

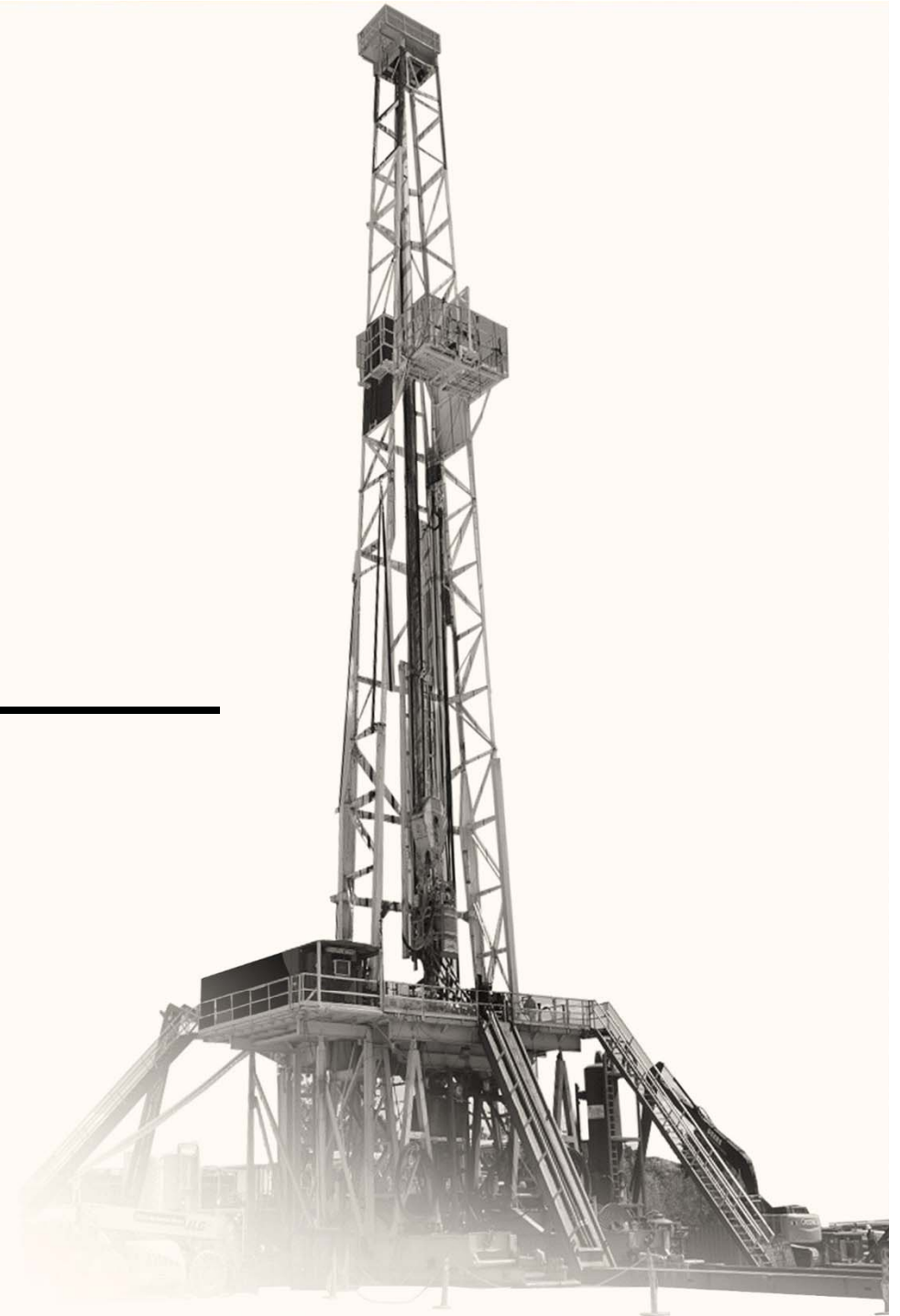


**EARTHSTONE**  
Energy, Inc.

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## Investor Presentation

February 2, 2021



# 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," "forecasts", "guidance," "target," "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 future reserves, production, financial position, business strategy, revenues, earnings, costs, capital expenditures and debt levels of the 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: substantial declines in oil, natural gas liquids or natural gas prices; exposure to financial counterparty credit risk related to our derivative transactions; risks relating to any unforeseen liabilities; 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 levels of indebtedness and periodic redeterminations of the borrowing base under the Company's credit facility; 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 acquisitions 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; any loss of senior management or key technical personnel; and the direct and indirect impact on most or all of the foregoing on the evolving COVID-19 pandemic. Earthstone's 2019 Annual Report on Form 10-K and subsequent, quarterly reports on Form 10-Q and 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.

This presentation contains Earthstone's 2021 production, capital expenditure and operating expense guidance. The actual levels of production, capital expenditures and operating expenses may be higher or lower than these estimates due to, among other things, uncertainty in drilling schedules, oil and natural gas prices, changes in market demand and unanticipated delays in production. These estimates are based on numerous assumptions. All or any of these assumptions may not prove to be accurate, which could result in actual results differing materially from estimates. No assurance can be made that any new wells will produce in line with historical performance, or that existing wells will continue to produce in line with Earthstone's expectations. Earthstone's ability to fund its 2021 and future capital budgets is subject to numerous risks and uncertainties, including volatility in commodity prices and the potential for unanticipated increases in costs associated with drilling, production and transportation. For additional discussion of the factors that may cause us not to achieve our production estimates, see Earthstone's filings with the SEC, including its 2019 Form 10-K, Form 10-Qs and Form 8-Ks. We do not undertake any obligation to release publicly the results of any future revisions we may make to this prospective data or to update this prospective data to reflect events or circumstances after the date of this presentation. Therefore, you are cautioned not to place undue reliance on this information.

## *Industry and Market Data*

This presentation has been prepared by Earthstone and includes market data and other statistical information from third-party sources, including independent industry publications, government publications or other published independent sources. Although Earthstone believes these third-party sources are reliable as of their respective dates, Earthstone has not independently verified the accuracy or completeness of this information. Some data are also based on Earthstone's good faith estimates, which are derived from its review of internal sources as well as the third-party sources described above.

## *Estimated Ultimate Recovery and Locations*

Management's use of the term estimated ultimate recovery ("EUR") in this presentation describes estimates of potentially recoverable hydrocarbons that the SEC rules prohibit from being included in filings with the SEC. These are more speculative than estimates of proved, probable and possible reserves and accordingly are subject to substantially greater risk of being actually realized, particularly in areas or zones where there has been limited or no drilling history. We include EUR to demonstrate what we believe to be the potential for future drilling and production by Earthstone.

Actual quantities that may be ultimately recovered may differ substantially from estimates. Factors affecting ultimate recovery include the scope of the operators' ongoing drilling programs, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors, and actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates of potential resources may also change significantly as the development of the properties underlying Earthstone's mineral interests provides additional data. This presentation also contains Earthstone's internal estimates of its potential drilling locations, which may prove to be incorrect in a number of material ways. The actual number of locations that may be drilled may differ substantially from estimates.

## Investment Highlights: Leading Small-Cap, Permian Focused Producer

Top Investment Criteria		Earthstone's Qualifications
Basin & Acreage Position	✓	High quality, Midland Basin acreage position enhanced by recent acquisition
Low Leverage Supported by Free Cash Flow	✓	1.1x pro forma leverage at 3Q20 <sup>(1)</sup> supported by substantial free cash flow
Strong Liquidity	✓	\$115 million pro forma liquidity (cash + undrawn availability) on borrowing base as of 12/31/20 <sup>(2)</sup>
High Commodity Price Protection	✓	9,114 bopd of 2021 oil production hedged at \$48.04 per barrel WTI price <sup>(3)</sup>
High Margin, Low Cost Production	✓	Top quartile cash margins & leading cost structure with \$9.18 per BOE of all-in cash costs <sup>(4)</sup> in 3Q 2020
Commitment & Focus	✓	"Do the right thing" commitment to stakeholders, employees and environment

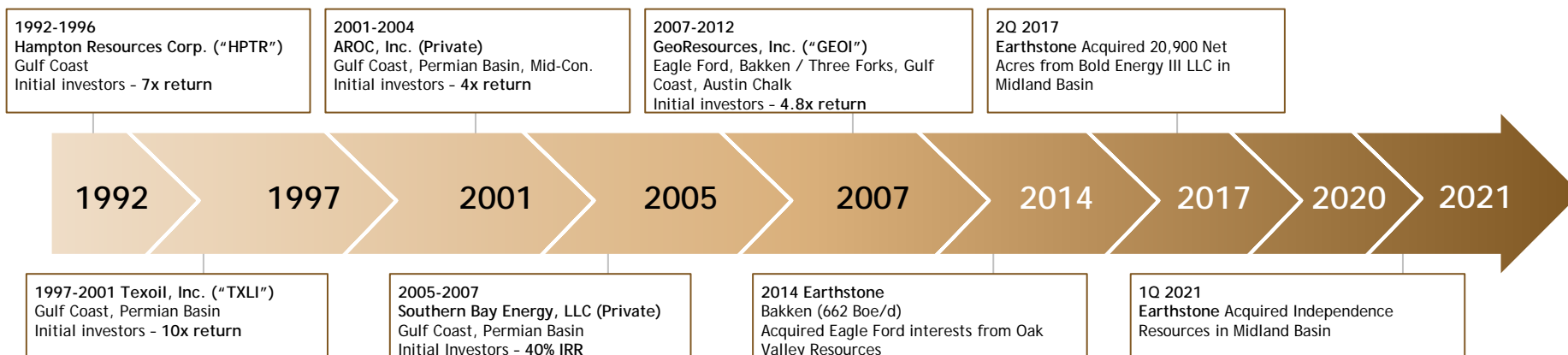
- (1) Leverage reflects 3Q20 total debt / LTM Adjusted EBITDAX at 3Q20 pro forma for acquisition of Independence Resources Management, LLC ("IRM"), which closed on 1/7/21  
 (2) Liquidity based on 12/31/20 ESTE debt and cash balance with pro forma adjustments for acquisition of IRM  
 (3) 2021 hedges include hedges novated from IRM to ESTE in connection with the acquisition of IRM  
 (4) All-in cash costs measured includes lease operating expenses, ad valorem and production taxes, cash G&A expense and interest expense. Excludes impact of income taxes

# Proven Leadership and Track Record of Value Creation

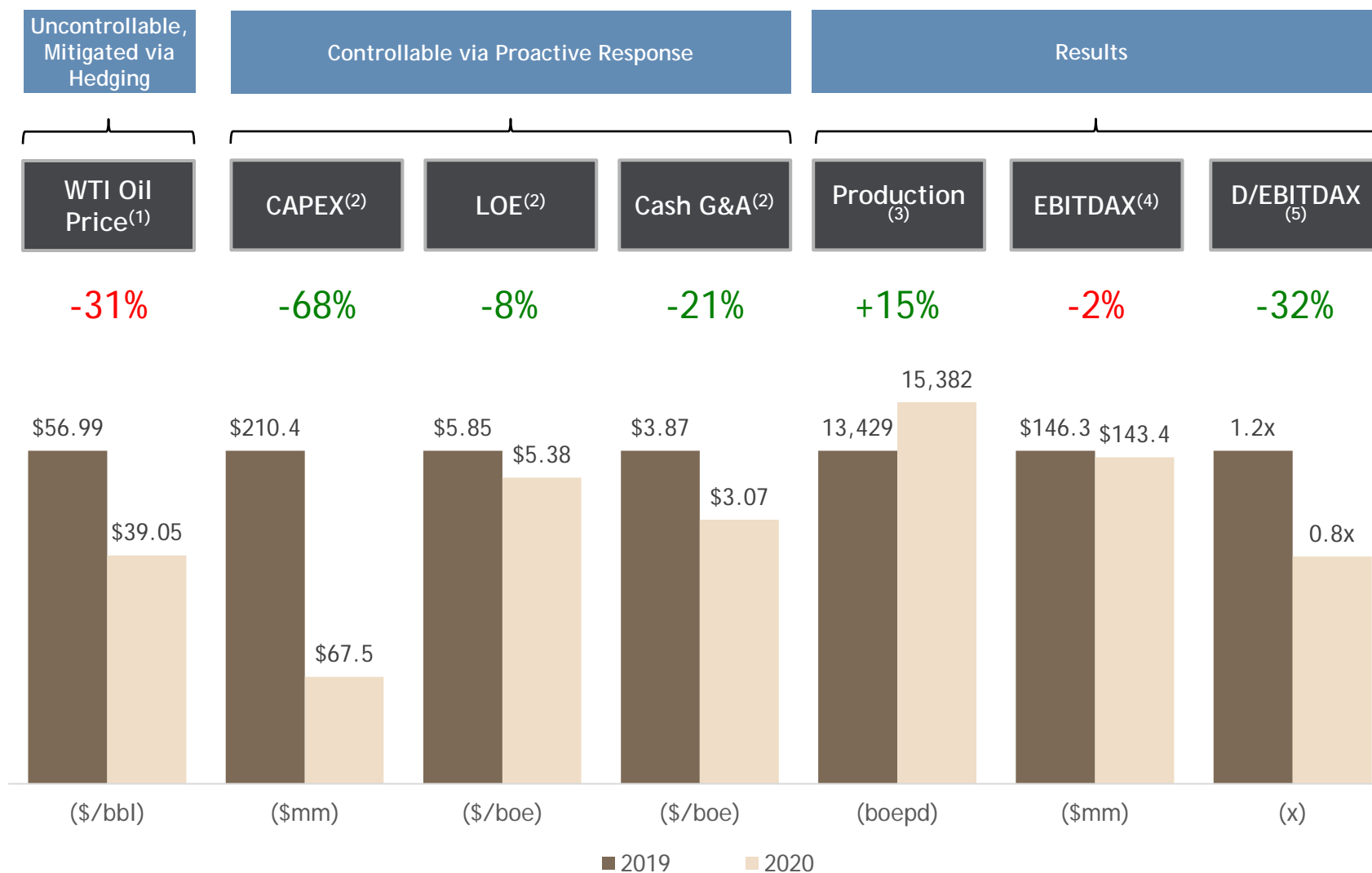
*Operating team has extensive experience operating across various basins and in different operating environments*

