

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report: April 20, 2021**  
(Date of earliest event reported)



**EARTHSTONE ENERGY, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of incorporation)*

**001-35049**  
*(Commission File Number)*

**84-0592823**  
*(IRS Employer Identification No.)*

**1400 Woodloch Forest Drive, Suite 300  
The Woodlands, Texas 77380**  
*(Address of principal executive offices) (Zip Code)*

**(281) 298-4246**  
*(Registrant's telephone number, including area code)*

*(Former name or former address, if changed since last report)*

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
<b>Class A Common Stock, \$0.001 par value per share</b>	<b>ESTE</b>	<b>New York Stock Exchange</b>

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 1.01 Entry into a Material Definitive Agreement.**

On April 20, 2021, Earthstone Energy, Inc. (“Earthstone” or the “Company”), Earthstone Energy Holdings, LLC, a subsidiary of the Company (“EEH” or the “Borrower”), Wells Fargo Bank, National Association (“Wells Fargo”) as Administrative Agent and Issuing Bank, the lenders party thereto (the “Lenders”) and the guarantors party thereto entered into an amendment (the “Amendment”) to the Credit Agreement dated November 21, 2019, by and among EEH, as Borrower, Earthstone, as Parent, Wells Fargo as Administrative Agent and Issuing Bank, BOKF, NA dba Bank of Texas, as Issuing Bank with respect to Existing Letters of Credit, Royal Bank of Canada, as Syndication Agent, Truist Bank, as successor by merger to SunTrust Bank, as Documentation Agent, and the Lenders party thereto (together with all amendments or other modifications, the “Credit Agreement”). Among other things, the Amendment increased the borrowing base from \$360 million to \$475 million and provided for an increase in the borrowing base from \$475 million to \$550 million upon closing on the Company’s previously announced acquisition of privately held assets located in the Midland Basin from Tracker Resource Development III, LLC and an affiliate and from affiliates of Sequel Energy Group LLC (the “Tracker Acquisition”).

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is attached as Exhibit 10.1 to this Current Report on Form 8-K and incorporated in this Item 1.01 by reference.

**Item 7.01 Regulation FD Disclosure.**

On April 20, 2021, the Company issued a press release announcing the increase in its borrowing base and the amendment to its credit facility. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

On April 20, 2021, the Company posted to its website a company presentation (the “Presentation Materials”) that management intends to use from time to time. The Company may use the Presentation Materials, possibly with modifications, in presentations to current and potential investors, lenders, creditors, vendors, customers and others with an interest in the Company and its business. The information contained in the Presentation Materials is summary information that should be considered in the context of the Company’s filings with the Securities and Exchange Commission and other public announcements that the Company may make by press release or otherwise from time to time. The Presentation Materials speak as of the date of this Current Report on Form 8-K. While the Company may elect to update the Presentation Materials in the future or reflect events and circumstances occurring or existing after the date of this Current Report on Form 8-K, the Company specifically disclaims any obligation to do so. The Presentation Materials are furnished herewith as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference.

The information in this Current Report on Form 8-K furnished pursuant to Item 7.01, including Exhibit 99.1 and Exhibit 99.2, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to liability under that section, and they shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing. By filing this Current Report on Form 8-K and furnishing this information pursuant to Item 7.01, the Company makes no admission as to the materiality of any information in this Current Report on Form 8-K, including Exhibit 99.1 and Exhibit 99.2, that is required to be disclosed solely by Regulation FD.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

The following exhibits are included with this Current Report on Form 8-K:

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Exhibit No.	Description
10.1	<a href="#">Third Amendment to Credit Agreement dated as of April 20, 2021, by and among Earthstone Energy Holdings, LLC, as Borrower, Earthstone Energy, Inc., as Parent, Wells Fargo Bank, National Association as Administrative Agent, and the Lenders and guarantors party thereto.</a>
99.1	<a href="#">Press Release dated April 20, 2021.</a>
99.2	<a href="#">Presentation Materials dated April 20, 2021.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**EARTHSTONE ENERGY, INC.**

Date: April 20, 2021

By: /s/ Tony Oviedo  
Tony Oviedo  
*Executive Vice President - Accounting and Administration*

**THIRD AMENDMENT**

**TO**

**CREDIT AGREEMENT**

**Dated as of April 20, 2021**

**Among**

**EARTHSTONE ENERGY HOLDINGS, LLC,**

**as Borrower,**

**EARTHSTONE ENERGY, INC.,**

**as Parent,**

**WELLS FARGO BANK, NATIONAL ASSOCIATION,**

**as Administrative Agent and Issuing Bank,**

**ROYAL BANK OF CANADA,**

**as Syndication Agent,**

**TRUIST BANK,**

**as Documentation Agent,**

**and**

**The Lenders Party Thereto**

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**WELLS FARGO SECURITIES, LLC**

**RBC CAPITAL MARKETS**

**Joint Lead Arrangers and Joint Bookrunners**

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### THIRD AMENDMENT TO CREDIT AGREEMENT

**THIS THIRD AMENDMENT TO CREDIT AGREEMENT** (this "Third Amendment") dated as of April 20, 2021, is among Earthstone Energy Holdings, LLC, a Delaware limited liability company (the "Borrower"); Earthstone Energy, Inc., a Delaware corporation (the "Parent"); each of the undersigned guarantors (the "Guarantors"), and together with the Borrower and the Parent, the "Obligors"; each of the Lenders party hereto; and Wells Fargo Bank, National Association (in its individual capacity, "Wells Fargo"), as administrative agent for the Lenders (in such capacity, together with its successors in such capacity, the "Administrative Agent").

#### **RECITALS**

A. The Borrower, the Parent, the Administrative Agent and the Lenders are parties to that certain Credit Agreement dated as of November 21, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified prior to the date hereof, the "Credit Agreement"), pursuant to which the Lenders have made certain credit available to and on behalf of the Borrower.

B. The Borrower and the Guarantors are parties to that certain Guarantee and Collateral Agreement, dated as of November 21, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified), made by each of the Loan Parties party thereto in favor of the Administrative Agent.

C. The Parent is party to that certain Parent Guarantee, dated as of November 21, 2019 (as amended, restated, amended and restated, supplemented or otherwise modified), in favor of the Administrative Agent.

D. The Borrower has requested and the Administrative Agent and the Lenders party hereto have agreed to amend the Credit Agreement, subject to the terms and conditions of this Third Amendment.

