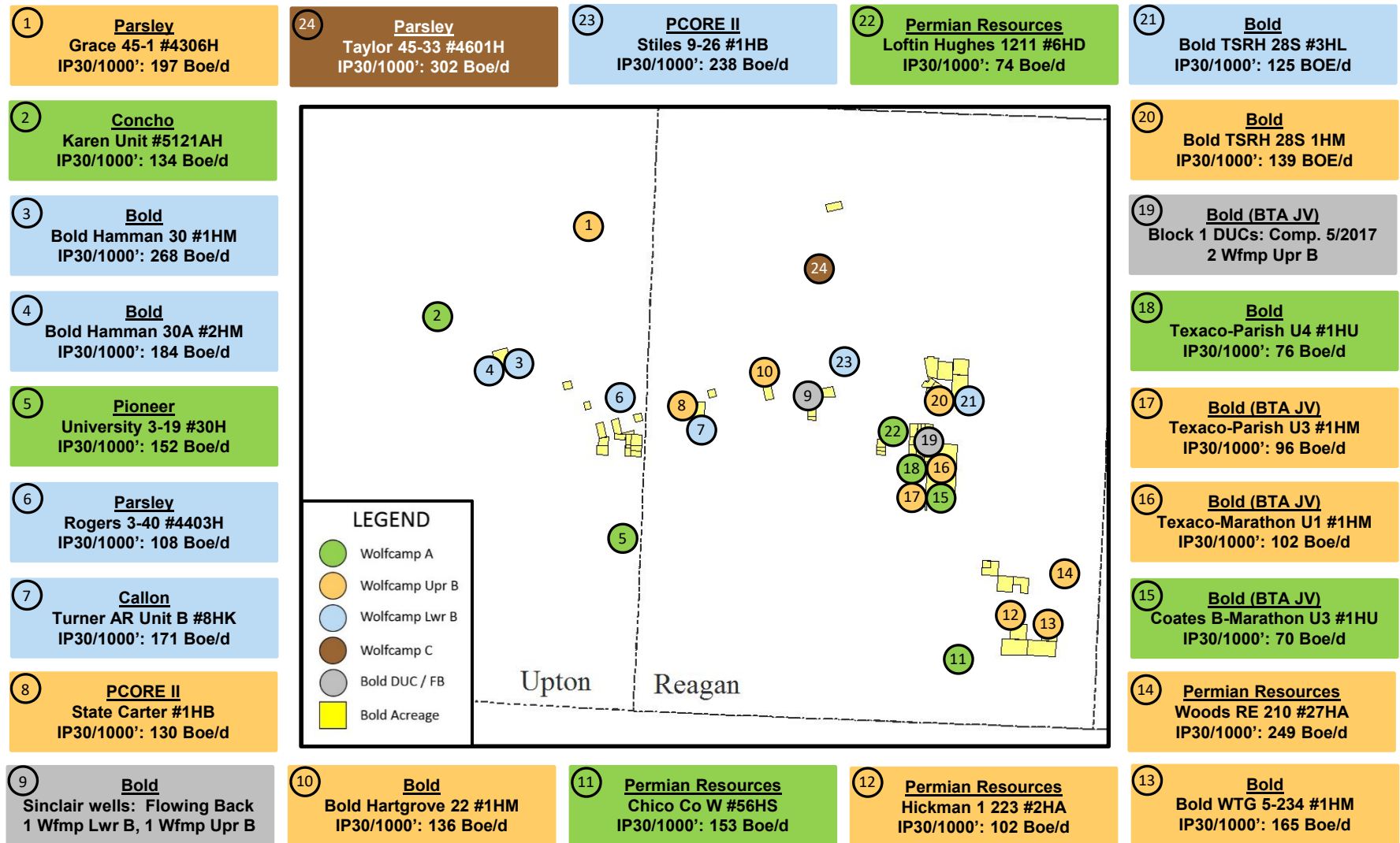
**Wolfcamp C**  
 Bench is much thicker in Reagan  
 County. OIP is 20-30 MMBO/sec  
 in the Upper C.