Leadership Team	Years of Experience	Years Working Together	Title
Frank Lodzinski	49	25	Executive Chairman
Robert Anderson	34	17	President and CEO
Steve Collins	33	25	Operations
Mark Lumpkin	24	4	CFO
Tim Merrifield	45	20	Geology and Geophysics
Tony Oviedo	40	4	Accounting and Administration

## Track Record of Value Creation



# 2020: Managing Oil Price Collapse and Delivering Results



(1) EIA historical WTI spot price average for full year 2019 and 2020

(2) Actual results for 2019 and midpoint of ESTE 2020 guidance as updated on 11/4/2020 for 2020

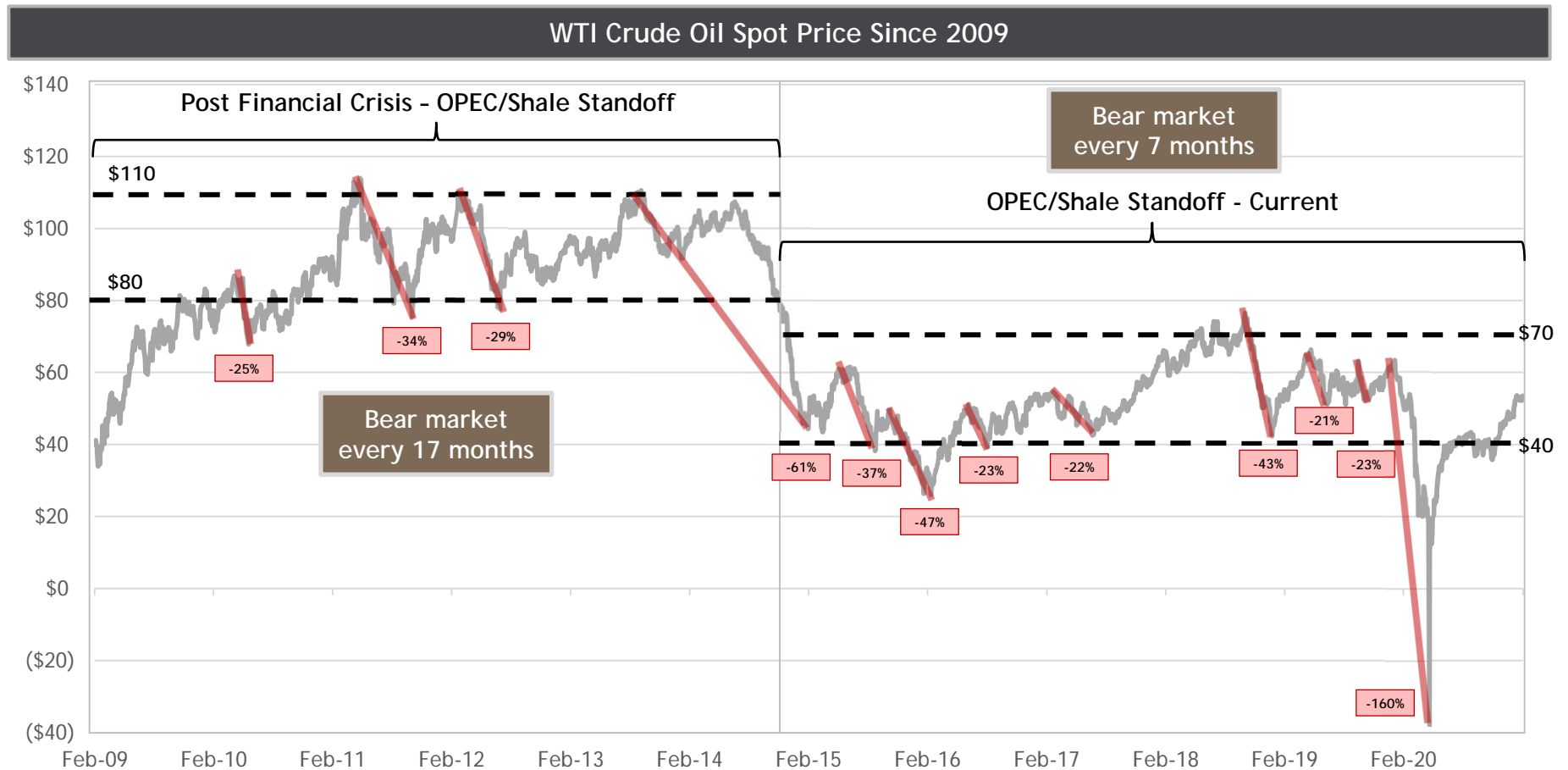
(3) Actual reported sales volumes through 9/30/20 plus estimated sales volumes for the three months ended on 12/31/20

(4) Actual results for 2019 and EBITDAX as reported through 9/30/20 plus Wall Street analyst consensus estimates for 4Q20 as of 1/4/21 per FactSet for 2020

(5) Actual results for 2019 and total debt and trailing twelve months EBITDAX as of 9/30/20 for 2020

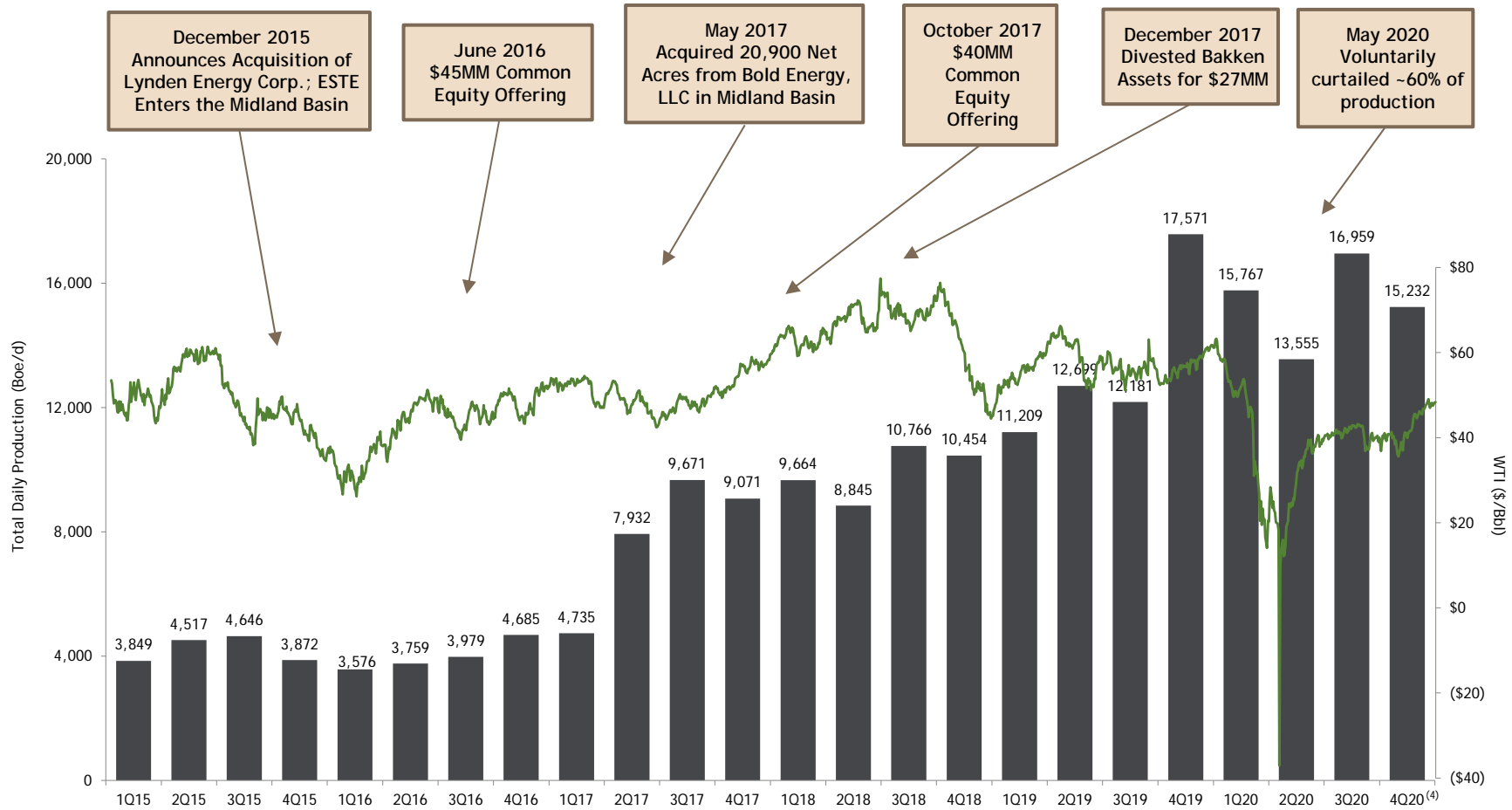
# Oil Price Volatility Requires Focused Business Strategy

- WTI trading in range of \$40-70 per barrel vs. \$80-110 per barrel since OPEC / Shale standoff commenced in 2H 2014, but with periods above and below trading range, including a historic price drop to negative territory in April 2020
  - Industry re-gearred cost structure, production flexibilities and improved efficiencies to create sustainability / profitability
- Increased commodity cycle velocity: Bear market (-20% WTI price) has occurred every 7 months vs. every 17 months, including 4x since November 2018
- Business strategy must account for lower oil price and higher volatility



Source: Factset data as of 2/1/2021

# Managing Through Oil Price Volatility



	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
EBITDAX (\$MM) <sup>(1)</sup>	\$5	\$9	\$8	\$4	\$2	\$5	\$3	\$7	\$5	\$15	\$19	\$22	\$25	\$21	\$26	\$24	\$32	\$34	\$30	\$50	\$38	\$40	\$36
Capex (\$MM) <sup>(2)</sup>	\$19	\$29	\$18	\$3	\$2	\$4	\$9	\$13	\$4	\$6	\$20	\$39	\$33	\$35	\$52	\$30	\$48	\$31	\$78	\$58	\$42	\$3	\$1
Total Debt / LOA EBITDAX	0.5x	0.3x	0.4x	0.6x	1.4x	0.8x	1.3x	0.5x	0.7x	1.2x	1.0x	0.3x	0.3x	0.3x	0.3x	0.8x	0.9x	0.8x	1.0x	0.9x	1.0x	1.1x	0.9x
Liquidity (\$MM) <sup>(3)</sup>	\$128	\$113	\$110	\$92	\$74	\$84	\$89	\$80	\$80	\$97	\$91	\$183	\$166	\$207	\$203	\$197	\$155	\$221	\$210	\$169	\$128	\$108	\$115
Liquidity % <sup>(3)</sup>	160%	142%	137%	115%	93%	112%	118%	100%	100%	64%	61%	99%	90%	92%	90%	71%	56%	68%	65%	52%	47%	39%	48%