E. NOW, THEREFORE, to induce the Administrative Agent and the Lenders to enter into this Third Amendment and in consideration of the promises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein but not otherwise defined herein has the meaning given such term in the Credit Agreement, as amended by this Third Amendment (unless otherwise indicated). Unless otherwise indicated, all section references in this Third Amendment refer to sections of the Credit Agreement.

Section 2. Amendments to Credit Agreement.

2.1 Amendments to Section 1.02 – Certain Defined Terms.

(a) The following definitions are hereby amended and restated in their entirety to read as follows:

“Aggregate Elected Borrowing Base Commitments” means (a) on the Third Amendment Effective Date, \$475,000,000 and (b) at any time thereafter, an amount determined in accordance with Section 2.07(g).

“Agreement” means this Credit Agreement, including any schedules and exhibits hereto, as amended by the First Amendment, the Second Amendment and the Third Amendment, and as the same may from time to time be amended, modified, supplemented or restated.

“April 2021 Redetermination” has the meaning assigned to such term in Section 2.07(b).

(b) The following definitions are hereby added where alphabetically appropriate to read as follows:

“Sequel” means the collective reference to SEG-TRD LLC, a Delaware limited liability company, and SEG-TRD II LLC, a Delaware limited liability company.

“Sequel Acquisition” means the acquisition by the Borrower of the Sequel Acquisition Properties pursuant to the terms and conditions of the Sequel Acquisition Agreement.

“Sequel Acquisition Agreement” means that certain Purchase and Sale Agreement, dated as of March 31, 2021, by and among Sequel, as seller, the Borrower, as buyer, and Parent, as amended, restated, supplemented or otherwise modified from time to time.

“Sequel Acquisition Documents” means (a) the Sequel Acquisition Agreement and (b) all bills of sale, assignments, agreements, instruments and documents executed and delivered in connection therewith, as amended, modified or supplemented.

“Sequel Acquisition Properties” means the Oil and Gas Properties and other Properties to be acquired by the Borrower pursuant to the Sequel Acquisition Documents.

“Third Amendment” means that certain Third Amendment to Credit Agreement, dated as of April 20, 2021, among the Borrower, the Parent, the Guarantors, the Administrative Agent and the Lenders party thereto.

“Third Amendment Acquisitions” means the collective reference to the Sequel Acquisition and the Tracker Acquisition.



“Third Amendment Acquisition BB Increase” has the meaning assigned to such term in Section 2.07(h).

“Third Amendment Acquisition Reserve Report” means the Reserve Report prepared by or under the supervision of the chief engineer of the Borrower with respect to the Tracker Acquisition Properties and the Sequel Acquisition Properties, in each case, as of March 1, 2021.

“Third Amendment Effective Date” has the meaning assigned to such term in the Third Amendment.

“Tracker” means the collective reference to Tracker Resource Development III, LLC, a Delaware limited liability company, and TRD III Royalty Holdings (TX), LP, a Texas limited partnership.

“Tracker Acquisition” means the acquisition by the Borrower of the Tracker Acquisition Properties pursuant to the terms and conditions of the Tracker Acquisition Agreement.

“Tracker Acquisition Agreement” means that certain Purchase and Sale Agreement by and between Tracker, as seller, the Borrower, as buyer, and Parent, as amended, restated, supplemented or otherwise modified from time to time.

“Tracker Acquisition Documents” means (a) the Tracker Acquisition Agreement and (b) all bills of sale, assignments, agreements, instruments and documents executed and delivered in connection therewith, as amended, modified or supplemented.

“Tracker Acquisition Properties” means the Oil and Gas Properties and other Properties to be acquired by the Borrower pursuant to the Tracker Acquisition Documents.

(c) The definition of “Borrowing Base” is hereby amended by replacing the reference to “Section 2.07(f) or Section 8.12(c)” contained therein with “Section 2.07(f), Section 2.07(h) or Section 8.12(c)”.

2.2 Amendment to Section 2.07(a). Section 2.07(a) is hereby amended and restated in its entirety to read as follows:

(a) Third Amendment Borrowing Base. For the period from and including the Third Amendment Effective Date to but excluding the next Redetermination Date, the amount of the Borrowing Base shall be \$475,000,000. For purposes of this Agreement, the determination of the Borrowing Base on the Third Amendment Effective Date provided for in the immediately preceding sentence shall constitute the April 2021 Redetermination. Notwithstanding the foregoing, the Borrowing Base may be subject to further adjustments in between

Scheduled Redeterminations from time to time pursuant to Section 2.07(e), Section 2.07(f), Section 2.07(h) or Section 8.12(c).

2.3 Amendment to Section 2.07(b). Section 2.07(b) is hereby amended and restated in its entirety to read as follows:

(b) Scheduled and Interim Redeterminations. The Borrowing Base shall be redetermined on or about April 1, 2021 (the "April 2021 Redetermination"), on or about October 1, 2021 (the "October 2021 Redetermination") and, thereafter, semi-annually in accordance with this Section 2.07 (each, a "Scheduled Redetermination"), and, subject to Section 2.07(d), such redetermined Borrowing Base shall become effective and applicable to the Borrower, the Administrative Agent, the Issuing Banks and the Lenders on or about April 1, 2021 (in the case of the April 2021 Redetermination), October 1, 2021 (in the case of the October 2021 Redetermination), and on or about May 1 and November 1 of each year, commencing May 1, 2022. In addition, (i) the Borrower may, by notifying the Administrative Agent thereof, one time between Scheduled Redeterminations, elect to cause the Borrowing Base to be redetermined between Scheduled Redeterminations, (ii) the Administrative Agent may, at the direction of the Required Lenders, following the first Scheduled Redetermination hereunder, one time between successive Scheduled Redeterminations, by notifying the Borrower thereof, elect to cause the Borrowing Base to be redetermined, and (iii) the Borrower may elect, by notifying the Administrative Agent of any acquisition of Oil and Gas Properties by the Borrower or its Restricted Subsidiaries with a purchase price in the aggregate of at least five percent (5%) of the then effective Borrowing Base, to cause the Borrowing Base to be redetermined prior to the initial Scheduled Redetermination or between Scheduled Redeterminations (each, an "Interim Redetermination") in accordance with this Section 2.07.

2.4 Amendment to Section 2.07(c). Section 2.07(c) is hereby amended by replacing the parenthetical phrase "(or in the case of the April 2021 Redetermination, on or about March 15, 2021)" contained therein with "(or (x) in the case of the April 2021 Redetermination, on or about March 15, 2021 or (y) in the case of the October 2021 Redetermination, on or about September 15, 2021)".