Source: Bold Energy

Note:

1 Prospective targets tested in offset wells by other operators

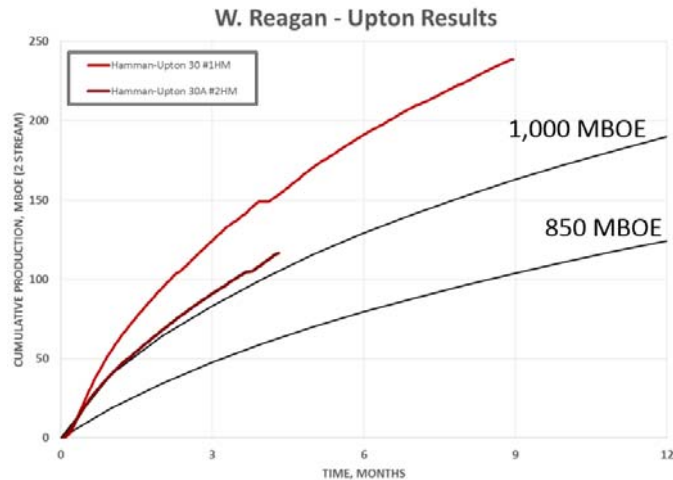
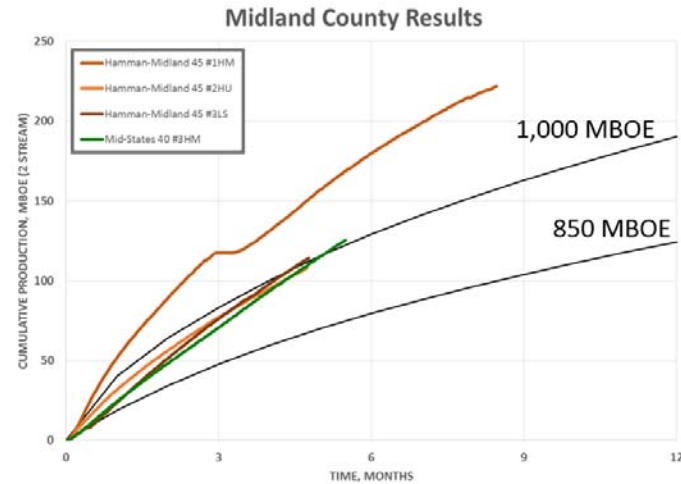
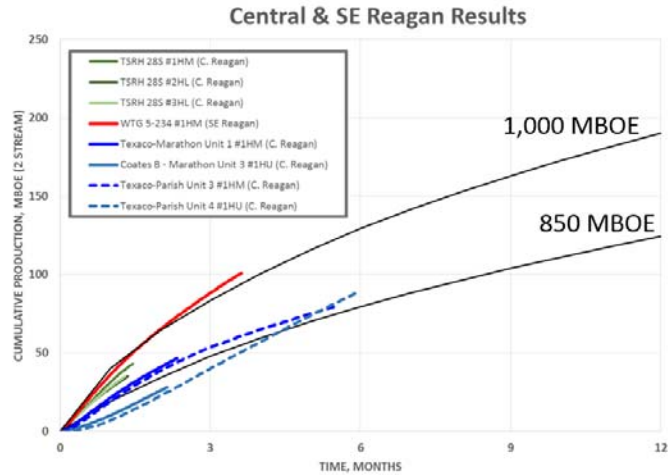
# Excellent Results in Multiple Benches