Source: ESTE management, FactSet, public filings

(1) Adjusted 3Q'2018 EBITDAX of \$26.4MM includes a one-time legal settlement expense of -\$4.8MM; Annualized 3Q'2018 adjusted EBITDAX calculated by multiplying the pre-legal settlement 3Q'2018 adjusted EBITDAX of \$31.2MM by three and adding \$26.4MM

(2) Reflects additions to oil and gas properties

(3) Liquidity defined as revolver availability + cash; Liquidity % defined as (revolver availability + cash) / borrowing base

(4) Estimated sales volumes for 4Q20

# 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 (~34,000 core net acres<sup>(1)</sup>) and the Eagle Ford (~14,500 core net acres)
- Strategy of growing through the drill bit, organic leasing, and attractive asset acquisitions and business combinations
- 2020 4Q production of 22,551 Boe/d (52% oil, 76% liquids)<sup>(2)</sup>

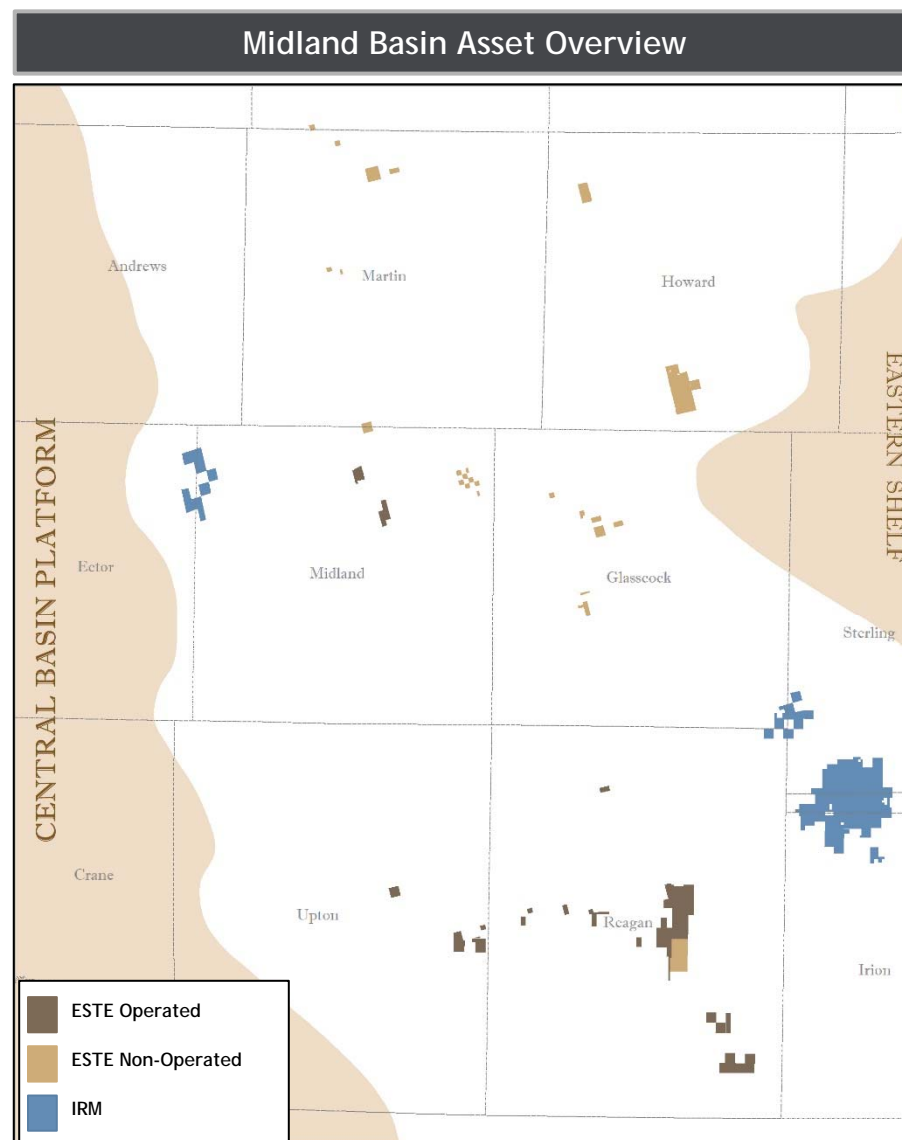
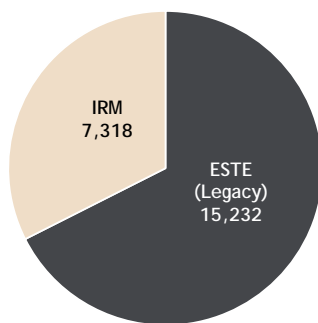
## Pro Forma Market Statistics<sup>(3)</sup>

(\$ in millions, except share price)

Class A Common Stock (MM)	42.9
Class B Common Stock (MM)	35.0
<b>Total Common Stock Outstanding (MM)</b>	<b>77.9</b>
Stock Price (as of 2/1/21)	\$5.43
<b>Market Capitalization</b>	<b>\$423.2</b>
Plus: Total Debt (as of 12/31/20)	\$260.0
Less: Cash (as of 12/31/20)	(15.3)
<b>Enterprise Value</b>	<b>\$667.9</b>

## Production Summary<sup>(2)</sup>

4Q20 Net Sales Volumes: 22,551 Boe/d



(1) Includes ~4,900 core net acres from acquisition of IRM. Total Midland Basin ~72,500 net acres

(2) Reflects estimated 4Q20 Earthstone sales volumes and estimated IRM 4Q20 three-stream sales volumes

(3) Class A and Class B Common Stock outstanding as of 10/29/20 pro forma for ~12.7mm Class A shares issued in connection with the acquisition of IRM. Total ESTE debt and cash as of 12/31/20 pro forma for acquisition of IRM



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## Independence Resources Acquisition

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# Independence Resources Acquisition Overview and Key Highlights



\$182 million acquisition<sup>(1)</sup> of Independence Resources Management, LLC underwritten on PDP value but provides attractive drilling inventory additions



Increases ESTE size and scale with ~50% increase in production and Adjusted EBITDAX<sup>(2)</sup>



Preserves conservative balance sheet with estimated pro forma 1.1x net leverage<sup>(3)</sup> at 9/30/20



Consistent with ESTE Permian Basin consolidation strategy and positions ESTE for further transactions



Minimal incremental G&A results in targeted 25% reduction in go forward Cash G&A per Boe



Accretive to all key financial metrics

(1) Acquisition price based on \$50.8MM of equity consideration (approximately 12.7 million shares and ESTE share price of \$3.99 on 12/16/20) and cash consideration of \$131.2MM

(2) Based on trailing twelve months ending 9/30/20

(3) Net leverage reflects 9/30/20 net debt (total debt less cash) / LTM Adjusted EBITDAX at 9/30/20 pro forma for acquisition of IRM

## IRM Acquisition Details - Closed on 1/7/21

### Consideration and Funding

- Earthstone acquired Independence Resources Management, LLC and certain related entities (“IRM”) on 1/7/2021
- Cash and equity consideration of \$182.0 million
  - Cash consideration of \$131.2 million
  - ~12.7 million Class A shares of ESTE equity consideration totaling \$50.8 million (based on ESTE closing share price of \$3.99 on 12/16/2020)
- ESTE’s credit facility borrowing base was increased to \$360 million in conjunction with the acquisition with borrowings under the credit facility and cash on hand utilized to fund the cash portion of the consideration
- ESTE shareholders retain 83.7% of the common equity in the pro forma company

### Leadership and Governance

- ESTE Board of Directors increased in size from eight to nine with the appointment of Mr. David S. Habachy to the Board
- No changes to ESTE management team

# Strategic Acquisition Bolsters Existing Midland Basin Position

## IRM Asset Overview

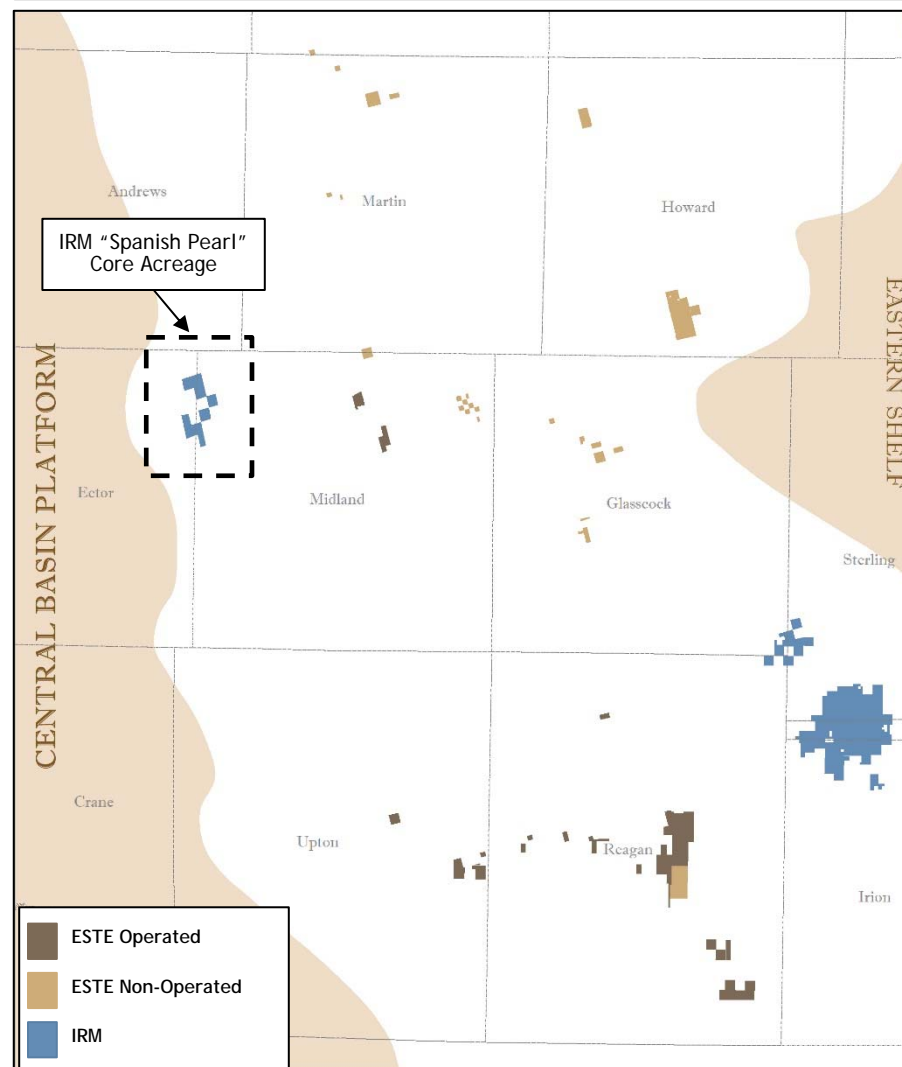
Complementary Midland Basin assets meaningfully increase ESTE size and scale

- 3Q20 production of 8,780 Boepd (66% oil)<sup>(1)</sup>
- \$81.3MM of LTM Adjusted EBITDAX at 9/30/20<sup>(2)</sup>
- Purchase price supported by PDP reserves
- ~4,900 core net acres in Midland and Ector counties with 70 remaining locations with average IRR of 45% in the Middle Spraberry, Lower Spraberry and Wolfcamp A<sup>(3)</sup>
  - Additional upside in the Jo Mill, Wolfcamp B and Wolfcamp D

## IRM Key Asset Statistics

Daily Production for 3Q20 (Boepd) <sup>(1)</sup>	8,780
PDP Reserves <sup>(3)</sup>	16.3 MMBoe
PDP PV 10 (\$MM) <sup>(3)</sup>	\$173
Core Net Acres	~4,900
Total Net Acres	~43,400
% HBP / % Operated	100% / 99%
Gross Locations <sup>(4)</sup>	70