2.5 Amendment to Section 2.07(d). Section 2.07(d) is hereby amended by replacing the parenthetical phrase "(or in the case of the April 2021 Redetermination, on or about April 1, 2021)" contained therein with "(or (x) in the case of the April 2021 Redetermination, on or about April 1, 2021 or (y) in the case of the October 2021 Redetermination, on or about October 1, 2021)".

2.6 Amendment to Section 2.07. Section 2.07 is hereby amended by adding the following new Section 2.07(h) at the end thereof to read as follows:

(h) Automatic Increase of Borrowing Base Upon Third Amendment Acquisitions. If the Third Amendment Acquisitions are consummated on or before August 15, 2021, then, subject to the conditions set forth in this Section 2.07(h), the Borrowing Base then in effect shall be automatically increased by an amount equal to \$75,000,000 (the "Third Amendment Acquisition BB Increase") without any further action by the Borrower, the Administrative Agent, the Issuing Banks or the Lenders, effective and applicable to the Borrower, the Administrative Agent, the Issuing Banks and the Lenders on the Business Day on which each of the following conditions has been satisfied (or waived in accordance with Section 12.02) (such date, the "Automatic Borrowing Base Increase Effectiveness Date"):

(i) (A) The Tracker Acquisition shall have been (or contemporaneously with the Third Amendment Acquisition BB Increase shall be) consummated in accordance with the terms of the Tracker Acquisition Agreement, and in connection therewith the Borrower shall have acquired at least 90% of the total value of the Tracker Acquisition Properties and (B) the Sequel Acquisition shall have been (or contemporaneously with the Third Amendment Acquisition BB Increase shall be) consummated in accordance with the terms of the Sequel Acquisition Agreement, and in connection therewith the Borrower shall have acquired at least 90% of the total value of the Sequel Acquisition Properties.

(ii) The Administrative Agent shall have received an officer's certificate from the Borrower, certifying that (A) the Tracker Acquisition has been consummated in accordance with applicable law and the terms of the Tracker Acquisition Agreement without giving effect to any waiver, modification or consent thereunder that is materially adverse to the interests of the Lenders (in their capacities as such), and in connection therewith, the Borrower has acquired at least 90% of the total value of the Tracker Acquisition Properties, (B) as to the final purchase price for the Tracker Acquisition Properties after giving effect to all adjustments as of the closing date contemplated by the Tracker Acquisition Documents and specifying, by category, the amount of such adjustment; (C) that attached thereto is a true and complete list of the Properties that have been excluded from the Tracker Acquisition pursuant to the terms of the Tracker Acquisition Documents, specifying with respect thereto the basis of exclusion as (1) title defect, (2) preferential purchase right or consent right, (3) environmental or (4) casualty loss; (D) that attached thereto is a true and complete list of the Oil and Gas Properties for which Tracker has elected to cure a title defect; (E) that attached thereto is a true and complete list of the Oil and Gas Properties for which Tracker has elected to remediate an adverse environmental condition; (F) that attached thereto is a true and complete list of the Oil and Gas Properties which are

currently pending final decision by a third party regarding purchase of such property in accordance with any preferential right or consent right; (G) that attached thereto is a true, complete and executed copy of the closing settlement statement for the Tracker Acquisition; and (H) that true and complete executed copies of all Tracker Acquisition Documents have been delivered to the Administrative Agent.

(iii) The Administrative Agent shall have received an officer's certificate from the Borrower, certifying that (A) the Sequel Acquisition has been consummated in accordance with applicable law and the terms of the Sequel Acquisition Agreement without giving effect to any waiver, modification or consent thereunder that is materially adverse to the interests of the Lenders (in their capacities as such), and in connection therewith, the Borrower has acquired at least 90% of the total value of the Sequel Acquisition Properties, (B) as to the final purchase price for the Sequel Acquisition Properties after giving effect to all adjustments as of the closing date contemplated by the Sequel Acquisition Documents and specifying, by category, the amount of such adjustment; (C) that attached thereto is a true and complete list of the Properties that have been excluded from the Sequel Acquisition pursuant to the terms of the Sequel Acquisition Documents, specifying with respect thereto the basis of exclusion as (1) title defect, (2) preferential purchase right or consent right, (3) environmental or (4) casualty loss; (D) that attached thereto is a true and complete list of the Oil and Gas Properties for which Sequel has elected to cure a title defect; (E) that attached thereto is a true and complete list of the Oil and Gas Properties for which Sequel has elected to remediate an adverse environmental condition; (F) that attached thereto is a true and complete list of the Oil and Gas Properties which are currently pending final decision by a third party regarding purchase of such property in accordance with any preferential right or consent right; (G) that attached thereto is a true, complete and executed copy of the closing settlement statement for the Sequel Acquisition; and (H) that true and complete executed copies of all Sequel Acquisition Documents have been delivered to the Administrative Agent.

(iv) No Default, Event of Default or Borrowing Base Deficiency shall have occurred and be continuing on the date of the Third Amendment Acquisition BB Increase.

(v) The Administrative Agent shall have received (a) evidence satisfactory to it that all Liens on the Tracker Acquisition Properties and the Sequel Acquisition Properties (other than Liens permitted under Section 9.03) have been released or terminated, subject only to the filing of applicable terminations, releases or assignments and (b) duly executed

recordable releases and terminations with respect thereto, in form and substance satisfactory to the Administrative Agent.

(vi) The Administrative Agent, the Arranger and the Lenders shall have received all fees and other amounts due and payable on or prior to the Automatic Borrowing Base Increase Effectiveness Date, including, to the extent invoiced at least two Business Days prior to satisfaction of all other applicable conditions, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

(vii) The Administrative Agent shall be reasonably satisfied with the environmental condition of the Tracker Acquisition Properties and the Sequel Acquisition Properties.

(viii) The Administrative Agent shall have received duly executed and notarized deeds of trust and/or mortgages or supplements to existing deeds of trust and/or mortgages in form reasonably satisfactory to the Administrative Agent, to the extent necessary so that the Mortgaged Properties represent at least 85% of the total value of the proved Oil and Gas Properties evaluated in the most recently delivered Reserve Report and the Third Amendment Acquisition Reserve Report (on a combined basis).

(ix) The Administrative Agent shall have received, together with title information previously delivered to the Administrative Agent, title information reasonably satisfactory to the Administrative Agent setting forth the status of title to at least 85% of the total value of the proved Oil and Gas Properties evaluated in the most recently delivered Reserve Report and the Third Amendment Acquisition Reserve Report (on a combined basis).

(x) The Administrative Agent shall have received such other related documents and information with respect to the Tracker Acquisition and/or the Sequel Acquisition as the Administrative Agent shall have reasonably requested.