Source: Bold Energy, DrillingInfo and Proprietary Data

# Well Performance Update

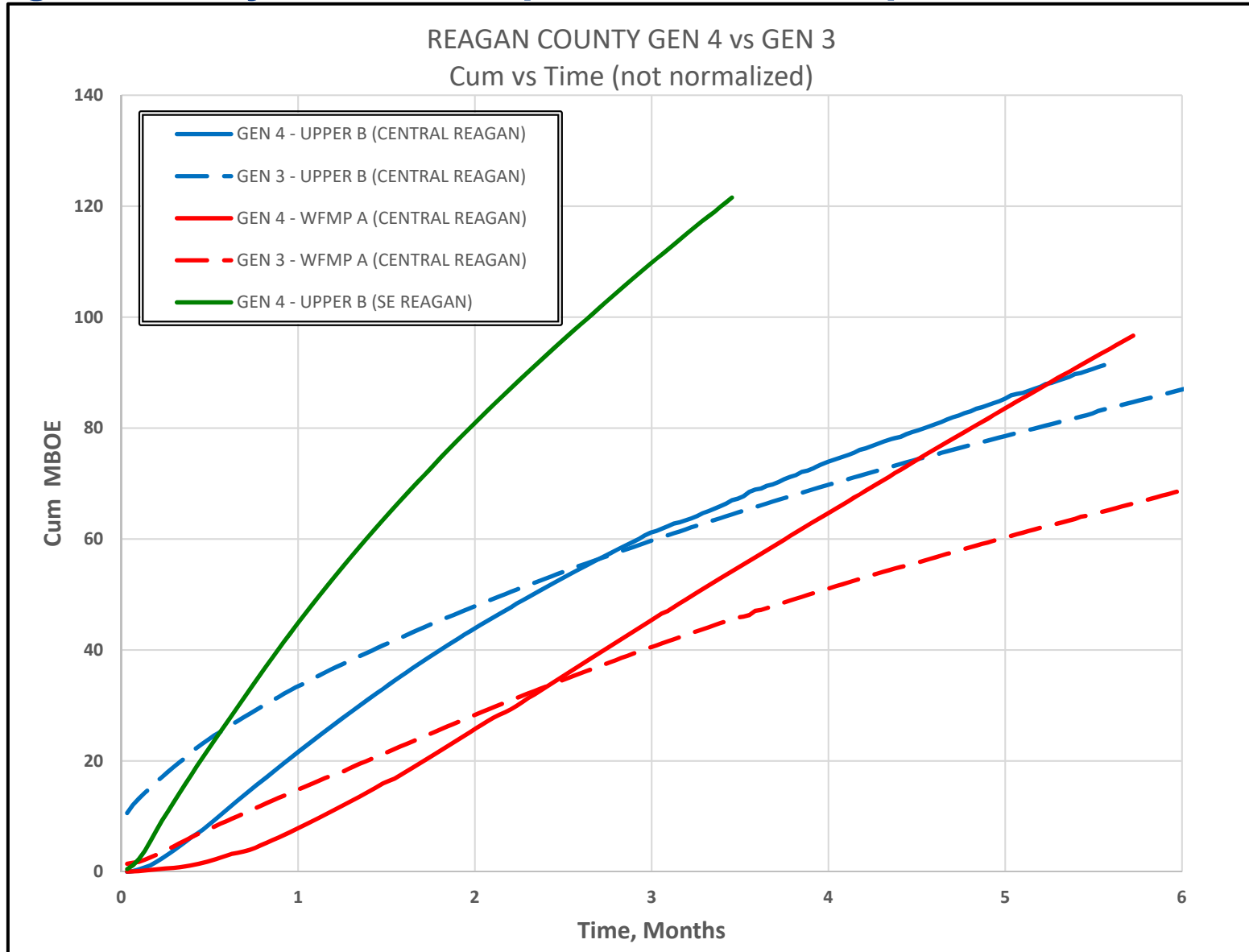
- All areas outperforming initial projections (plots include all wells with Gen IV completions)
- All areas and target horizons generating attractive returns at current strip with cost inflation
- Completion evolution leading to enhanced productivity



Type Curve Summary						
(8/8ths Scaled to 7,500' Laterals)						
Area	DC & E <sup>1</sup> M\$	EUR MBOE	% Oil	% NGL	ROR, %	
					Strip <sup>2</sup>	60/3
Midland	6,700	1,000	69	16	50	79
W Reagan / Upton	6,600	1,000	69	17	52	81
Central Reagan	6,400	850	69	17	23	34
SE Reagan	6,300	850	70	15	24	35

Source: Bold Energy  
 1 2017 inflated cost  
 2 NYMEX Strip prices as of 5/1/2017