## Combined Midland Basin Map



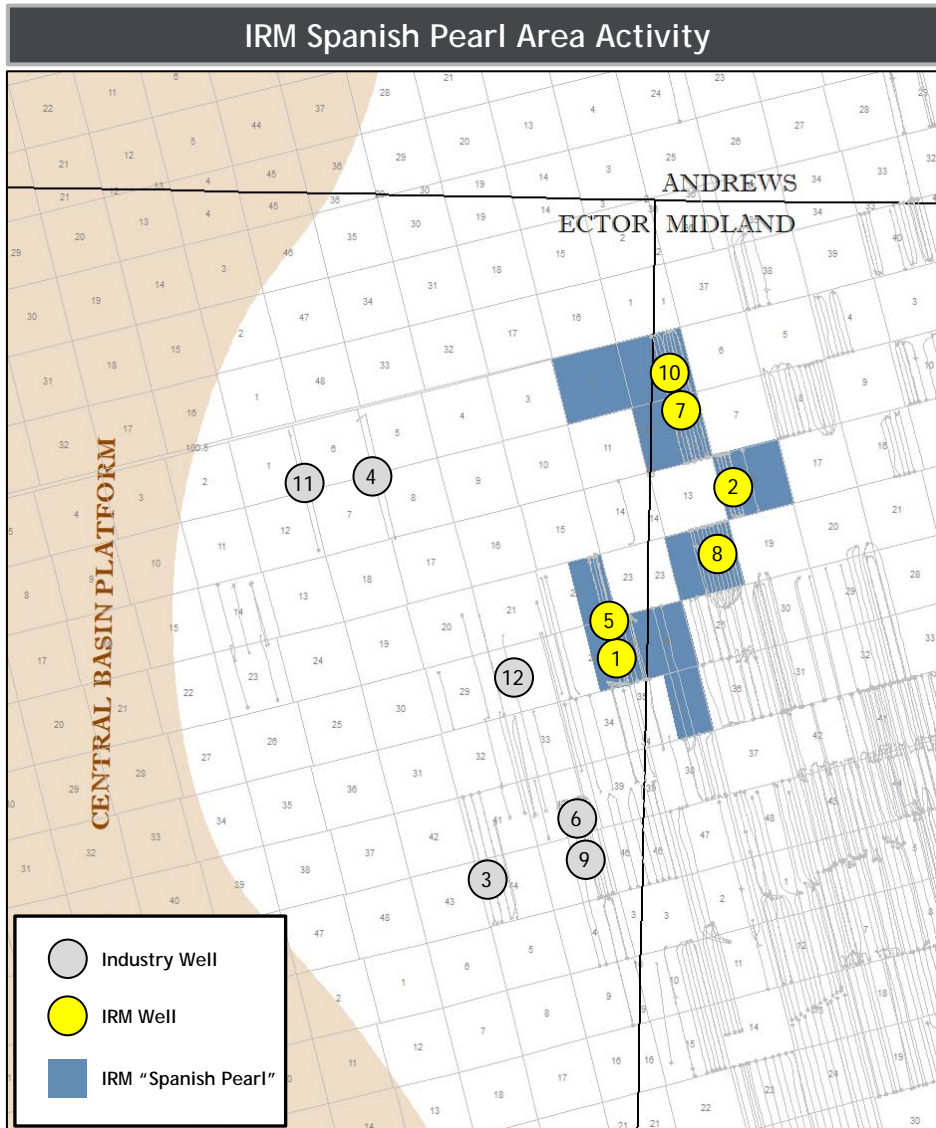
(1) Estimated IRM 3Q20 three-stream sales volumes

(2) Adjusted EBITDAX is a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measure - Adjusted EBITDAX"

(3) ESTE estimates as of 12/1/20 based on NYMEX strip pricing as of 11/30/20

(4) ESTE estimate of Middle Spraberry, Lower Spraberry and Wolfcamp A locations assuming 880' well spacing

# IRM "Spanish Pearl" and Offset Operator Well Results



## IRM "Spanish Pearl" and Offset Well Results<sup>(1)</sup>

Well #	Well Name	Operator	TLL (ft.)	6 Month Oil Cum / 1,000' (bo)	Comp. Date
1	Whittenburg 9MS	IRM	9,857	10,657	1/2018
2	Midkiff 3MS	IRM	4,453	7,460	8/2018
3	Ratliff 4408MH	Concho	9,965	7,041	2/2020
4	Gardendale 501LS	FDL	9,585	8,487	7/2018
5	Whittenburg 9LS	IRM	9,660	11,237	1/2019
6	Parks Bell 4028H	Concho	7,502	9,747	3/2019
7	Haag 9LS	IRM	9,966	9,458	6/2019
8	Pearl Jam 7-12 (6 well avg.)	IRM	5,058	14,246	3/2020
9	Parks Bell 4030H	Concho	7,657	11,416	3/2019
10	Haag 9WA	IRM	10,060	9,754	6/2019
11	Gardendale 105WA	FDL	9,394	10,209	6/2019
12	Ratliff 28 East 2802AH	Concho	13,262	9,246	9/2019

Middle Spraberry
  Lower Spraberry
  Wolfcamp A






## IRM "Spanish Pearl" Inventory and Resource Summary

- Acreage position well within the basin margin with thick and consistent Spraberry and Wolfcamp sections across the entirety of the position
- Surrounded by producing wells on all sides and further de-risked by significant development and multiple spacing configurations on the IRM acreage
- IRM has 48 PDP horizontal wells producing from 4 different zones (Middle Spraberry, Lower Spraberry, Wolfcamp A and Wolfcamp B)
- Majority of existing IRM wells co-developed in vertical patterns across multiple zones, leaving remaining acreage less impacted by cross zone depletion and parent/child
- 70 gross locations with average 45% IRR at strip pricing and 880' remaining well spacing in Middle Spraberry, Lower Spraberry and Wolfcamp A<sup>(2)</sup>; additional upside locations

(1) Source: Enverus. Includes horizontal wells completed since January 2010

(2) ESTE estimate of Middle Spraberry, Lower Spraberry and Wolfcamp A locations assuming 880' well spacing

## IRM Acquisition Meets Key Earthstone Criteria

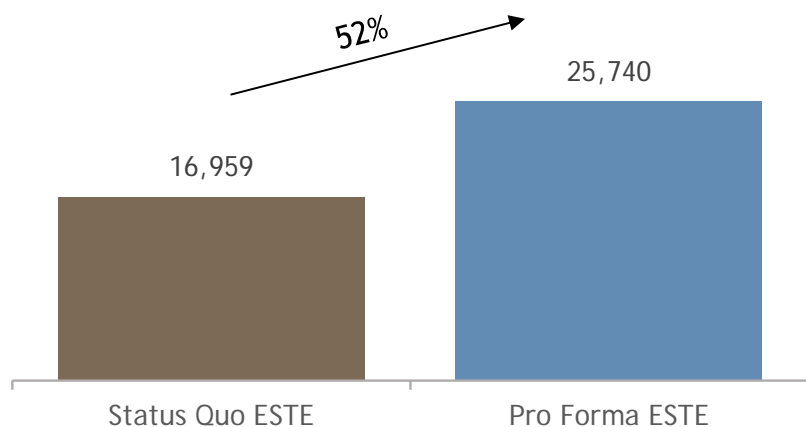
Earthstone Objectives	Commentary	IRM Acquisition
<b>Increase Scale at Favorable Valuations</b>	<ul style="list-style-type: none"> <li>▪ Increases ESTE size and scale by ~50% with minimal impact to leverage and shares outstanding</li> <li>▪ Purchase price of \$182.0 million underwritten on PDP value</li> </ul>	
<b>High Quality Basin &amp; Acreage Position</b>	<ul style="list-style-type: none"> <li>▪ Complementary Midland Basin acreage position includes ~4,900 core net acres (100% HBP, 93% operated) in Midland and Ector counties</li> <li>▪ High quality inventory addition with 70 gross locations with an average 45% IRR<sup>(1)</sup></li> </ul>	
<b>Increase Free Cash Flow Capacity</b>	<ul style="list-style-type: none"> <li>▪ Substantially increases cash flow with minimal incremental G&amp;A</li> <li>▪ Added scale enhances pro forma development options within free cash flow</li> </ul>	
<b>Maintain Balance Sheet Strength</b>	<ul style="list-style-type: none"> <li>▪ Pro forma net leverage of 1.1x at 9/30/20</li> <li>▪ Pro forma liquidity of ~\$115 million<sup>(2)</sup> at 12/31/20 (cash + undrawn credit facility availability)</li> </ul>	
<b>Maintain Leading Cost Structure &amp; Margins</b>	<ul style="list-style-type: none"> <li>▪ Maintains low cost, high margin operating metrics, while reducing go forward per unit Cash G&amp;A costs by ~25%</li> </ul>	

(1) ESTE estimate of Middle Spraberry, Lower Spraberry and Wolfcamp A locations assuming 880' well spacing. IRRs based on NYMEX strip pricing as of 11/30/20  
(2) Liquidity based on cash + undrawn availability on borrowing base based on 12/31/20 ESTE debt and cash balance with pro forma adjustments for acquisition of IRM

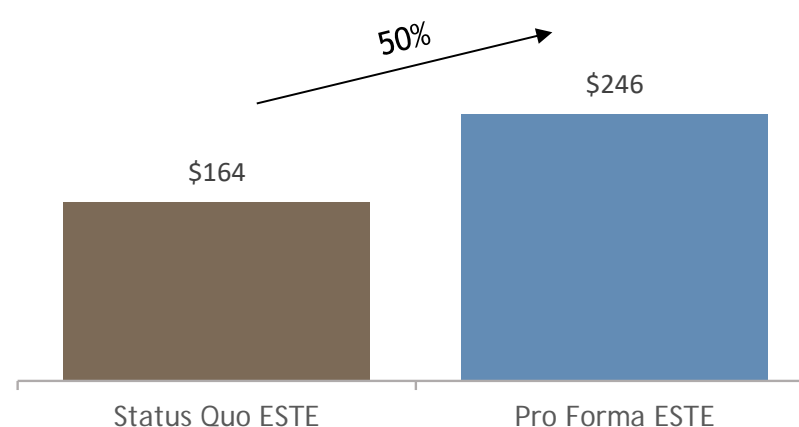
# Meaningful Improvement to Key Operational Metrics

*Transaction increases production and Adjusted EBITDAX by ~50% with minimal impact to leverage and shares outstanding*

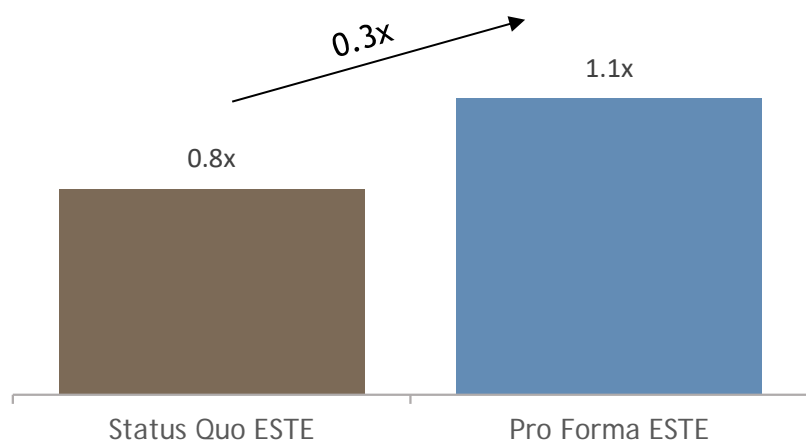
3Q20 Net Production (Boe/d)<sup>(1)</sup>



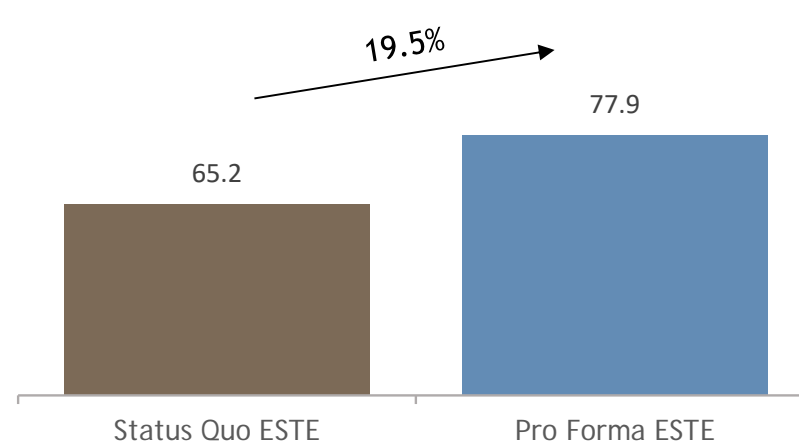
9/30/20 LTM Adjusted EBITDAX (\$MM)<sup>(2)</sup>