In connection with the automatic increase to the Borrowing Base pursuant to this Section 2.07(h), each Lender has, in consultation with the Borrower, agreed to reallocate its Maximum Credit Amount and its Commitment (the "Borrowing Base Increase Reallocation and Assignment") among the other Lenders. On the Automatic Borrowing Base Increase Effectiveness Date, and after giving effect to the Borrowing Base Increase Reallocation and Assignment, the Maximum Credit Amount and the Applicable Percentage of each Lender shall be as set forth on Annex I-B, and, effective as of the Automatic Borrowing Base Increase Effectiveness Date, Annex I shall be deemed to be amended and restated in its

entirety to read as set forth on Annex I-B of this Agreement. Each of the Administrative Agent, each Lender, the Issuing Bank and the Borrower hereby consents and agrees to the Borrowing Base Increase Reallocation and Assignment, including each Lender's assignment of its Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit to the extent necessary to effect the Borrowing Base Increase Reallocation and Assignment. With respect to the Borrowing Base Increase Reallocation and Assignment, each Lender shall be deemed to have sold and assigned its Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit, and each Lender shall be deemed to have acquired the Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit allocated to it from each of the other Lenders pursuant to the terms and conditions of the Assignment and Assumption, as if each Lender had executed such Assignment and Assumption with respect to the Borrowing Base Increase Reallocation and Assignment, pursuant to which, (i) each Lender shall be an "Assignee" and an "Assignor" and (ii) the term "Effective Date" shall be the "Automatic Borrowing Base Increase Effectiveness Date" as defined herein. Notwithstanding Section 12.04(b), the Lenders shall not be required to pay a processing and recordation fee of \$3,500 to the Administrative Agent. The Borrowing Base Increase Reallocation and Assignment shall be without recourse to each Lender and, except as expressly provided in the Assignment Agreement, without representation or warranty by such Lender. On the Automatic Borrowing Base Increase Effectiveness Date, the Administrative Agent shall take the actions specified in Section 12.04(b)(iv), including recording the assignments described herein in the Register, and such assignments shall be effective for all purposes of this Agreement. If on the Automatic Borrowing Base Increase Effectiveness Date, any Eurodollar Loans have been funded, then the Borrower shall be obligated to pay any breakage fees or costs that are payable pursuant to Section 5.02 in connection with the reallocation of such outstanding Eurodollar Loans to effectuate the provisions of this paragraph.

2.7 Amendment to Section 8.11(a). The last sentence of Section 8.11(a) is hereby amended and restated in its entirety to read as follows:

Notwithstanding the foregoing, in connection with the October 2021 Redetermination, the Borrower shall furnish to the Administrative Agent and the Lenders a Reserve Report on or about September 1, 2021, evaluating the Oil and Gas Properties of the Loan Parties as of as of July 1, 2021, which Reserve Report shall be prepared by or under the supervision of the chief engineer of the Borrower who shall certify such Reserve Report to be true and accurate and to have been prepared in accordance with the procedures used in the immediately preceding January 1 Reserve Report.

2.8 Amendment to Annexes. The Credit Agreement is hereby amended by adding a new Annex I-B to the end thereof to read as set forth on Annex I-B attached to this Third Amendment.

Section 3. Assignment and Assumption. On the Third Amendment Effective Date, immediately prior to giving effect to the amendments in Section 2 of this Third Amendment, each of Wells Fargo Bank, National Association, Royal Bank of Canada, Truist Bank, Citizens Bank, N.A., Keybank National Association, PNC Bank, National Association, U.S. Bank National Association, Iberiabank, a division of First Horizon Bank, BBVA USA, and Fifth Third Bank (each an “Existing Lender”, and collectively, the “Existing Lenders”) has, in consultation with the Borrower, agreed to, and, for an agreed consideration, does hereby reallocate its Maximum Credit Amount, Commitment and Loans (and participations in Letters of Credit and LC Disbursements) to allow Bank of America, N.A. (the “New Lender”) to become a party to the Credit Agreement as a Lender by acquiring an interest in the Aggregate Maximum Credit Amount and the total Commitments (the “Reallocation”). On the Third Amendment Effective Date, and after giving effect to the Reallocation: (a) the Maximum Credit Amount and Applicable Percentage of each Lender (including the New Lenders) shall be as set forth on Annex I attached to this Third Amendment, which Annex I supersedes and replaces Annex I to the Credit Agreement (and Annex I to the Credit Agreement is hereby amended and restated in its entirety to read as set forth on Annex I attached hereto); and (b) the New Lender shall become a party to the Credit Agreement, as amended by this Third Amendment, as a “Lender” and have all of the rights and obligations of a Lender under the Credit Agreement, as amended by this Third Amendment, and the other Loan Documents. Each of the Administrative Agent, each Existing Lender, the Issuing Bank and the Borrower hereby consents and agrees to the Reallocation, including the New Lender’s acquisition of interest in the Maximum Credit Amount and Commitments and each Existing Lender’s assignment of its Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit to the extent necessary to effect the Reallocation. With respect to the Reallocation, each Existing Lender shall be deemed to have sold and assigned its Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit, and the New Lender shall be deemed to have acquired the Maximum Credit Amount, Commitment, Loans and participations in Letters of Credit allocated to it from each Existing Lender, pursuant to the terms and conditions of the Assignment and Assumption attached as Exhibit G to the Credit Agreement (the “Assignment Agreement”), as if each Existing Lender and the New Lender had executed such Assignment Agreement with respect to the Reallocation, pursuant to which, (i) the New Lender shall be an “Assignee”, (ii) each Existing Lender shall be an “Assignor” and (iii) the term “Effective Date” shall be the Third Amendment Effective Date as defined herein. The Administrative Agent hereby waives the fee payable to the Administrative Agent pursuant to Section 12.04(b) of the Credit Agreement in connection with the Assignment and Assumption. On the Third Amendment Effective Date, the Administrative Agent shall take the actions specified in Section 12.04(b)(iv), including recording the assignments described herein in the Register, and such assignments shall be effective for purposes of the Credit Agreement.

Section 4. Conditions of Effectiveness. This Third Amendment will become effective on the date on which each of the following conditions is satisfied or waived in accordance with Section 12.02 (such date, the “Third Amendment Effective Date”):

(a) Counterparts. The Administrative Agent shall have received from the Borrower, the Parent, each Guarantor and the Lenders (including the New Lenders), counterparts

(in such number as may be requested by the Administrative Agent) of this Third Amendment signed on behalf of such Person.