# Reagan County Gen 4 Completion Drives Improved Performance



Source: Bold Energy

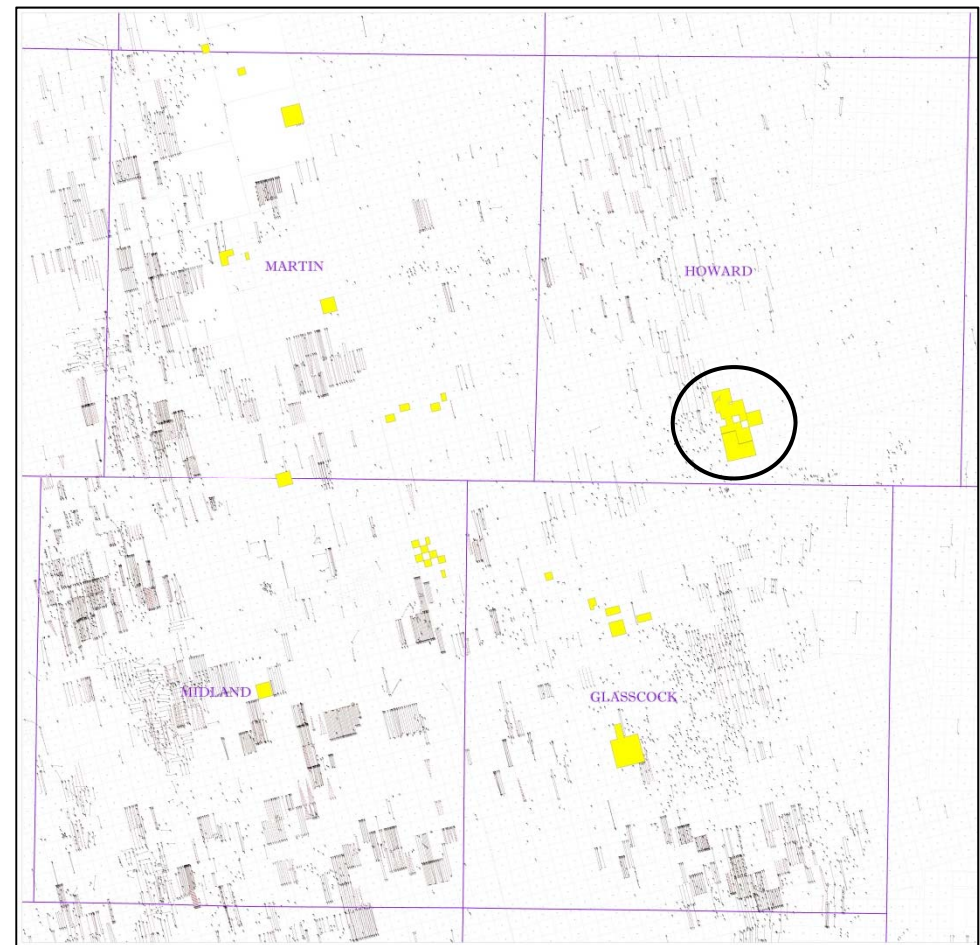


# Midland Basin Non-Op Asset Overview

County	Gross Acres	Net Interest (%)	Net Acres
Martin	1,757	43.750	769
	1,127	20.000	225
Midland	640	43.750	280
Glasscock	4,480	43.750	1,960
Howard	6,121	40.625	2,487
	640	25.390	162
<b>Total:</b>	<b>14,765</b>		<b>5,883</b>

- Strong offsetting operator results in Lower Spraberry, Wolfcamp A, B and D (Cline)
- Additional upside in 4+ separate horizons
- Horizontal activity on the Company's acreage
  - 2 producing horizontal Wolfcamp wells in Glasscock County
  - 1 producing horizontal Wolfcamp well in Howard County