9/30/20 Net Leverage<sup>(3)</sup>



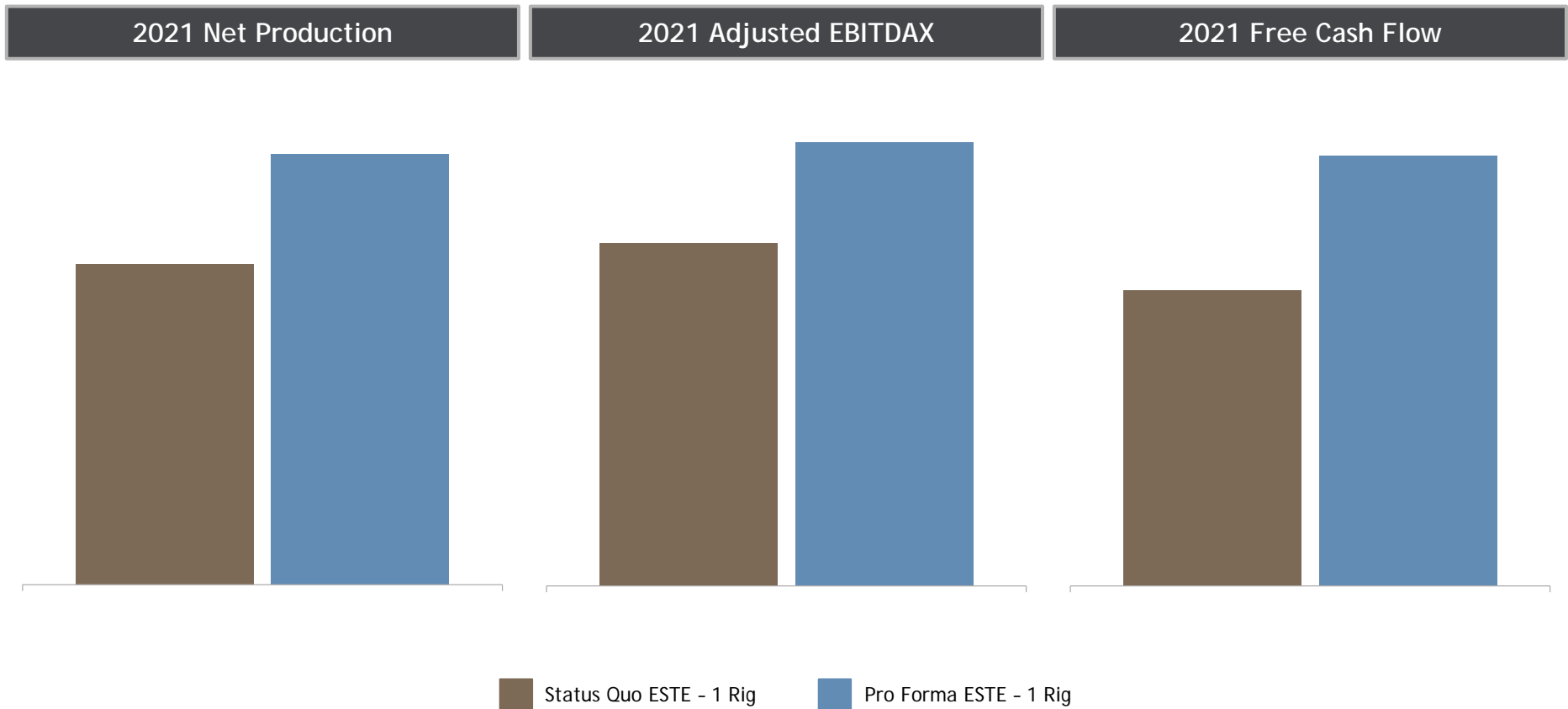
9/30/20 Shares Outstanding (MM)



(1) Represents reported sales volumes; Pro Forma ESTE utilizes estimated IRM 3Q20 3-stream production  
 (2) Adjusted EBITDAX is a non-GAAP financial measure. See "Reconciliation of Non-GAAP Financial Measure - Adjusted EBITDAX"  
 (3) Net leverage reflects 9/30/20 net debt (total debt less cash) / LTM Adjusted EBITDAX at 9/30/20

# Transaction Improves Key Metrics Without Impacting Balance Sheet Metrics

- ESTE expects to pick up an operated rig in late 1Q 2021
- IRM's Spanish Pearl asset is expected to compete for capital with existing ESTE assets in a 1-rig program



Note: Both status quo and pro forma scenarios assume a 1-rig program beginning in 2H 2021



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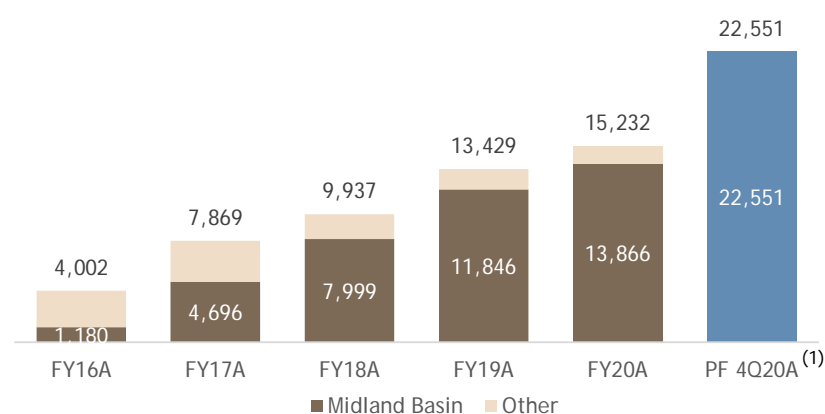
## Earthstone Overview

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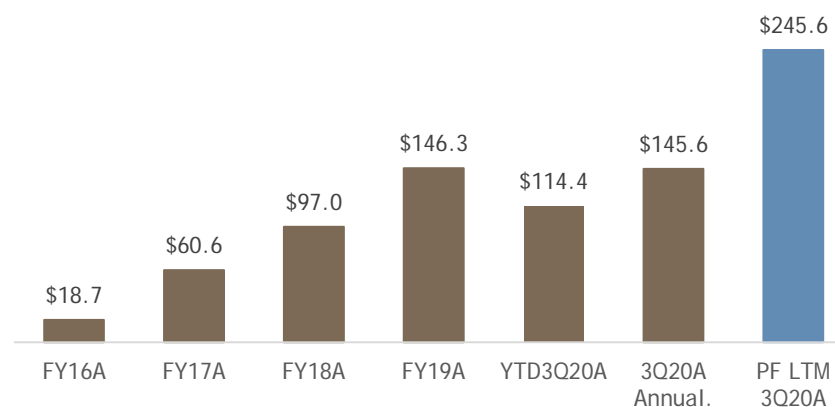
# Midland Basin Growth Story

- Since entering the Midland Basin in 2016, Earthstone has substantially increased production and decreased operating expenses, which has resulted in increased Adjusted EBITDAX, while also maintaining low leverage and preserving financial flexibility
- Acquisition of IRM enhances scale and ability to generate top tier operational and financial results
- Completed 6 drilled but uncompleted wells in 4Q 2020 and will complete 5 drilled but uncompleted wells in 1Q 2021

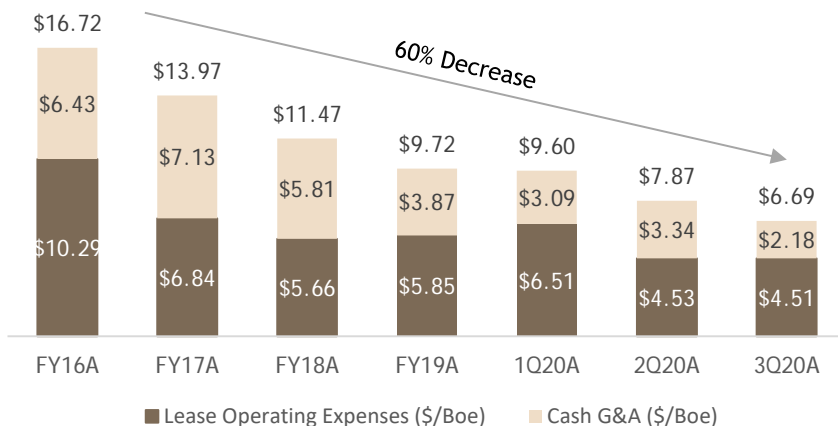
Average Daily Production (Boe/d)



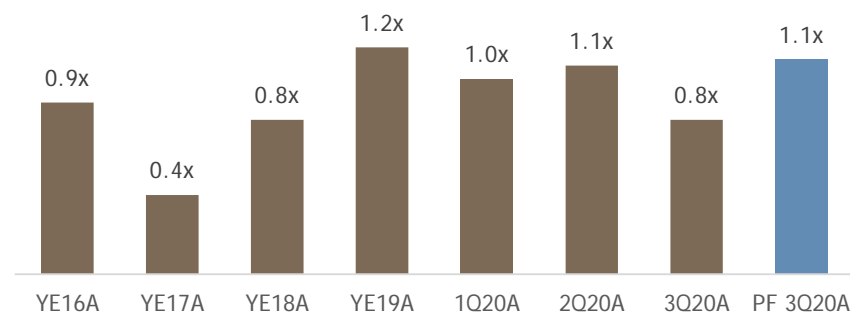
Adjusted EBITDAX (\$MM)<sup>(2)</sup>



Lease Operating Expense and Cash G&A<sup>(3)</sup> (\$/Boe)



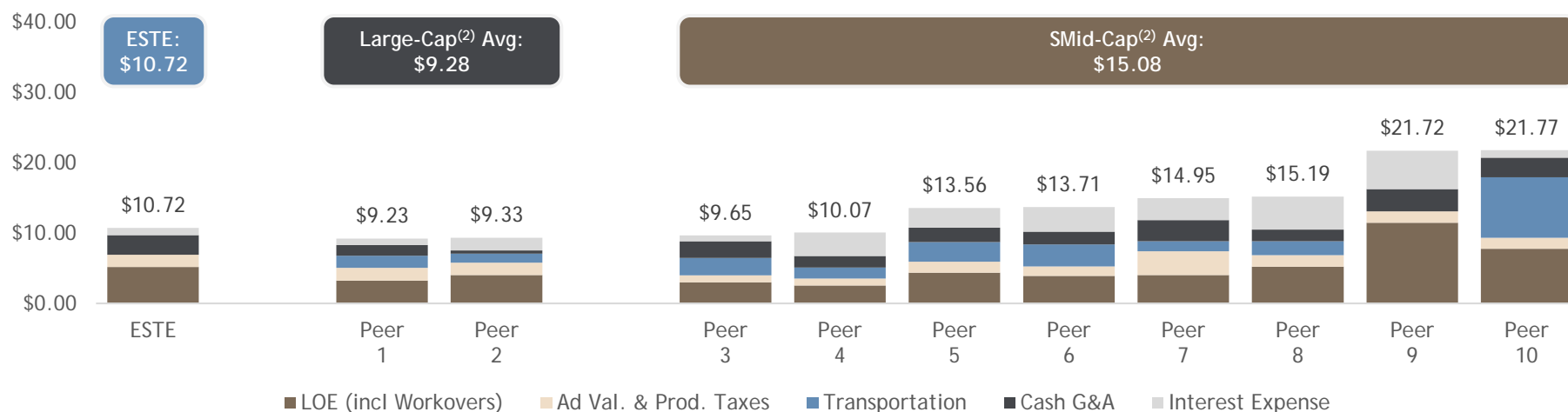
Debt / LTM EBITDAX<sup>(2)</sup>



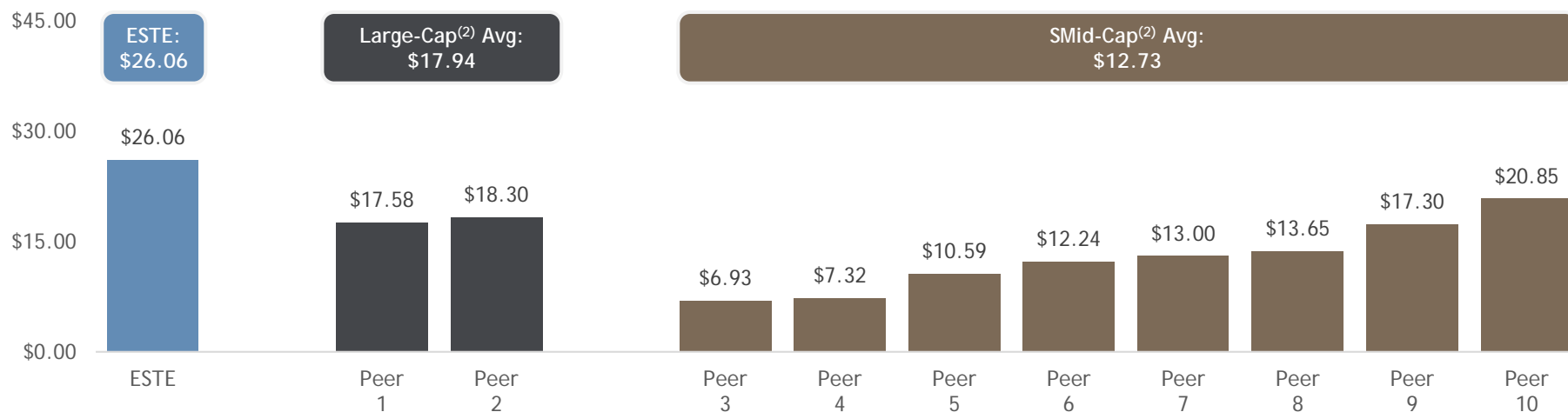
(1) Represents estimated sales volumes  
 (2) PF 3Q20A is pro forma for acquisition of IRM  
 (3) Excludes stock-based compensation

