

June 28, 2022

# Titus Acquisition



**EARTHSTONE**  
Energy, Inc.



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## Use of Non-GAAP Information

This presentation includes financial measures that are not in accordance with accounting principles generally accepted in the United States (“GAAP”) such as PV-10, free cash flow and Adjusted EBITDAX. Such non-GAAP measures are not alternatives to GAAP measures, and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of our results as reported under GAAP. For additional disclosure regarding such non-GAAP measures, including reconciliations to their most directly comparable GAAP measure, please refer to the Appendix or to Earthstone’s 10-Q and 10-K filings with the SEC.

## Cautionary Note on Reserves and Resource Estimates

The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. Any reserve estimates provided in this presentation that are not specifically designated as being estimates of proved reserves may include estimated reserves or locations not necessarily calculated in accordance with, or contemplated by, the SEC’s latest reserve reporting guidelines. You are urged to consider closely the oil and gas disclosures in our 2021 Form 10-K and our other reports and filings with the SEC.

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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.

# Titus Acquisition Highlights



## \$627mm Acquisition

\$627 million purchase price comprised of \$575 million of cash and ~\$52 million of equity consideration <sup>1</sup>



## Core Delaware Acreage

Increases scale of Earthstone's existing Delaware Basin Position



## \$857mm PD PV-10

\$627 million purchase price implies a discount to Proved Developed PV-10 <sup>2</sup>



## High Quality Inventory

Drilling inventory in the core of the Delaware Basin; locations in top quartile of Earthstone combined inventory



## Significant Cash Flow

Meaningful increase in production with high oil-cut drives cash flow; six wells in progress contribute to 4Q22 production and cash flow



## Maintains Low Leverage Profile

Expected leverage below 1.0x at year-end 2022 <sup>3</sup>

1. Effective date of 8/1/22. Equity consideration amount based on 3.9 million shares of consideration valued at \$52 million and a closing ESTE price of \$13.51 per share on 6/24/22.

2. 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. Earthstone management estimate of proved developed reserve volumes and values as of 8/1/22, discounting cash flows at a rate of 10% and utilizing NYMEX strip prices as of 6/17/22.