(b) Fees and Expenses. The Administrative Agent and the Lenders shall have received all fees and other amounts due and payable on or prior to the Third Amendment Effective Date, including, to the extent invoiced at least two Business Days prior to satisfaction of all other applicable conditions, reimbursement or payment of all reasonable out-of-pocket expenses required to be reimbursed or paid by the Borrower under the Credit Agreement.

(c) No Default. As of the Third Amendment Effective Date, no Default shall have occurred and be continuing.

The Administrative Agent is hereby authorized and directed to declare this Third Amendment to be effective when it has received documents confirming compliance with the conditions set forth in this Section 4 or the waiver of such condition in accordance with Section 12.02 of the Credit Agreement. Such declaration shall be final, conclusive and binding upon all parties to the Credit Agreement for all purposes. For purposes of determining compliance with the conditions specified in this Section 4, each Lender that has signed this Amendment shall be deemed to have consented to, approved or accepted, or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Lender, unless the Administrative Agent shall have received written notice from such Lender prior to the Third Amendment Effective Date specifying its objection thereto.

Section 5. Miscellaneous.

(a) Confirmation. The provisions of the Credit Agreement, as amended by this Third Amendment, shall remain in full force and effect following the effectiveness of this Third Amendment.

(b) Ratification and Affirmation; Representations and Warranties. Each Obligor hereby: (a) acknowledges the terms of this Third Amendment; (b) ratifies and affirms its obligations under and the Liens granted by, and acknowledges, renews and extends its continued liability under, each Loan Document to which it is a party and agrees that each Loan Document to which it is a party remains in full force and effect, except as expressly amended hereby; (c) agrees that from and after the Third Amendment Effective Date each reference to the Credit Agreement in the other Loan Documents shall be deemed to be a reference to the Credit Agreement, as amended by this Third Amendment; and (d) represents and warrants to the Lenders that as of the date hereof, after giving effect to the terms of this Third Amendment: (i) all of the representations and warranties contained in each Loan Document to which it is a party are true and correct in all material respects (except that any representation and warranty that is qualified by materiality shall be true and correct in all respects), except to the extent any such representations and warranties are expressly limited to an earlier date, in which case, such representations and warranties shall continue to be true and correct in all material respects (except that any representation and warranty that is qualified by materiality shall be true and correct in all respects) as of such specified earlier date and (ii) no Default has occurred and is continuing.



(c) Counterparts. This Third Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Third Amendment by facsimile, electronic communications, as an attachment to an email or other similar electronic means shall be effective as delivery of a manually executed counterpart of this Third Amendment.

(d) NO ORAL AGREEMENT. THIS THIRD AMENDMENT, THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS EXECUTED IN CONNECTION HERewith AND THEREwith REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR UNWRITTEN ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO SUBSEQUENT ORAL AGREEMENTS BETWEEN THE PARTIES.

(e) GOVERNING LAW. THIS THIRD AMENDMENT (INCLUDING, BUT NOT LIMITED TO, THE VALIDITY AND ENFORCEABILITY HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF TEXAS.

(f) Loan Document. This Third Amendment is a "Loan Document" as defined and described in the Credit Agreement and all of the terms and provisions of the Credit Agreement relating to Loan Documents shall apply hereto.

(g) Payment of Expenses. In accordance with Section 12.03, the Borrower agrees to pay or reimburse the Administrative Agent for all of its reasonable and documented out-of-pocket costs and expenses incurred in connection with this Third Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent.

(h) Severability. Any provision of this Third Amendment or any other Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof or thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

(i) Successors and Assigns. This Third Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered by their proper and duly authorized officer(s) as of the day and year first above written.

BORROWER: EARTHSTONE ENERGY HOLDINGS, LLC

By:

\_\_\_\_\_  
Name:  
Title:

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

PARENT: EARTHSTONE ENERGY, INC.

By:

\_\_\_\_\_  
Name:  
Title:

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

GUARANTORS: EARTHSTONE OPERATING, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

SABINE RIVER ENERGY, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

LYNDEN USA OPERATING, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

BOLD ENERGY III LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

BOLD OPERATING, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

INDEPENDENCE RESOURCES  
MANAGEMENT, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

INDEPENDENCE RESOURCES  
TECHNOLOGIES, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

INDEPENDENCE RESOURCES  
LAND COMPANY A, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO

INDEPENDENCE RESOURCES  
LAND COMPANY B, LLC

By: /s/ Mark Lumpkin, Jr.  
Name: Mark Lumpkin, Jr.  
Title: EVP & CFO



LENDER:

ROYAL BANK OF CANADA

By: /s/ Kristan Spivey  
Name: Kristan Spivey  
Title: Authorized Signatory

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LENDER:

TRUIST BANK

By: /s/ Benjamin L. Brown  
Name: Benjamin L. Brown  
Title: Director

LENDER:

CITIZENS BANK, N.A.

By: /s/ David Slye  
Name: David Slye  
Title: Managing Director

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LENDER:

KEYBANK NATIONAL ASSOCIATION

By: /s/ David M. Bornstein

Name: David M. Bornstein

Title: Senior Vice President

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

PNC BANK, NATIONAL ASSOCIATION

By: /s/ John Engel

Name: John Engel

Title: Senior Vice President

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

U.S. BANK NATIONAL ASSOCIATION

By: /s/ John C. Lozano

Name: John C. Lozano

Title: Senior Vice President

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

BBVA USA

By: /s/ Julia Barnhill

Name: Julia Barnhill

Title: Vice President

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

FIFTH THIRD BANK, National Association

By: /s/ Dan Condley  
Name: Dan Condley  
Title: Managing Director

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

IBERIABANK, A DIVISION OF FIRST  
HORIZON BANK

By: /s/ W. Bryan Chapman  
Name: W. Bryan Chapman  
Title: Market President-Energy Lending

Signature Page – Third Amendment to Credit Agreement  
Earthstone Energy Holdings, LLC

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LENDER:

BANK OF AMERICA, N.A.,

By: /s/ Victor F. Cruz

Name: Victor F. Cruz

Title: Director

Schedule 7.25



## **Earthstone Energy, Inc. Announces Increase in Borrowing Base** ***Borrowing Base Increases 32%; Liquidity Exceeds \$250 Million***

**The Woodlands, Texas, April 20, 2021** – Earthstone Energy, Inc. (NYSE: ESTE) (“Earthstone” or the “Company”), today announced that it has entered into an amendment to its senior secured revolving credit facility (“Credit Facility”) under which the borrowing base has been increased from \$360 million to \$475 million in connection with its regularly scheduled redetermination. Further, the amendment provides for an increase in the borrowing base from \$475 million to \$550 million upon closing of the Company’s previously announced acquisition of privately held assets located in the Midland Basin from Tracker Resource Development III, LLC and an affiliate and from affiliates of Sequel Energy Group LLC (collectively, the “Tracker Acquisition”).