*Glasscock, Howard, Martin and Midland Counties, Texas*



- Company Acreage
- 2016 Horizontal Drilling

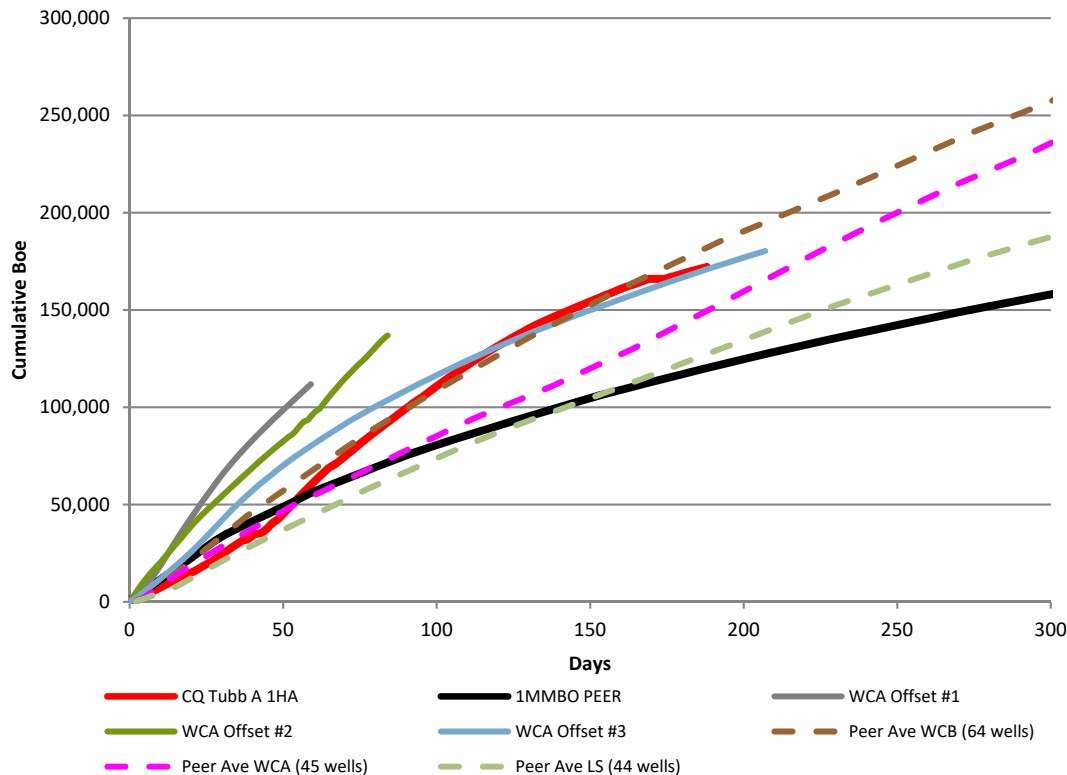


# Howard County – Wolfcamp A Well Performance (Tubb A 1HA)

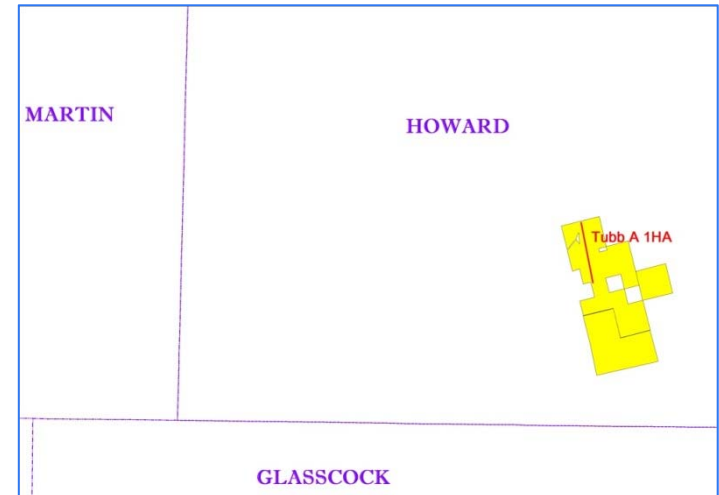
## Well Statistics

- 9,366' lateral, 66 stages
- 2,000 lbs/ft of proppant
- 2-stream cumulative production = 173,000 Boe after 188 days
- Installed ESP after flowing for 43 days