# Low Cost Production Generates Leading Cash Margins

YTD 3Q20 All-in Cash Costs (\$/Boe)<sup>(1)</sup>



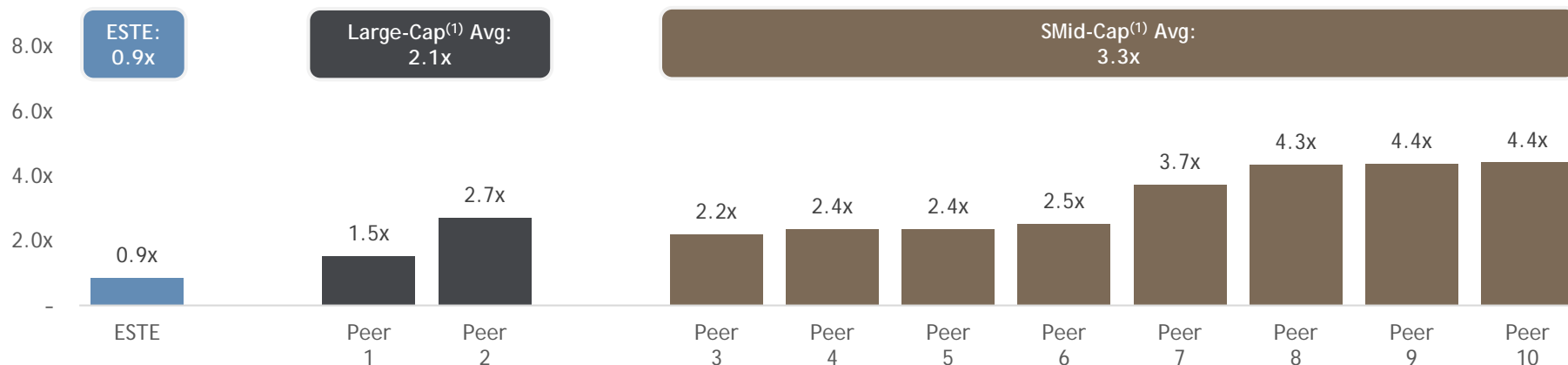
YTD 3Q20 All-in Cash Margin (\$/Boe)<sup>(1)</sup>



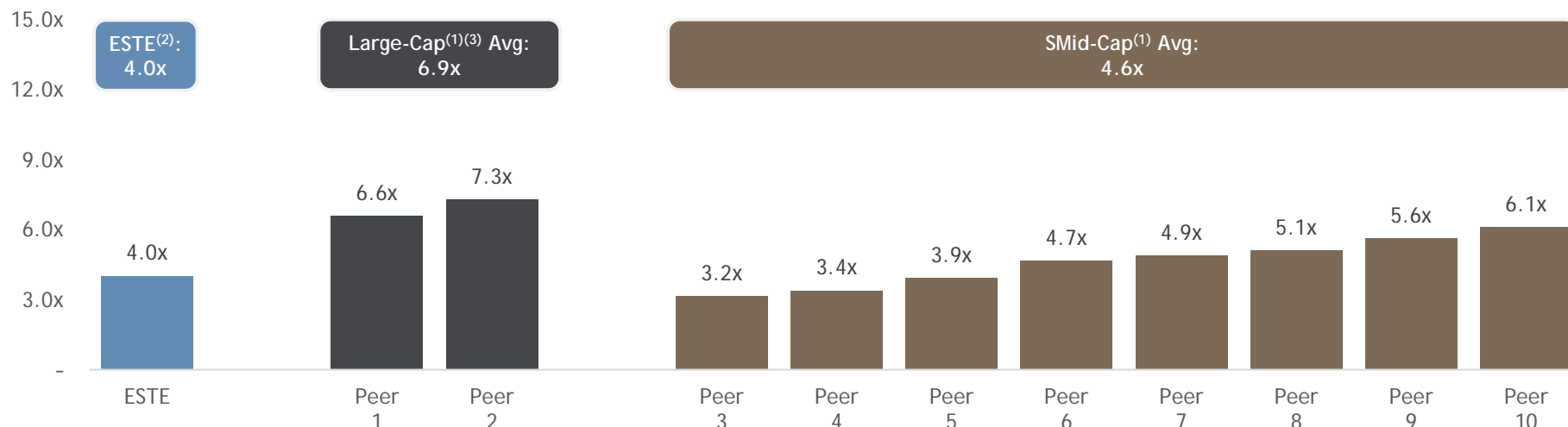
(1) All-in cash margin calculated on a per Boe basis as revenues after realized hedge impact less all-in cash costs, which consists of LOE, ad valorem and production taxes, transportation expense, cash G&A expense and interest expense. Excludes impact of income taxes. Cash G&A and interest expense includes expensing of capitalized cash G&A and capitalized interest expense, respectively. Companies that capitalized a portion of their cash G&A and/or interest expense include CDEV, CPE, FANG, MTDR and XEC  
 (2) Large-Cap includes: FANG and PXD. SMid-Cap includes: BATL, CDEV, CPE, LPI, MTDR, REI, SM and XEC

# Leading Leverage Metrics but Undervalued Equity Trading

## 3Q20 Total Debt / YTD 3Q20 Annualized EBITDAX



## Enterprise Value to 2021E EBITDAX



Source: Factset, Wall Street research. Market Data as of 2/1/21

(1) Large-Cap includes: FANG and PXD. SMid-Cap includes: BATL, CDEV, CPE, LPI, MTDR, REI, SM and XEC

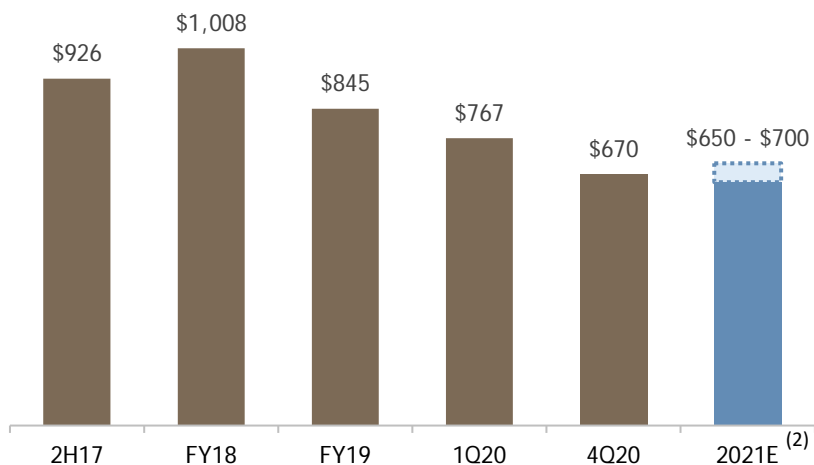
(2) Pro forma for acquisition of IRM

(3) Reflects PXD pro forma for its announced acquisition of PE and FANG pro forma for its announced acquisitions of QEP and Guidon

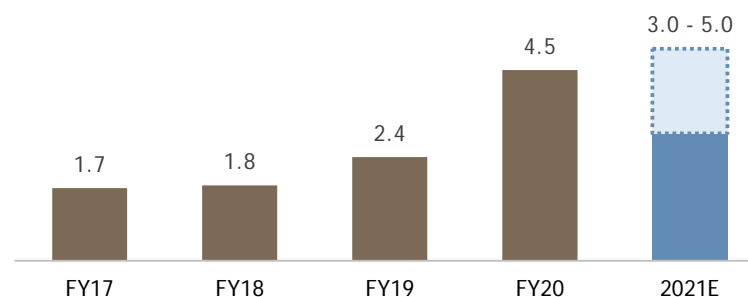
# Continuous Focus on Operational Improvement

- A continued focus on driving down costs and increased efficiencies achieved by developing larger pads and driving down drilling and completion days

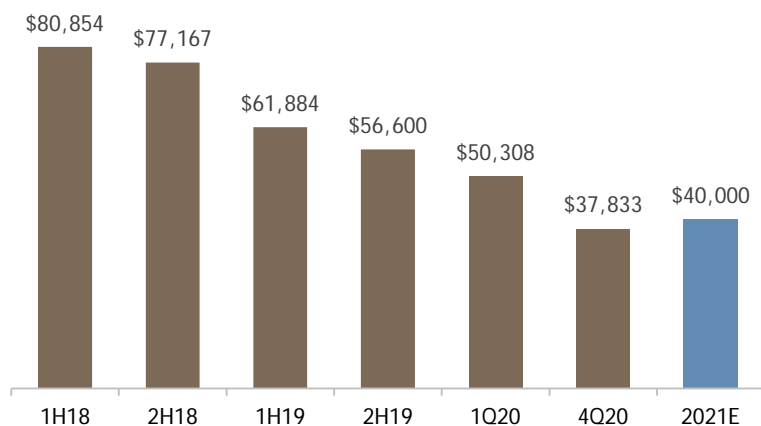
Actual Drilling, Completions & Equip. Cost (\$/Lat Ft.)<sup>(1)</sup>



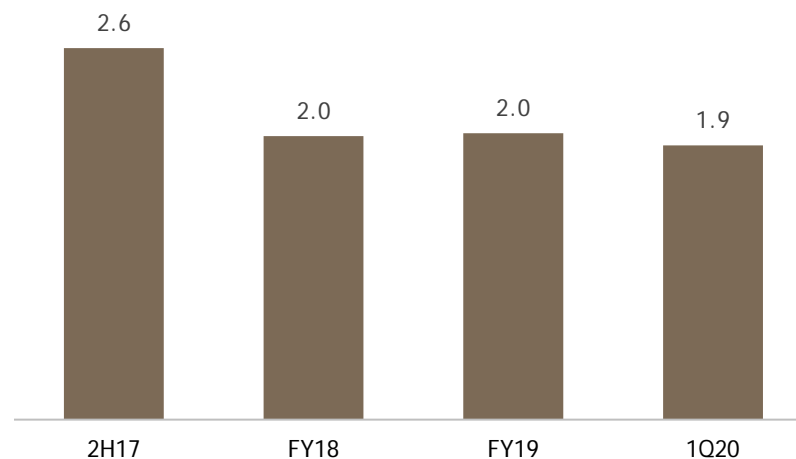
Average Number of Wells Per Pad



All-in Frac Costs per Stage (\$/Stage)



Spud to Rig Release Days per 1,000'<sup>(1)(3)</sup>



(1) Excludes wells that required additional casing string or pilot well test. Includes operated Midland Basin wells only

(2) Estimate based on total drilling, completions and equipment costs for a 10,000 ft lateral

(3) Spud to rig release days = average spud to rig release days / (average completed lateral foot/1000)