3. Leverage measured as 4Q22 Debt to LQA Adjusted EBITDAX.

# Titus Asset Overview

## Select Operational Data

**~32 MBoe/d**  
June 2022 Net Production <sup>1</sup>

**\$320-340 MM**  
Next 12 Months Proved Developed  
Producing Adjusted EBITDAX <sup>2</sup>

**65% / 83%**  
% Oil / % Liquids <sup>1</sup>

**\$857 MM**  
PD PV-10 at Strip <sup>3</sup>

**~7,900**  
Total Net Acres

**114 / 86**  
Gross / Net Locations

## Acquisition Highlights

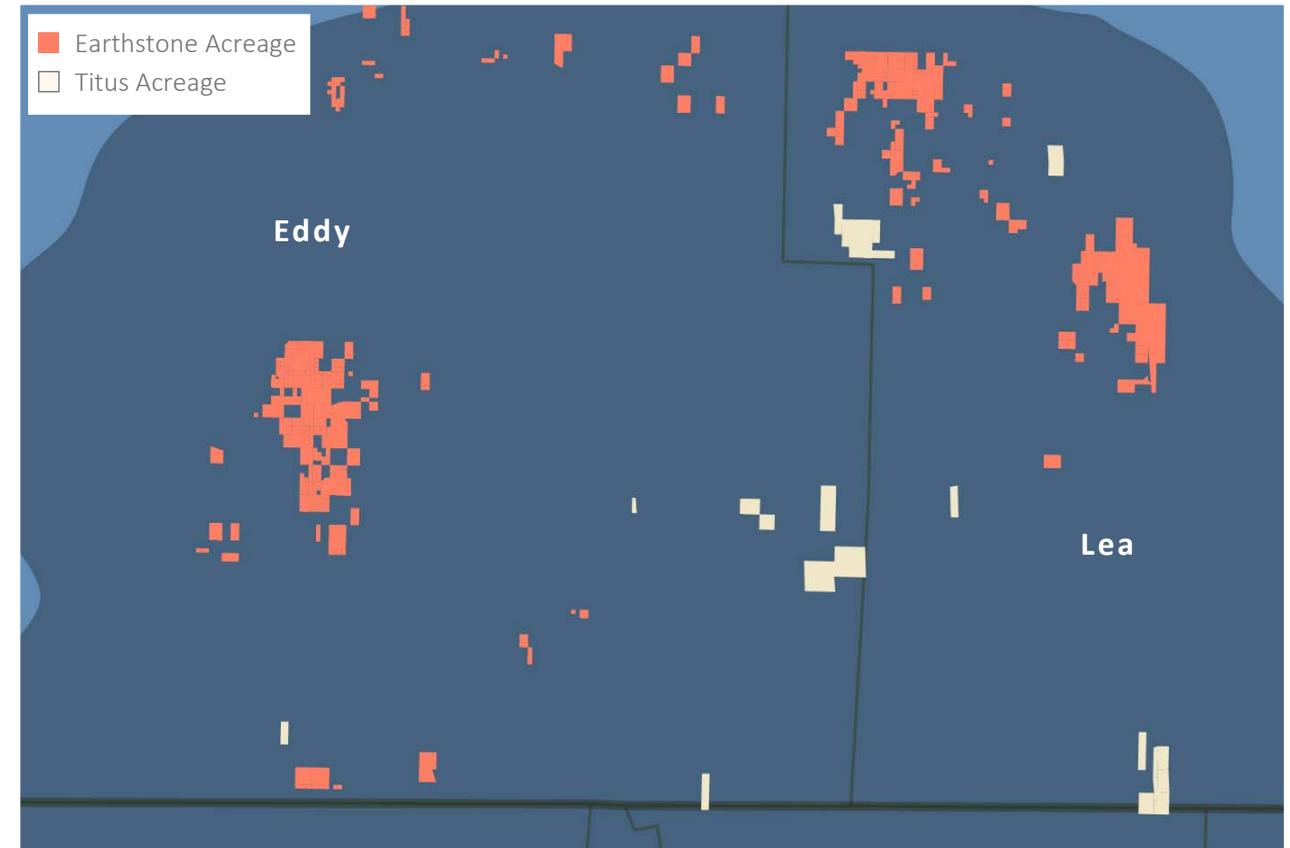
- Core acreage position within the Delaware Basin provides ESTE increased scale of operations with significant production and top-tier inventory
- High-return, de-risked drilling inventory with 61 gross / 46 net operated high-graded locations focused on 2nd and 3rd Bone Spring and Wolfcamp A / XY formations with an additional 53 gross / 40 net operated locations from secondary targets
- Titus is currently utilizing three rigs to drill six wells (93% working interest) in Lea County; these wells are expected to be completed and turned to sales late in the 3Q22
- Increased scale further improves ESTE's leading LOE and G&A cost structure

1. Earthstone management estimate of Titus three stream sales volumes for the first 20 days of June 2022.

2. Based on Earthstone management estimates of proved developed producing cash flow for next twelve months from 8/1/22 and NYMEX strip prices as of 6/17/22; excludes general and administrative expenses.

3. Earthstone management estimate of proved developed reserve volumes and values as of 8/1/22, discounting cash flows at a rate of 10% and utilizing NYMEX strip prices as of 6/17/22.

## Combined Delaware Basin New Mexico Acreage Overview



# Acquisition, Financing Details & Pro Forma Snapshot

## Consideration & Funding

- Earthstone has entered into an agreement to acquire the New Mexico assets of Titus Oil & Gas Production, LLC and Titus Oil & Gas Production II, LLC and their affiliates (“Titus”), an independent E&P company with assets in the Delaware Basin for \$627 million
  - Consideration will consist of \$575 million in cash and ~\$52 million in Earthstone equity to the seller, subject to customary closing adjustments
  - Titus will receive ~3.9 million shares of Earthstone Class A common stock, excluding purchase price adjustments
- Earthstone has secured an additional \$400 million of commitments bringing total commitments to \$1.2 billion on its credit facility in order to fund a portion of the cash consideration
- Effective date of the transaction is 8/1/2022 and closing is anticipated in 3Q 2022

## Pro Forma Snapshot <sup>1</sup>

	Earthstone Standalone	Pro Forma Titus	% Change <sup>2</sup>
4Q22 Production (Mboe/d)	76-80	94-103	~26%
4Q22 % Oil	~41%	~46%	~5%
FY22 Capex (\$MM) <sup>3</sup>	\$410-\$440	\$435-\$490	~9%
Shares Outstanding (MM) <sup>4</sup>	~139	~142	~3%

1. Snapshot assumes impact from the Titus Acquisition for 4Q22 only. Expected actual Earthstone reported 2022 results will vary based on the timing of the closing of the Titus Acquisition.