## Tubb A 1 HA Performance



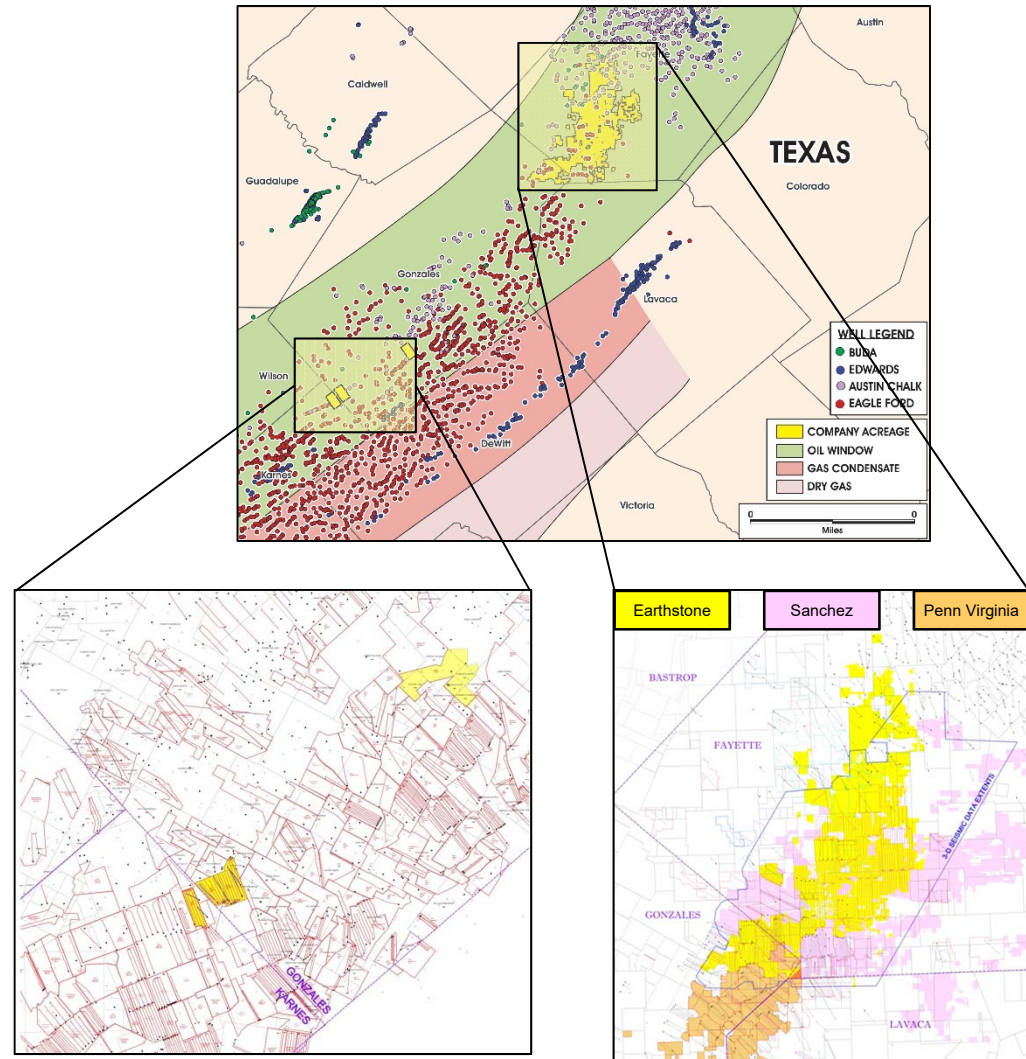
Source: Public filings



# Eagle Ford Asset Overview

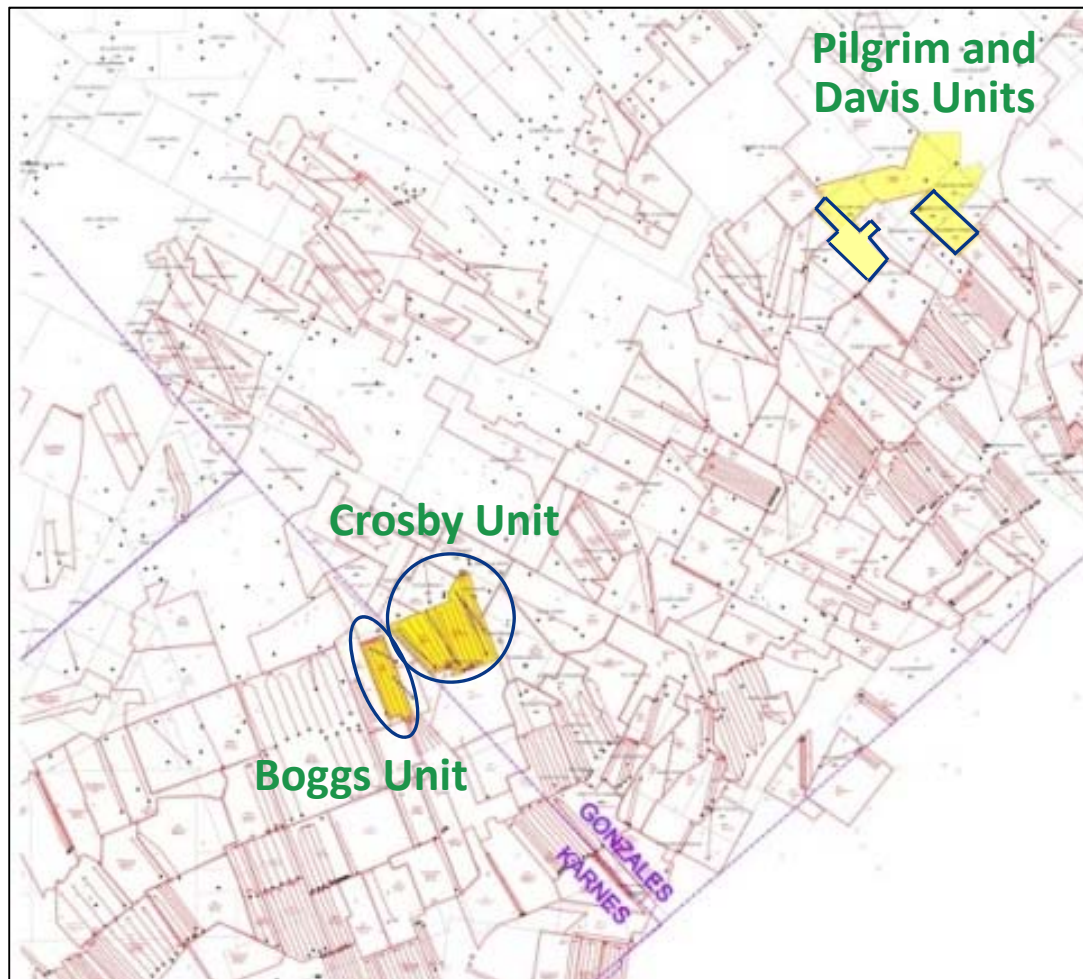
- Operated Karnes, Gonzales, and Fayette, Texas
  - 36,520 gross / 17,740 net leasehold acres
  - Working interests range from 33% to 50%
  - 60% held-by-production
- 99 gross / 45.1 net producing wells (91 operated / 8 non-op)
- Approximately 170 identified gross Eagle Ford drilling locations
- Majority of acreage covered by 173 square mile 3-D seismic shoot
  - Avoid faulting for steering Eagle Ford wells
  - Indicate natural fractures
  - Delineate other prospective opportunities
- Other Potential: Upper Eagle Ford, Austin Chalk, Buda, Wilcox, and Edwards
- Non-operated La Salle County
  - 61 gross producing wells
  - 25,100 gross / 2,900 net leasehold acres
  - Working interests range from 10% to 15%