# Highly Focused Environmental Stewardship

## Key Environmental Priorities Focus on Responsible Operatorship

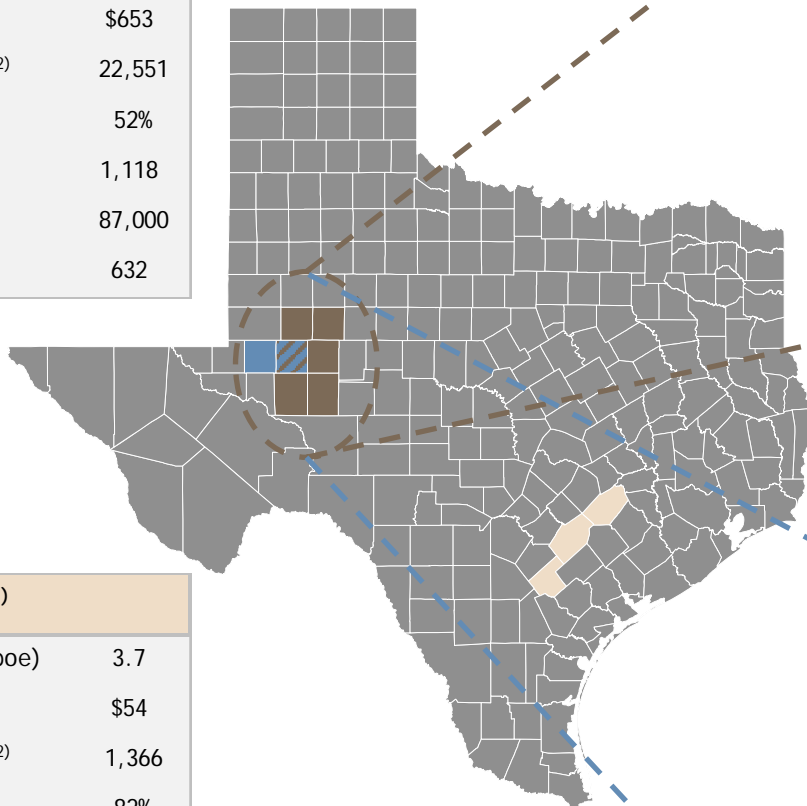
- ✓ Installation of Vapor Recovery Units (“VRUs”) in conjunction with tank battery construction minimizes air emissions
- ✓ Target Zero Flaring: Connect natural gas pipelines ahead of flowback and first production negates need for flaring
- ✓ Leak Detection & Repair (“LDAR”) program since 2019 to further minimize air emissions
- ✓ Target >60% of 2021 oil production in Midland Basin on Pipeline. Increased from 13% and 42% in 2019 and 2020, respectively
- ✓ Plan for 100% of water disposal on pipeline in the Midland Basin to reduce truck hauls, which, in turn, reduces CO2 emissions

*At Earthstone, maintaining environmentally sustainable business practices is a top priority*

# Areas of Operations

Total <sup>(1)</sup>	
Total Proved Developed (Mmboe)	56.0
Total PD PV-10 (\$mm)	\$653
4Q20 Net Production (Boe/d) <sup>(2)</sup>	22,551
4Q20 Net Production - % Oil <sup>(2)</sup>	52%
Gross Producing Wells	1,118
Net Acres	87,000
Gross Drilling Locations	632

Legacy Midland Basin <sup>(1)</sup>	
Total Proved Developed (Mmboe)	36.0
Total PD PV-10 (\$mm)	\$399
4Q20 Net Production (Boe/d) <sup>(2)</sup>	13,866
4Q20 Net Production - % Oil <sup>(2)</sup>	44%
Gross Producing Wells	246
Net Acres	29,100
Gross Drilling Locations	562



Eagle Ford <sup>(1)</sup>	
Total Proved Developed (Mmboe)	3.7
Total PD PV-10 (\$mm)	\$54
4Q20 Net Production (Boe/d) <sup>(2)</sup>	1,366
4Q20 Net Production - % Oil <sup>(2)</sup>	82%
Gross Producing Wells	124
Net Acres	14,500
Gross Drilling Locations	0

IRM <sup>(1)</sup>	
Total Proved Developed (Mmboe)	16.3
Total PD PV-10 (\$mm)	\$200
4Q20 Net Production (Boe/d) <sup>(2)</sup>	7,318
4Q20 Net Production - % Oil <sup>(2)</sup>	61%
Gross Producing Wells	748
Net Acres	43,400
Gross Drilling Locations	70

(1) Based on ESTE management estimates of reserves as of 12/31/20 assuming Oil - \$50/Bbl, Gas - \$2.50/Mcf  
 (2) Represents estimated sales volumes

# Reserves Summary

Year-End 2020 SEC Proved Reserves <sup>(1)</sup>					
Reserves Category	Oil (Mbbbls)	Gas (MMcf)	NGL (Mbbbls)	Total (Mboe)	PV-10 (\$ in thousands)
Proved Developed	18,878	55,764	10,125	38,298	\$329,395
Proved Undeveloped	21,212	55,450	10,123	40,577	\$144,047
<b>Total</b>	<b>40,090</b>	<b>111,214</b>	<b>20,248</b>	<b>78,875</b>	<b>\$473,442</b>

Alternative Year-End 2020 Proved Reserves at \$50/bbl and \$2.50/MMBtu <sup>(2)</sup>					
Reserves Category	Oil (Mbbbls)	Gas (MMcf)	NGL (Mbbbls)	Total (Mboe)	PV-10 (\$ in thousands)
Proved Developed	29,098	75,680	14,336	56,048	\$652,740
Proved Undeveloped	30,100	61,705	11,421	51,805	\$369,830
<b>Total</b>	<b>59,198</b>	<b>137,385</b>	<b>25,757</b>	<b>107,853</b>	<b>\$1,022,570</b>

(1) Earthstone's proved reserves as of December 31, 2020 were independently estimated by Cawley, Gillespie & Associates, Inc. ("CGA"), independent petroleum engineers, utilizing SEC prescribed oil and gas prices of \$39.57/bbl and \$1.985/mmbtu, respectively, calculated for December 31, 2020. SEC prices net of differentials were \$38.90/bbl and \$0.97/Mcf for oil and gas, respectively

(2) To illustrate the effects of commodity price fluctuations on estimated reserve quantities and present values and to illustrate the impact of the recent acquisition of IRM, which closed on January 7, 2021, Earthstone is also providing an alternative summary of estimated proved reserves. This alternative summary as shown in the table below has been prepared in accordance with Society of Petroleum Engineers' 2018 Petroleum Resources Management System utilizing constant benchmark prices of \$50.00 per barrel for oil and \$2.50 per MMBtu for natural gas



# Substantial Economic Inventory in Midland Basin

## Midland Basin Overview

- Long lateral development increases capital efficiency
- Over 85% of Midland horizontal locations have laterals of ~6,750 feet or greater
- Near-term drilling focused in the Lower Spraberry, Wolfcamp A and Wolfcamp B targets in Midland and Upton Counties

## Gross Locations by Lateral Length and Target<sup>(2)</sup>

Target	Gross Locations by Lateral Length			Total	% Total
	5,000' - 6,750'	6,750' - 8,750'	8,750'+		
Lower Spraberry	19	22	35	76	12%
Wolfcamp A & B	37	131	221	389	62%
All Other Targets	27	53	87	167	26%
<b>Total Gross Locations</b>	<b>83</b>	<b>206</b>	<b>343</b>	<b>632</b>	<b>100%</b>
<b>Total Net Locations</b>	<b>79</b>	<b>146</b>	<b>189</b>	<b>414</b>	
<i>% Total (Gross)</i>	<i>13%</i>	<i>33%</i>	<i>54%</i>	<i>100%</i>	

## Well Level Economics (10,000' lateral @ \$650/ft Costs)<sup>(1)</sup>

Project Area	3-Stream EUR (Mboe)	Oil (%)	Liquids (%)	IRR	
				\$50 Oil / \$2.50 Gas	\$40 Oil / \$2.50 Gas
Midland	1,250	60%	81%	93%	55%
Upton	1,000	56%	79%	69%	39%
Reagan	1,300	38%	70%	46%	27%

## Midland Basin Locations by Op / Non-Op<sup>(2)</sup>

	Gross Locations		Average Lateral Length	Average WI	% of Gross Locations in LSBY, WC A/B
	Gross Locations	Net Locations			
Operated	389	334	8,217	86%	78%
Non-Operated	243	80	9,338	33%	67%
<b>Total</b>	<b>632</b>	<b>414</b>	<b>8,648</b>	<b>65%</b>	<b>74%</b>

(1) Single well rates of return ("IRR") based on all-in drilling, completions and equipment costs of \$650/foot for a 10,000 foot lateral. Assumes 3-stream economics on flat benchmark price deck of Oil - \$50 and \$40/Bbl, Gas - \$2.50/Mcf before deductions for transportation, gathering, and quality differential. Assumes NGL differential realizations to be 30% of WTI

(2) Gross location count includes only economic locations based on ESTE management estimates of reserves as of 12/31/20 assuming Oil - \$50/Bbl, Gas - \$2.50/Mcf and includes locations from acquisition of IRM

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## Financial Overview

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# Capital Budget, Guidance and Liquidity

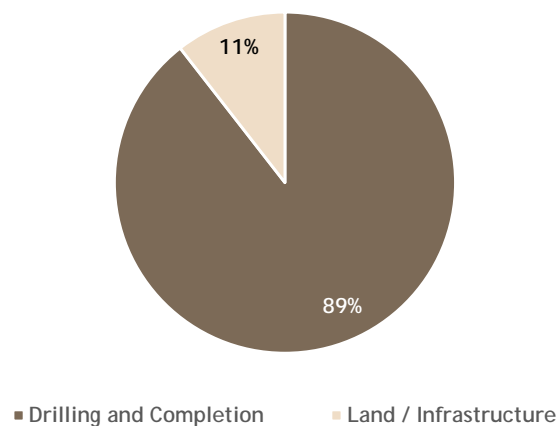
## ESTE 2021 Capital Budget

(\$ in millions)		Gross / Net Operated Wells Spudded	Gross / Net Operated Wells On Line	Net Non-Op Wells On Line
Drilling and Completion	\$80 - \$90	21 / 18.5	16 / 13.5	0.7
Land / Infrastructure	\$10			
<b>Total</b>	<b>\$90 - \$100</b>			

## 2021 FY Guidance

2021 Average Daily Production (Boepd)	19,500	-	21,000
% Oil	52%	-	54%
% Liquids	77%	-	79%
2021 Operating Costs			
Lease Operating Expense (\$/Boe)	\$6.00	-	\$6.50
Production and Ad Valorem Taxes (% of Revenue)	6.25%	-	7.25%
Cash G&A (\$mm)	\$20.0	-	\$21.0

## 2021 Capital Budget Breakdown<sup>(1)</sup>



## Liquidity (12/31/2020)<sup>(2)</sup>

(\$mm)	12/31/20	PF 12/31/20 <sup>(2)</sup>
Cash	\$1.5	\$15.3
Revolver Borrowings	115.0	260.0
<b>Total Debt</b>	<b>\$115.0</b>	<b>\$260.0</b>
Revolver Borrowing Base	240.0	360.0
Less: Revolver Borrowings	(115.0)	(260.0)
Plus: Cash	1.5	15.3
<b>Liquidity</b>	<b>\$126.5</b>	<b>\$115.3</b>

Note: Guidance is forward-looking information that is subject to considerable change and numerous risks and uncertainties, many of which are beyond Earthstone's control. See "Forward-Looking Statements". Cash G&A is defined as general and administrative expenses excluding stock-based compensation

(1) Reflects midpoint of FY2021E Guidance

(2) Liquidity presented at 12/31/20 on an ESTE standalone basis and at 12/31/20 pro forma for the acquisition of IRM

# Oil and Gas Hedges Summary - 100% Swaps

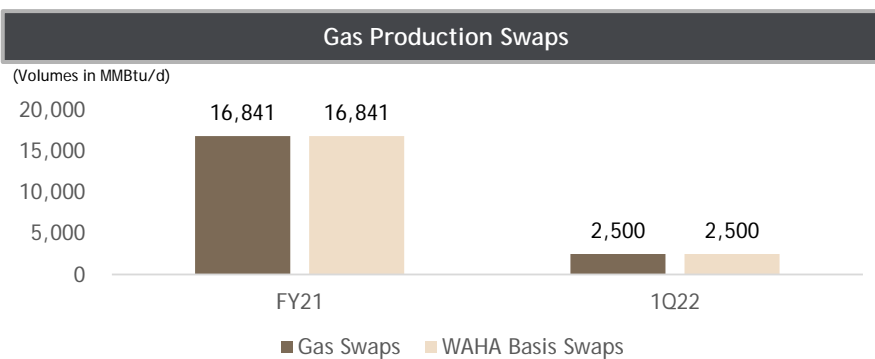
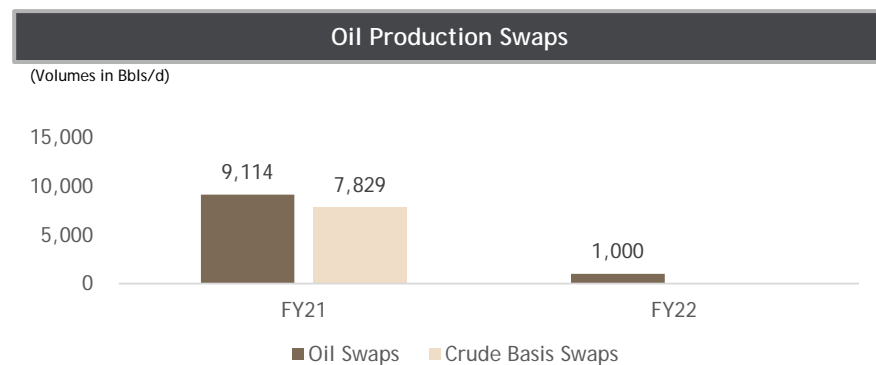
Oil Production Hedges - 100% Swaps			
Period	Volume (Bbls)	Volume (Bbls/d)	\$/Bbl
1Q 2021	936,840	10,409	\$47.04
2Q 2021	811,260	8,915	\$48.26
3Q 2021	798,175	8,676	\$48.44
4Q 2021	780,475	8,483	\$48.59
FY 2021	3,326,750	9,114	\$48.04
FY 2022	365,000	1,000	\$47.70