2. Calculated as the midpoint of ESTE Standalone and Pro Forma Titus ranges. Percent Oil change represents incremental percentage increase.

3. Only includes impact from Titus for 4Q22. Expected actual Earthstone reported 2022 results will vary based on the timing of the closing of the Titus Acquisition.

4. Earthstone Standalone shares outstanding assumes PIPE convertible equity is converted into 25.2MM shares of Class A Common Stock and is included in the ~139MM shares outstanding.

# Titus Acquisition Drives Robust Cash Flow Outlook

>30%

**EBITDAX Growth**

Significant Adj. EBITDAX contribution expected from Titus PDP <sup>1</sup>

~3%

**Share Count Growth**

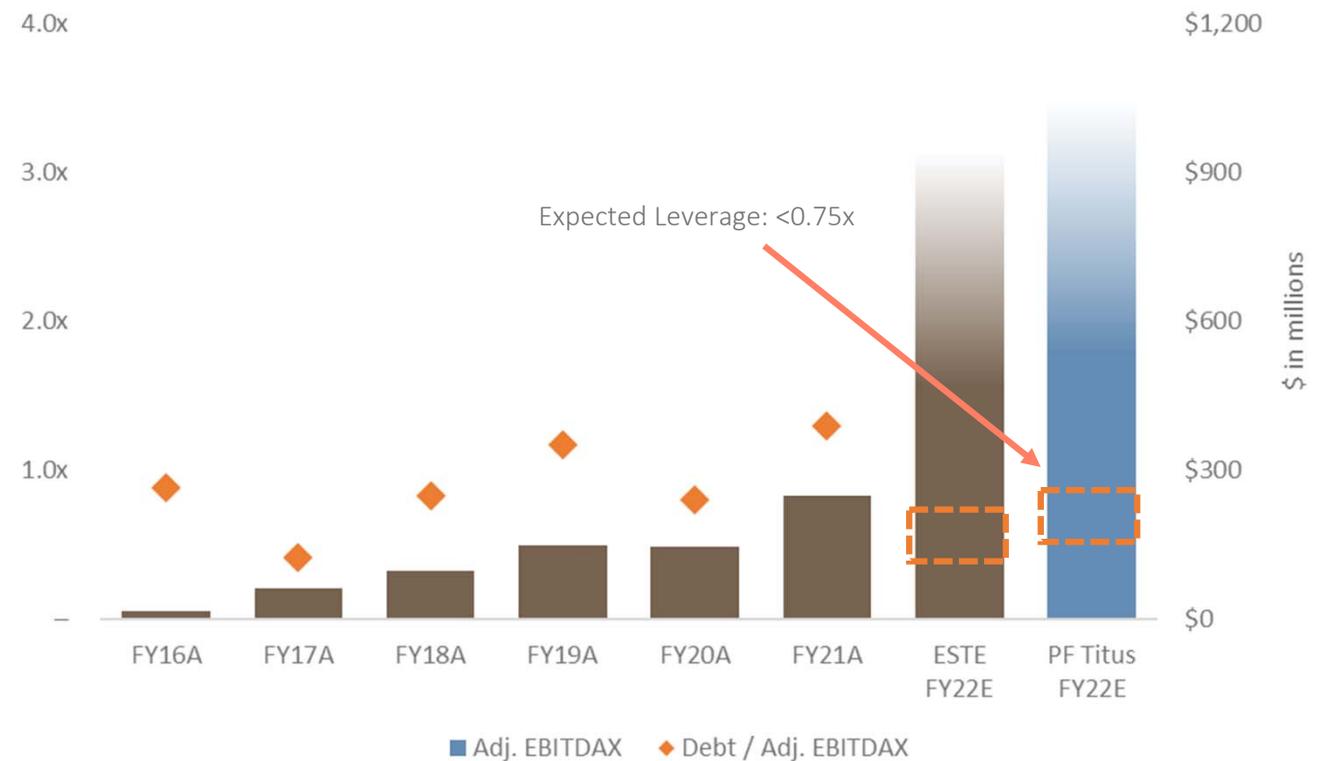
Minimal impact to shareholders while growing per share value meaningfully

<1.0x

**Leverage Profile**

Expect to be under ~0.75x leverage by YE 2022 <sup>3</sup>

Massive Growth in Adjusted EBITDAX While Reducing Leverage Metrics <sup>2,3</sup>



1. Estimated Adjusted EBITDAX impact from Titus based on Earthstone estimates for Titus's next twelve months proved developed producing Adjusted EBITDAX based on NYMEX Strip pricing as of 6/17/22 compared to consensus estimates for ESTE for the twelve months beginning on 10/1/2022.  
 2. 2022 EBITDAX and debt figures are based upon management estimates utilizing NYMEX Strip pricing as of 6/17/22. PF Titus FY22E Adjusted EBITDAX assumes Titus Acquisition closes in 3Q22.  
 3. Leverage is measured as Debt to Adjusted EBITDAX for annual periods except for YE 2022 which utilizes annualized 4Q22 Adjusted EBITDAX.