## Karnes, Gonzales, and Fayette Counties, Texas



## Eagle Ford 2017 Drilling Plans

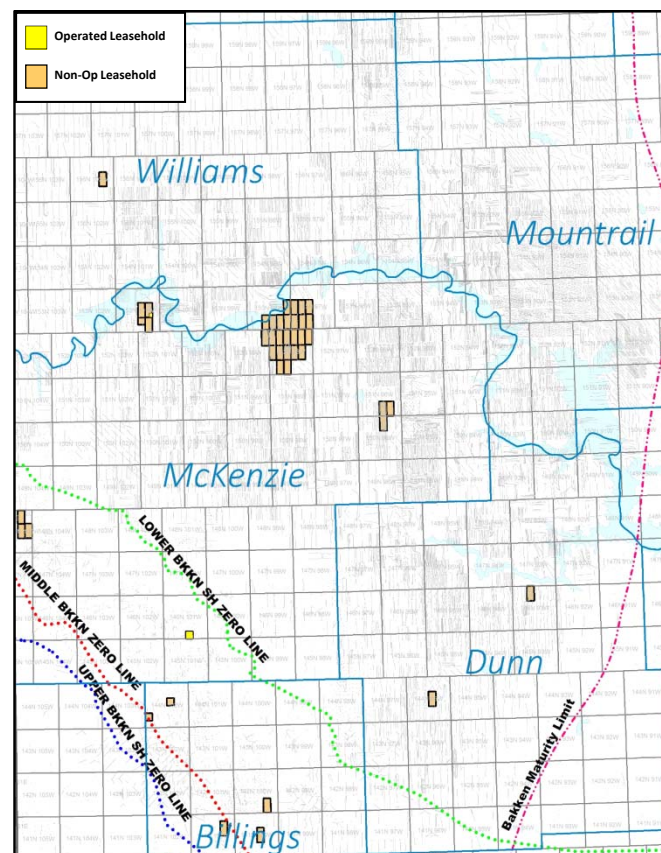
- 11 gross wells to be drilled and completed in southwestern Gonzales County; total net capex of \$23mm
  - 2 wells in Davis Unit (5,300 foot lateral); 33% working interest; Drilled and waiting on completion
  - 3 wells in Pilgrim Unit (7,300 foot lateral); 38% working interest; Currently Drilling
  - 6 wells in Crosby Unit (5,300 foot lateral); 50% working interest



# Bakken / Three Forks Asset Overview

- 5,900 net core acres predominantly in McKenzie and Dunn Counties of North Dakota that are prospective for the Bakken / Three Forks formation
- 158 gross wells producing
  - Average working interest of ~6%
  - 13 gross wells currently being drilled or completed
- ~210 potential gross drilling locations
- Primary operators include: Statoil, Oasis, ConocoPhillips/Burlington, Continental, ExxonMobil/XTO, Marathon, SM Energy
- Majority of units in McKenzie County, ND
  - Banks Field
    - Largest development area
    - Interest in 22 spacing units
    - Operators down-spacing to 6-7 wells per unit in the Bakken / Three Forks
  - Indian Hill Field

*Primary assets are located in McKenzie County, North Dakota*



# Financial Overview

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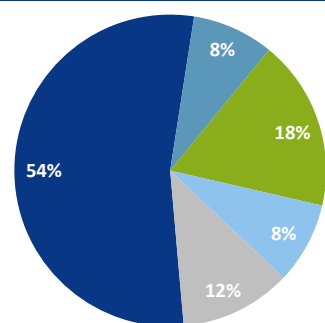


