



EARTHSTONE
Energy, Inc.

Tracker Acquisition

April 1, 2021



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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.

Tracker Asset Acquisition Overview and Key Highlights

✓ \$126.5 million acquisition of Midland Basin asset with PDP PV10 value of \$153 million implies purchase price of PV-16 of PDP ⁽¹⁾

✓ Continues ESTE Permian Basin consolidation strategy after recently closed IRM Acquisition

✓ Additional scale complements ESTE focus on operating and G&A cost efficiencies

✓ Minimal impact on pro forma YE21 leverage ⁽²⁾ with ESTE targeting sub-1.25x leverage

✓ Accretive to all key financial metrics

✓ Adds 49 Wolfcamp locations (4 wells per section) exceeding a minimum 25% IRR threshold on \$50 / barrel WTI price deck

(1) ESTE estimates as of 3/1/21 based on NYMEX strip pricing as of 3/29/21
(2) Leverage defined as total debt to LTM Adjusted EBITDAX

Acquisition Details

Consideration and Funding

- Earthstone has entered into agreements to acquire assets (the “Tracker Acquisition”) from Tracker Resource Development III, LLC and an affiliate (“Tracker”) and from affiliates of Sequel Energy Group LLC (“Sequel”)
- Cash and equity consideration of an estimated \$126.5 million
 - \$81.6 million of cash, subject to customary closing adjustments
 - 6.2 million Class A shares of ESTE (~\$44.9 million based on ESTE closing share price of \$7.24 on 3/30/2021)
- Cash consideration to be funded from cash on hand and borrowings under ESTE’s credit facility

Impact on Equity Ownership

- ESTE shareholders retain 93% of ESTE common equity
- Tracker, which is 49% owned by each of 1901 Partners Management LP and EnCap Investments, L.P. (“EnCap”), will receive 4.7 million of the 6.2 million Class A share consideration
- EnCap common equity ownership reduced from current 49.4% to 48.5% of common shares

Approval and Timing

- Transaction approved by the Audit Committee of the ESTE board and by the full board of ESTE
- Approval subject to a majority vote of shares held by stockholders other than EnCap / management
 - Warburg Pincus has provided a support agreement for its ~13.2 million Class A shares in favor of the Tracker Acquisition
- Effective date of 3/1/21 with anticipated close in early 3Q 2021

Acquisition Bolsters Existing Midland Basin Position

Tracker Asset Overview

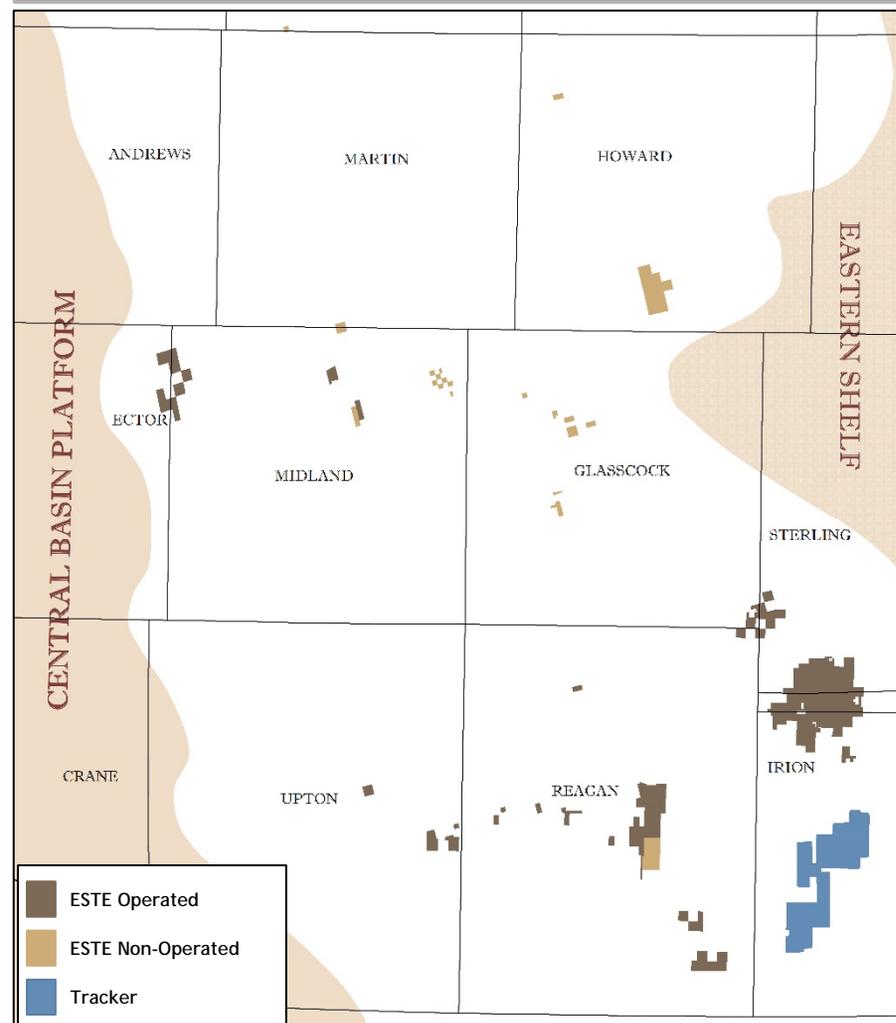
Complementary Midland Basin assets increase ESTE scale

- Current net production of ~7,800 Boepd (21% oil, 59% liquids)⁽¹⁾ from 71 wells (30 horizontal / 41 vertical)
 - Expected second half of 2021 production impact of ~5,800-6,000 Boepd (~19% oil, ~59% liquids)
- Purchase price of \$126.5 MM implies a PDP PV-16 valuation⁽²⁾
- Low-cost, stable producing assets in complementary location
- ~20,300 net acres in Irion County (100% HBP)
 - 49 horizontal Wolfcamp locations (4 wells per section) exceeding 25% IRR threshold at a \$50 /barrel WTI⁽³⁾

Tracker Key Asset Statistics

Current Production (Boepd) ⁽¹⁾	~7,800
PDP Reserves ⁽⁴⁾	19.8 MMBoe
PDP PV 10 (\$MM) ⁽⁴⁾	\$153
Total Net Acres	~20,300
% HBP / % Operated	100% / 100%
Gross Locations ⁽³⁾	49

Combined Midland Basin Map



(1) Estimated March 2021 three-stream sales volumes

(2) Earthstone management estimate utilizing NYMEX strip prices as of 3/29/21

(3) ESTE estimated upside locations and IRRs assuming 4 wells per section and costs based on current management estimates at a \$50 WTI flat price deck

(4) ESTE estimates as of 3/1/21 based on NYMEX strip pricing as of 3/29/21

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