As of March 31, 2021, we had \$1.4 million in cash and \$223.4 million of long-term debt outstanding under our Credit Facility. Adjusted for the increase in the borrowing base to \$475 million, we had \$251.6 million of undrawn borrowing base capacity and \$1.4 million in cash, resulting in total liquidity of approximately \$253.0 million. We continue to expect closing of the Tracker Acquisition to occur early in the third quarter of 2021. Based on the \$81.6 million cash consideration to be paid in the Tracker Acquisition and anticipated interim period cash flows that will reduce the cash requirement at closing, we expect a slight increase in liquidity at closing of the acquisition given the concurrent \$75 million increase in the borrowing base.

Robert J. Anderson, Earthstone’s President and CEO, commented, “The continued support of our lending group is reflective of our track record, strategy and financial discipline and we appreciate their participation. The support of our lenders along with our continued operational focus and acquisition activity emphasizing low-cost, high-margin producing assets has increased Earthstone’s scale and liquidity. Our strategy of consolidating assets to increase scale and efficiency remains intact with further optionality given our increased liquidity.”

### **About Earthstone Energy, Inc.**

Earthstone Energy, Inc. is a growth-oriented independent oil and gas company engaged in the acquisition, development and operation of oil and natural gas properties. The Company’s primary assets are located in the Midland Basin of west Texas and the Eagle Ford Trend of south Texas. Earthstone is traded on NYSE under the symbol “ESTE.” For more information, visit the Company’s website at [www.earthstoneenergy.com](http://www.earthstoneenergy.com).

### **Forward-Looking Statements**

This release 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-

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looking statements and may often, but not always, be identified by the use of such words such as “expects,” “believes,” “intends,” “anticipates,” “plans,” “estimates,” “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 benefits of the proposed Tracker Acquisition to Earthstone and its stockholders, the anticipated completion of the proposed Tracker Acquisition 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 that involve various risks and uncertainties that could cause actual results to differ materially from those reflected in the statements. These risks include, but are not limited to, those set forth in Earthstone’s annual report on Form 10-K for the year ended December 31, 2020 and its other Securities and Exchange Commission filings. Earthstone undertakes no obligation to revise or update publicly any forward-looking statements except as required by law.

#### **Additional Information About the Proposed Tracker Acquisition**

This release does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of a vote or proxy.

In connection with the proposed Tracker Acquisition, Earthstone intends to file with the SEC and mail to its stockholders a proxy statement and other relevant documents in connection with the proposed Tracker Acquisition. EARTHSTONE URGES INVESTORS AND STOCKHOLDERS TO READ THE PROXY STATEMENT AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT EARTHSTONE, TRACKER RESOURCE DEVELOPMENT III, LLC, SEQUEL ENERGY GROUP, LLC AND THE PROPOSED TRACKER ACQUISITION. Investors and stockholders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC’s website, [www.sec.gov](http://www.sec.gov). In addition, a copy of the proxy statement (when it becomes available) may be obtained free of charge from Earthstone’s website at [www.earthstoneenergy.com](http://www.earthstoneenergy.com). Investors and stockholders may also read and copy any reports, statements and other information filed by Earthstone, with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC’s website for further information on its public reference room. In addition, the documents filed with the SEC by Earthstone can be obtained free of charge from Earthstone’s website at [www.earthstoneenergy.com](http://www.earthstoneenergy.com) or by contacting Earthstone by mail at 1400 Woodloch Forest Drive, Suite 300, The Woodlands, Texas, 77380, or by telephone at (281) 298-4246.

#### **Contact**

Mark Lumpkin, Jr.  
Executive Vice President – Chief Financial Officer  
Earthstone Energy, Inc.  
1400 Woodloch Forest Drive, Suite 300  
The Woodlands, TX 77380  
281-298-4246  
[mark.lumpkin@earthstoneenergy.com](mailto:mark.lumpkin@earthstoneenergy.com)

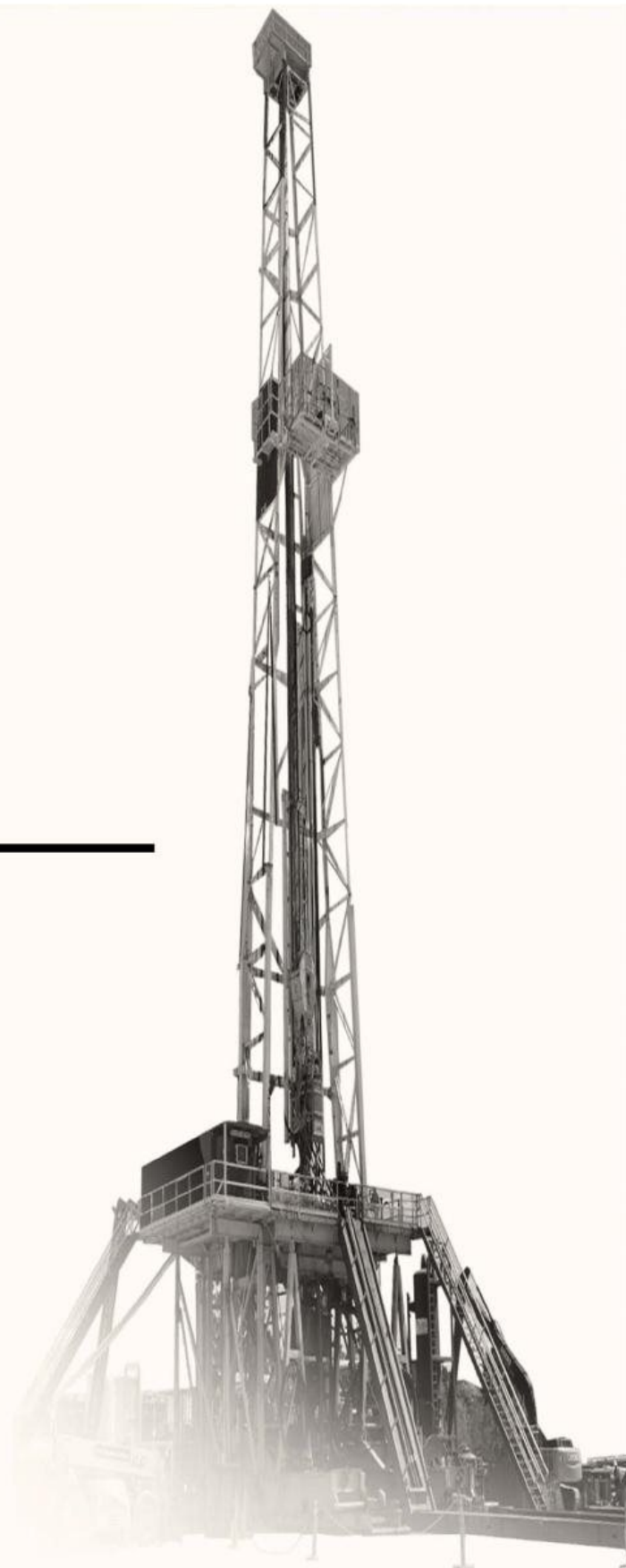
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Scott Thelander  
Vice President of Finance  
Earthstone Energy, Inc.  
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The Woodlands, TX 77380  
281-298-4246  
[scott@earthstoneenergy.com](mailto:scott@earthstoneenergy.com)