# Reserves and Inventory | Earthstone + Titus

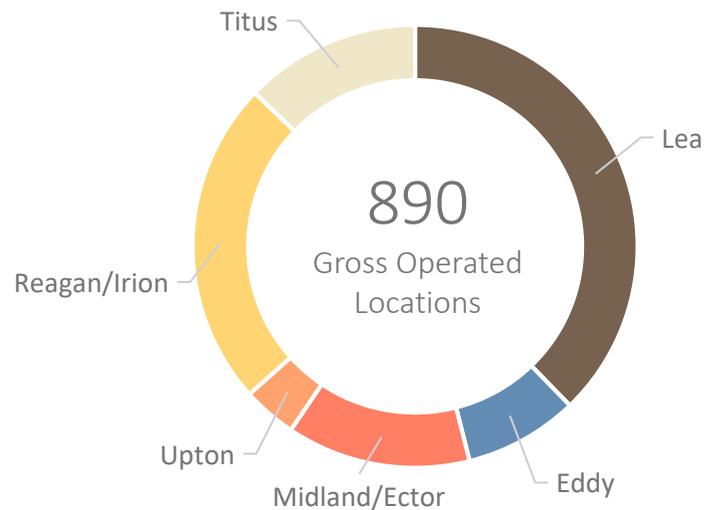
## Robust Proved Developed and Inventory Profile

- The Titus Acquisition brings a significant Proved Developed Reserves PV-10 component of ~\$857 million to Earthstone <sup>1</sup>
- On a combined basis, Total Proved Developed Reserves PV-10 value of ~\$5.0 billion which exceeds current pro forma enterprise value <sup>2</sup>
- Over 890 gross operated drilling locations provides significant runway for future development

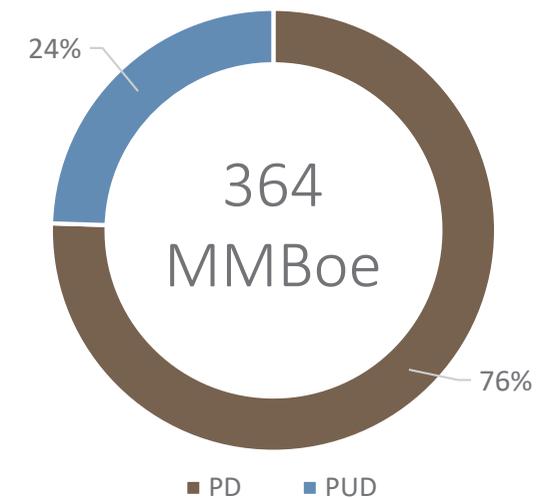
## 1P Reserves PV-10 Value as of 8/1/22 <sup>2</sup>

	Pro Forma PV-10 Value (\$MM)
Proved Developed	\$5,004
Proved Undeveloped	\$1,264
<b>Total Proved</b>	<b>\$6,268</b>