Gas Production Hedges - 100% Swaps			
Period	Volume (MMBtu)	Volume (MMBtu/d)	\$/MMBtu
1Q 2021	1,334,500	14,828	\$2.772
2Q 2021	1,592,500	17,500	\$2.786
3Q 2021	1,610,000	17,500	\$2.786
4Q 2021	1,610,000	17,500	\$2.786
FY 2021	6,147,000	16,841	\$2.783
1Q 2022	225,000	2,500	\$2.937

WTI Midland Argus Crude Basis Swaps			
Period	Volume (Bbls)	Volume (Bbls/d)	\$/Bbl (Differential)
1Q 2021	742,840	8,254	\$0.77
2Q 2021	720,260	7,915	\$0.78
3Q 2021	706,175	7,676	\$0.80
4Q 2021	688,475	7,483	\$0.81
FY 2021	2,857,750	7,829	\$0.79

WAHA Differential Basis Swaps			
Period	Volume (MMBtu)	Volume (MMBtu/d)	\$/MMBtu
1Q 2021	1,334,500	14,828	(\$0.413)
2Q 2021	1,592,500	17,500	(\$0.386)
3Q 2021	1,610,000	17,500	(\$0.386)
4Q 2021	1,610,000	17,500	(\$0.386)
FY 2021	6,147,000	16,841	(\$0.392)
1Q 2022	225,000	2,500	(\$0.230)

NYMEX CMA Roll			
Period	Volume (Bbls)	Volume (Bbls/d)	\$/Bbl (Differential)
1Q 2021	292,840	3,254	(\$0.26)
2Q 2021	265,260	2,915	(\$0.26)
3Q 2021	246,175	2,676	(\$0.26)
4Q 2021	228,475	2,483	(\$0.27)
FY 2021	1,032,750	2,829	(\$0.26)



## Analyst Coverage

Firm	Analyst Contact Info
Alliance Global Partners	Andrew Bond / 203-577-5427 / abond@allianceg.com
Johnson Rice	Dun McIntosh / 504-584-1217 / dun@jrco.com
Northland	Jeff Grampp / 949-600-4150 / jgrampp@northlandcapitalmarkets.com
RBC	Scott Hanold / 512-708-6354 / scott.hanold@rbccm.com
Roth	John White / 949-720-7115 / jwhite@roth.com
Stephens	Gail Nicholson / 301-904-7466 / gail.nicholson@stephens.com
Truist	Neal Dingmann / 713-247-9000 / neal.dingmann@truist.com
Wells Fargo	Tom Hughes / 212-214-5022 / thomas.hughes@wellsfargo.com

# Contact Information

**Mark Lumpkin, Jr.** EVP, Chief Financial Officer

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**Scott Thelander** Vice President of Finance

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## Corporate Offices

**Houston** 1400 Woodloch Forest Drive | Suite 300 | The Woodlands, TX 77380 | (281) 298-4246

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**Midland** 600 N. Marienfeld | Suite 1000 | Midland, TX 79701 | (432) 686-1100

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**Website** [www.earthstoneenergy.com](http://www.earthstoneenergy.com)

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## Appendix

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# Reserves Summary - Alternative Pricing

The information presented below includes the combination of the stand-alone reserve quantities and PV-10 for Earthstone and IRM as of December 31, 2020 prepared in accordance with Society of Petroleum Engineers' 2018 Petroleum Resources Management System utilizing constant benchmark prices of \$50.00 per barrel for oil and \$2.50 per MMBtu for natural gas.

Alternative Year-End 2020 Proved Reserves at \$50/bbl and \$2.50/MMBtu									
Reserve Category	ESTE			IRM			COMBINED		
	Proved	Proved	Total	Proved	Proved	Total	Proved	Proved	Total
	Developed	Undeveloped		Developed	Undeveloped		Developed	Undeveloped	
Oil (MBbls)	19,547	21,530	41,077	9,551	8,570	18,121	29,098	30,100	59,198
Gas (MMcf)	57,891	56,580	114,471	17,789	5,125	22,914	75,680	61,705	137,385
NGL (MBbls)	10,502	10,316	20,818	3,834	1,105	4,939	14,336	11,421	25,757
<b>Total (MBoe)</b>	<b>39,698</b>	<b>41,276</b>	<b>80,974</b>	<b>16,350</b>	<b>10,529</b>	<b>26,879</b>	<b>56,048</b>	<b>51,805</b>	<b>107,853</b>
<b>PV-10<sup>(1)</sup> (\$ in thousands)</b>	<b>\$452,780</b>	<b>\$265,499</b>	<b>\$718,279</b>	<b>\$199,960</b>	<b>\$104,331</b>	<b>\$304,291</b>	<b>\$652,740</b>	<b>\$369,830</b>	<b>\$1,022,570</b>

(1) The present value of estimated future revenues, discounted at 10% annually, to be generated from the production of proved reserves, net of estimated production and future development costs, using prices and costs as of the date of estimation without future escalation, without giving effect to (i) non-property related expenses such as general and administrative expenses, debt service and future income tax expense, or (ii) depreciation, depletion and amortization



# Reconciliation of Non-GAAP Financial Measure - Adjusted EBITDAX

Earthstone uses Adjusted EBITDAX, a financial measure that is not presented in accordance with accounting principles generally accepted in the United States (“GAAP”). Adjusted EBITDAX is a supplemental non-GAAP financial measure that is used by Earthstone’s management team and external users of its financial statements, such as industry analysts, investors, lenders and rating agencies. Earthstone’s management team believes Adjusted EBITDAX is useful because it allows Earthstone to more effectively evaluate its operating performance and compare the results of its operations from period to period without regard to its financing methods or capital structure.

Earthstone defines Adjusted EBITDAX as net (loss) income plus, when applicable, (gain) loss on sale of oil and gas properties, net; accretion of asset retirement obligations; impairment expense; depletion, depreciation and amortization; transaction costs; interest expense, net; rig termination expense; exploration expense; unrealized loss (gain) on derivative contracts; stock based compensation (non-cash); and income tax expense (benefit). Earthstone excludes the foregoing items from net income (loss) in arriving at Adjusted EBITDAX because these amounts can vary substantially from company to company within their industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDAX should not be considered as an alternative to, or more meaningful than, net (loss) income as determined in accordance with GAAP or as an indicator of Earthstone’s operating performance or liquidity. Certain items excluded from Adjusted EBITDAX are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDAX. Earthstone’s computation of Adjusted EBITDAX may not be comparable to other similarly titled measures of other companies or to similar measures in Earthstone’s revolving credit facility.

The following table provides a reconciliation of Net (loss) income to Adjusted EBITDAX for:

3Q 2020 Adjusted EBITDAX (\$ in 000s)		FY 2019 Adjusted EBITDAX (\$ in 000s)	
	3Q 20		FY 19
Net (loss) income	(\$11,858)	Net (loss) income	\$1,580
Accretion of asset retirement obligations	\$47	Accretion of asset retirement obligations	\$214
Depreciation, depletion and amortization	\$28,538	Depreciation, depletion and amortization	\$69,243
Impairment expense	\$2,115	Impairment expense	\$0
Interest expense, net	\$1,186	Interest expense, net	\$6,566
Transaction costs	(\$705)	Transaction costs	\$1,077
Loss (gain) on sale of oil and gas properties	\$0	Loss (gain) on sale of oil and gas properties	(\$3,222)
Exploration expense	\$0	Exploration expense	\$653
Unrealized loss (gain) on derivative contracts	\$14,543	Unrealized loss (gain) on derivative contracts	\$59,849
Stock based compensation (non-cash) <sup>(1)</sup>	\$2,403	Stock based compensation (non-cash) <sup>(1)</sup>	\$8,648
Income tax expense (benefit)	\$130	Income tax expense (benefit)	\$1,665
<b>Adjusted EBITDAX</b>	<b>\$36,399</b>	<b>Adjusted EBITDAX</b>	<b>\$146,273</b>

(1) Included in General and administrative expense in the Consolidated Statements of Operations

## Reconciliation of Non-GAAP Financial Measure - LTM Adjusted EBITDAX

9/30/20 LTM Adjusted EBITDAX (\$ in 000s)			
	ESTE	IRM	Pro Forma
Net (loss) income	(\$16,693)	(\$66,645)	(\$83,338)
Accretion of asset retirement obligations	191	1,254	1,445
Depreciation, depletion and amortization	103,058	46,852	149,910
Impairment expense	62,548	56,600	119,148
Interest expense, net	6,038	11,281	17,319
Transaction costs	(45)	0	(45)
Loss (gain) on sale of oil and gas properties	(3,866)	0	(3,866)
Rig termination expense	426	1,998	2,424
Exploration expense	951	27,226	28,177
Unrealized loss (gain) on derivative contracts	1,051	346	1,397
Stock based compensation (non-cash)(1)	9,633	2,961	12,594
Income tax expense (benefit)	1,049	(575)	474
<b>Adjusted EBITDAX</b>	<b>\$164,341</b>	<b>\$81,298</b>	<b>\$245,639</b>

(1) Included in Earthstone's General and administrative expense in the Consolidated Statements of Operations

# Reserves Summary and PV-10 (Non-GAAP Financial Measure)

Earthstone's proved reserves as of December 31, 2020 were independently estimated by Cawley, Gillespie & Associates, Inc. ("CGA"), independent petroleum engineers, utilizing SEC prescribed oil and gas prices of \$39.57/bbl and \$1.985/mmbtu, respectively, calculated for December 31, 2020. SEC prices net of differentials were \$38.90/bbl and \$0.97/Mcf for oil and gas, respectively.

Year-End 2020 SEC Proved Reserves					
Reserves Category	Oil (Mbbbls)	Gas (MMcf)	NGL (Mbbbls)	Total (Mboe)	PV-10 (\$ in thousands)
Proved Developed	18,878	55,764	10,125	38,298	\$329,395
Proved Undeveloped	21,212	55,450	10,123	40,577	\$144,047
<b>Total</b>	<b>40,090</b>	<b>111,214</b>	<b>20,248</b>	<b>78,875</b>	<b>\$473,442</b>

PV-10 is a non-GAAP measure that differs from a measure under GAAP known as "standardized measure of discounted future net cash flows" in that PV-10 is calculated without including future income taxes. Management believes that the presentation of the PV-10 value of our oil and natural gas properties is relevant and useful to investors because it presents the estimated discounted future net cash flows attributable to our estimated proved reserves independent of our income tax attributes, thereby isolating the intrinsic value of the estimated future cash flows attributable to our reserves. We believe the use of a pre-tax measure provides greater comparability of assets when evaluating companies because the timing and quantification of future income taxes is dependent on company-specific factors, many of which are difficult to determine. For these reasons, management uses and believes that the industry generally uses the PV-10 measure in evaluating and comparing acquisition candidates and assessing the potential rate of return on investments in oil and natural gas properties. PV-10 does not necessarily represent the fair market value of oil and natural gas properties. PV-10 is not a measure of financial or operational performance under GAAP, nor should it be considered in isolation or as a substitute for the standardized measure of discounted future net cash flows as defined under GAAP.

The table below provides a reconciliation of PV-10 to the standardized measure of discounted future net cash flows (in thousands):

Reconciliation of PV-10	
Present value of estimated future net revenues (PV-10)	\$473,442
Future income taxes, discounted at 10%	(\$12,589)
<b>Standardized measure of discounted future net cash flows</b>	<b>\$460,853</b>

## Non-GAAP Financial Measure - Free Cash Flow

Free Cash Flow is a non-GAAP financial measure that we use as an indicator of our ability to fund our development activities. We define Free Cash Flow as Adjusted EBITDAX (defined above), less interest expense, less accrual-based capital expenditures.

Management believes that Free Cash Flow, which measures our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the Company's financial performance. Free Cash Flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

Reconciliation of Free Cash Flow (\$ in 000s)	
	3Q20
Adjusted EBITDAX	\$36,399
Interest expense, net	(1,186)
Capital expenditures (accrual basis)	(1,378)
Free Cash Flow	\$33,835