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Investor Presentation  
April 20, 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," "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 benefits of the proposed acquisition (the "Transaction") of certain assets from Tracker Resource Development III, LLC ("Tracker") and Sequel Energy Group, LLC ("Sequel") by Earthstone Energy, Inc. ("Earthstone" or the "Company") 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 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 complete the proposed Transaction on anticipated terms and timetable; Earthstone's ability to integrate the assets of Tracker and Sequel successfully after 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 the assets to be acquired in the Transaction; 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 the Company's Credit Facility; Earthstone's ability to generate sufficient cash flows from operations to fund all or portions of its future 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; any loss of senior management or technical personnel; and the direct and indirect impact on most or all of the foregoing on the evolving COVID-19 pandemic. Earthstone's annual report on Form 10-K for the year ended December 31, 2020, 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.

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 for hydrocarbons 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 2020 Form 10-K, subsequent 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 the data to reflect events or circumstances after the date of this presentation. Therefore, you are cautioned not to place undue reliance on the information in this presentation.

## 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 of IRM and pending Tracker Acquisition
Low Leverage Supported by Free Cash Flow	✓	1.2x pro forma leverage for 2020 (0.8x standalone) <sup>(1)</sup> supported by substantial free cash flow <sup>(2)</sup>
Strong Liquidity	✓	>\$250 million pro forma liquidity (cash + undrawn availability) as of 3/31/21 <sup>(3)</sup> as adjusted for borrowing base increase to \$475 million
High Commodity Price Protection	✓	~88% of 2021 oil production hedged <sup>(4)</sup>
High Margin, Low Cost Production	✓	Leading cash margins & low cost structure with \$11.08 per BOE of all-in cash costs <sup>(5)</sup> in FY 2020
Commitment & Focus	✓	"Do the right thing" commitment to stakeholders, employees and environment

(1) Leverage reflects 12/31/20 total debt / 2020 Adjusted EBITDAX; pro forma leverage represents Earthstone leverage at 12/31/20 as adjusted for the closing of the IRM acquisition on 1/7/21

(2) Free cash flow defined as Adjusted EBITDAX less interest expense less capital expenditures

(3) Liquidity based on estimated 3/31/21 ESTE debt and cash balance with borrowing base as adjusted for April 2021 increase to \$475MM

(4) Based on midpoint of 2021 production guidance, which does not include expected impact of Tracker on 2H2021 production

(5) 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

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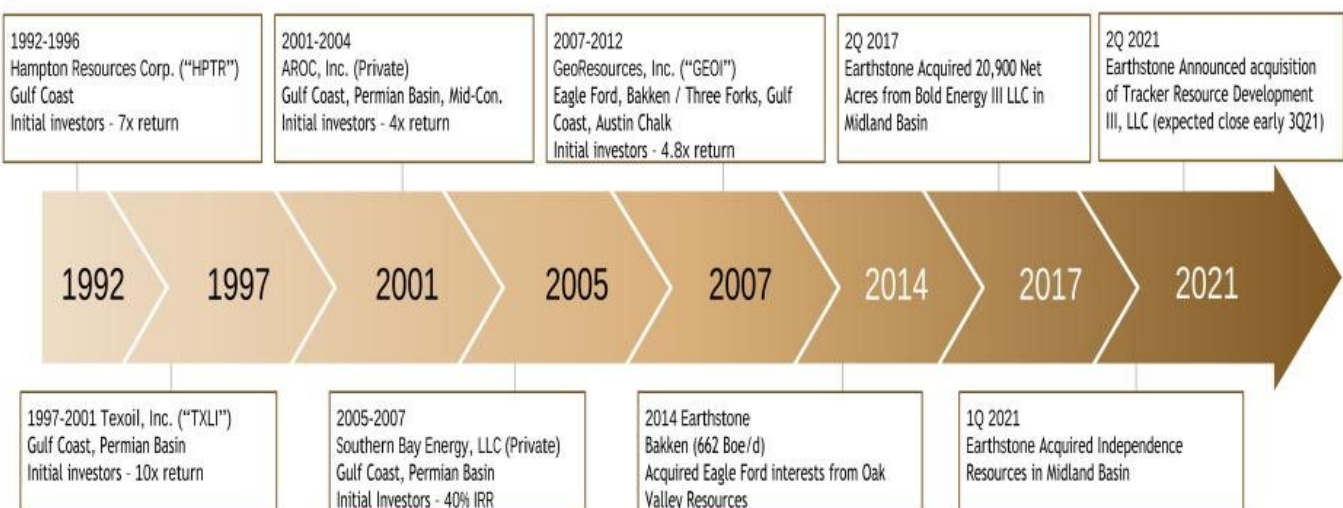


# Proven Leadership and Track Record of Value Creation

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



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## 2021: Increasing Scale and Efficiency Through Consolidation

- Over \$300 million in aggregate YTD acquisitions of Independence Resources Management, LLC (closed 1/7/2021<sup>(1)</sup>) and Tracker Resource Development (announced 4/1/2021, pending closing)

			Combined
Announced Date	12/18/2020	4/1/2021	
Closing Date	1/7/2021	Early 3Q 2021	
1-Day Stock Price Impact	+17.7%	+25.3%	
Acquisition Price (\$mm) <sup>(1)</sup>	\$186	\$126	\$312
PDP PV10 (\$mm) <sup>(2)</sup>	\$173	\$153	\$326
Production (Boepd) <sup>(3)</sup>	8,800	7,800	16,600
% Liquids	85%	59%	73%
Net Acreage	43,400	20,300	63,700
Drilling Locations <sup>(4)</sup>	70	49	119