## Gross Operated Locations <sup>3</sup>



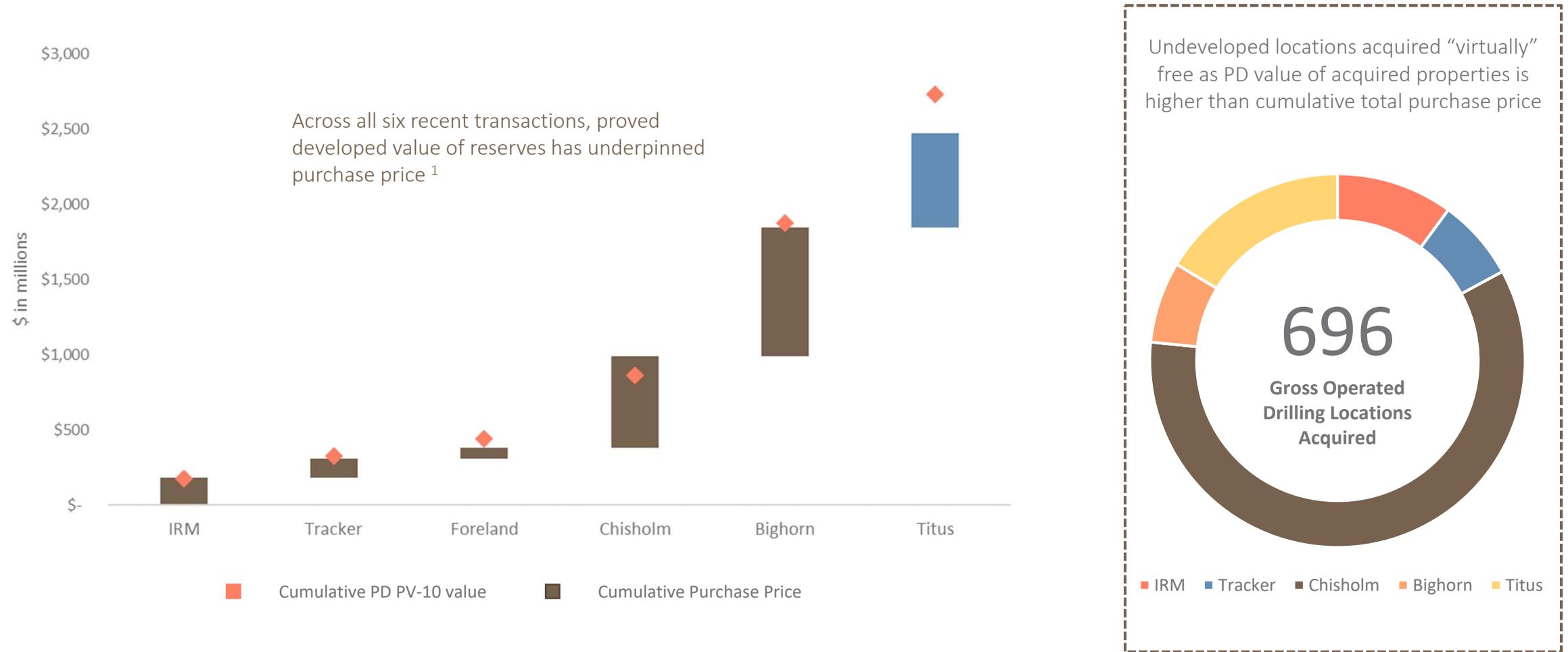
## 1P Reserves as of 8/1/22 <sup>2</sup>



1. Earthstone management estimate of proved developed reserve volumes and values as of 8/1/22, discounting cash flows at a rate of 10% and utilizing NYMEX strip prices as of 6/17/22.  
 2. Represents management's estimates for combined reserves of Earthstone and Titus as of 8/1/22 utilizing NYMEX strip pricing as of 6/17/22.  
 3. Includes all locations across reserve categories.

# Conservative Valuation Methodology Leads to High Impact Acquisitions

Cumulative Proved Developed Reserves Value Greater Than Combined Total Purchase Price <sup>1</sup>



1. Cumulative estimated PD value based upon forward strip pricing at the time of each announced transaction.

# Appendix

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# Contact Information

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**Scott Thelander** Vice President of Finance

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## Corporate Offices

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# Estimated Proved Reserves Summary as of 8/1/22 at NYMEX Strip Pricing as of 6/17/22

This summary of proved developed reserve volumes and values as shown in the table below is based on management estimates and has been prepared as of August 1, 2022, utilizing NYMEX strip benchmark prices and basis differentials as of June 17, 2022, and in regard to PV-10, discounting cash flows at a rate of 10%

	Earthstone Standalone	Titus	Combined PV-10 Value (\$mm)
Proved Developed	\$4,147	\$857	\$5,004
Proved Undeveloped	\$1,170	\$95	\$1,264
<b>Total Proved</b>	<b>\$5,317</b>	<b>\$951</b>	<b>\$6,268</b>

	Earthstone Standalone	Titus	Combined 1P Reserves (MMBoe)
Proved Developed	246.2	28.9	275.1
Proved Undeveloped	80.6	8.7	89.2
<b>Total Proved</b>	<b>326.8</b>	<b>37.5</b>	<b>364.3</b>

## Recent Strip Pricing (6/17/2022)

<u>Year</u>	<u>WTI</u>	<u>HH</u>
2022	\$101.76	\$6.49
2023	\$90.78	\$5.49
2024	\$82.09	\$4.80
2025	\$75.90	\$4.64
2026	\$71.64	\$4.63