# 2017 Capital Expenditure Budget and Current Liquidity

Current Budget			
	Gross / Net Well Count		
		\$mm	Spudded
Drilling and Completion:			
Operated Midland Basin	14 / 11.7	70.0	14 / 10.7
Non-Operated Midland Basin	4 / 1.6	11.0	2 / 0.8
Operated Eagle Ford	11 / 4.8	23.0	11 / 4.8
Non-Operated Bakken / Other <sup>1</sup>		11.0	
Land / Infrastructure		15.0	
<b>Total</b>		<b>\$130.0</b>	

Current Liquidity	
(\$mm)	5/8/2017
Cash	10.0
Revolver Borrowings	70.0
Other Debt	3.8
<b>Total Debt</b>	<b>\$73.8</b>
Revolver Borrowing Base <sup>2</sup>	150.0
Less: Revolver Borrowings	70.0
Plus: Cash	10.0
<b>Liquidity</b>	<b>\$90.0</b>

## Capex by Project Area



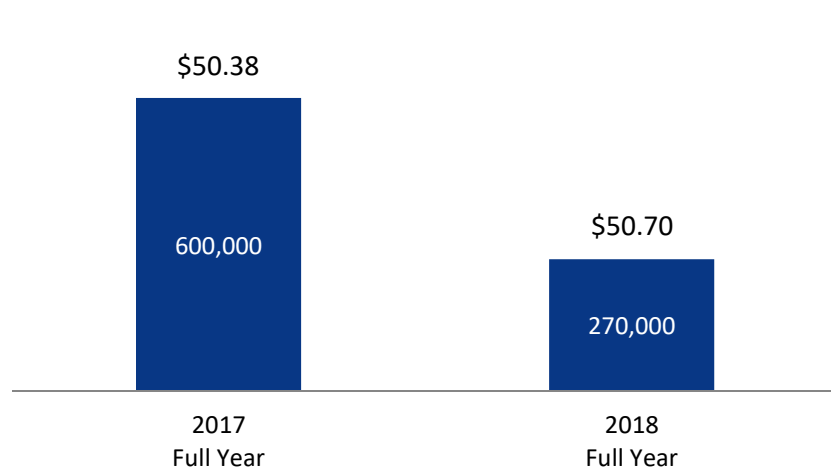
- Operated Midland Basin
- Operated Eagle Ford
- Land / Infrastructure
- Non-Operated Midland Basin
- Non-Operated Bakken / Other<sup>1</sup>

Notes:

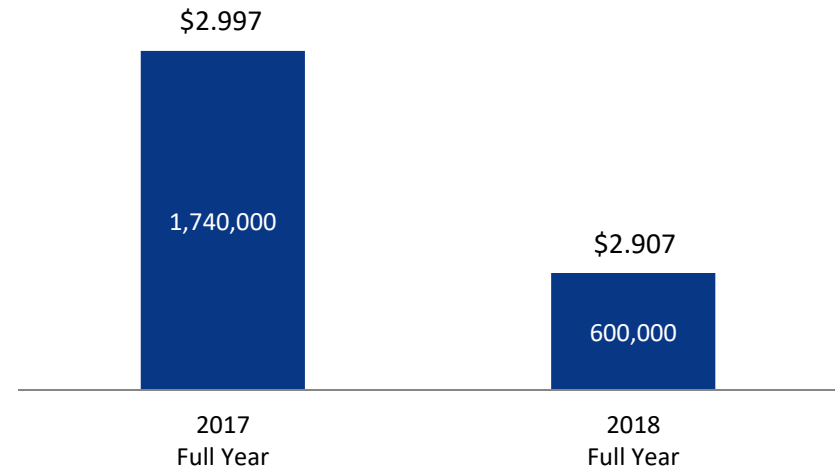
- 1 Includes non-operated Bakken and non-operated Midland Basin (Vertical)
- 2 Reflects increased borrowing base to \$150mm

# Hedging Summary

## Oil Production Hedged (Bbls; \$/Bbl)



## Gas Production Hedged (MMBtu; \$/MMBtu)



## Analyst Coverage

Firm	Analyst Contact Info
Baird	Daniel Katzenberg / 646-557-3209 / dkatzenberg@rwbaird.com
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Seaport Global	Mike Kelly, CFA / 713-658-6302 / mkelly@seaportglobal.com John Aschenbeck / 713-658-6343 / jaschenbeck@seaportglobal.com
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**Scott Thelander** Director of Finance

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