(1) IRM acquisition price of \$182MM based on \$50.8MM of equity consideration (approximately 12.7MM shares and ESTE share price of \$3.99 on 12/16/20) and cash consideration of \$131.2MM. Tracker acquisition price of \$126MM based on \$44.2MM of equity consideration (approximately 6.2MM shares and ESTE share price of \$7.24 on 3/30/21) and cash consideration of \$81.6MM. Includes assets from Tracker Resource Development III, LLC and an affiliate and from affiliates of Sequel Energy

(2) Based on ESTE estimates; PV10 as of 12/1/20 based on NYMEX strip pricing as of 11/30/20 for IRM and as of 3/1/21 based on NYMEX strip pricing as of 3/29/21 for Tracker

(3) Estimated 3Q 2020 production for IRM and estimated March 2021 production for Tracker

(4) ESTE estimated drilling locations exceeding ESTE rate of return threshold based on 11/30/20 NYMEX strip pricing for IRM and \$50/bbl flat oil pricing for Tracker

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## Recent Acquisitions Meet Key Earthstone Criteria

Earthstone Objectives	Commentary	IRM / Tracker Acquisitions
Increase Scale at Favorable Valuations	<ul style="list-style-type: none"> <li>▪ ~75% increase in ESTE base production volumes</li> <li>▪ PDP-focused purchase price valuation</li> </ul>	✓
High Quality Basin & Acreage Position	<ul style="list-style-type: none"> <li>▪ Complementary Midland Basin acreage footprint</li> <li>▪ Adds ~120 high-graded drilling locations</li> </ul>	✓
Increase Free Cash Flow Capacity	<ul style="list-style-type: none"> <li>▪ Increased cash flow base positions ESTE for continued organic growth within free cash flow</li> </ul>	✓
Maintain Balance Sheet Strength	<ul style="list-style-type: none"> <li>▪ ESTE targeting sub-1.25x leverage at YE21 <sup>(1)</sup></li> <li>▪ &gt;50% undrawn borrowing base <sup>(2)</sup></li> </ul>	✓
Maintain Leading Cost Structure & Margins	<ul style="list-style-type: none"> <li>▪ Maintains low cost, high margin operating metrics</li> <li>▪ Eliminate ~95% of IRM/Tracker G&amp;A</li> </ul>	✓

(1) Pro forma for pending Tracker Acquisition; leverage defined as total debt to Adjusted EBITDAX

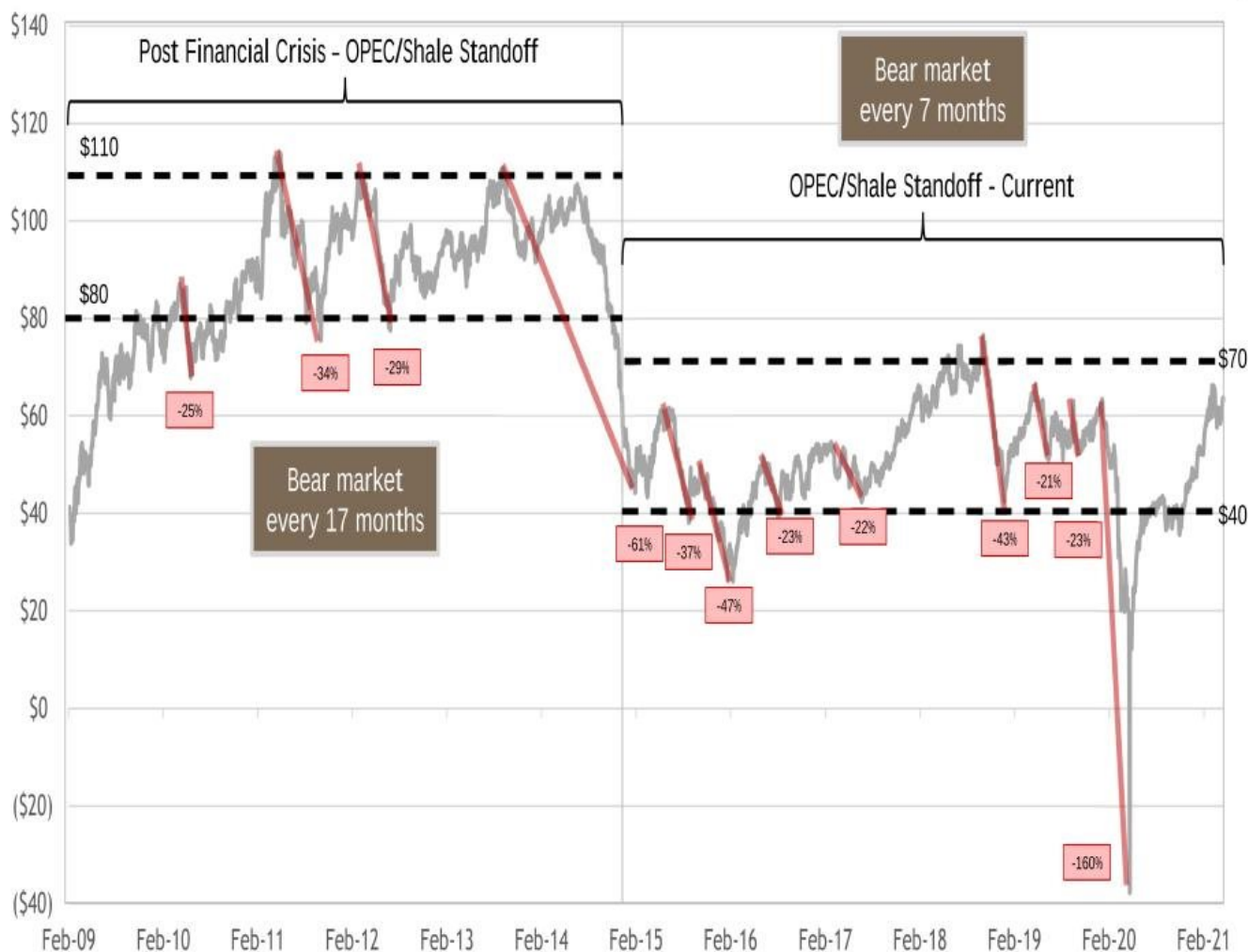
(2) Based on Credit Facility balance as of 3/31/21, as adjusted for increase in borrowing base to \$475MM in April 2021

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# 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-gear 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

WTI Crude Oil Spot Price Since 2009

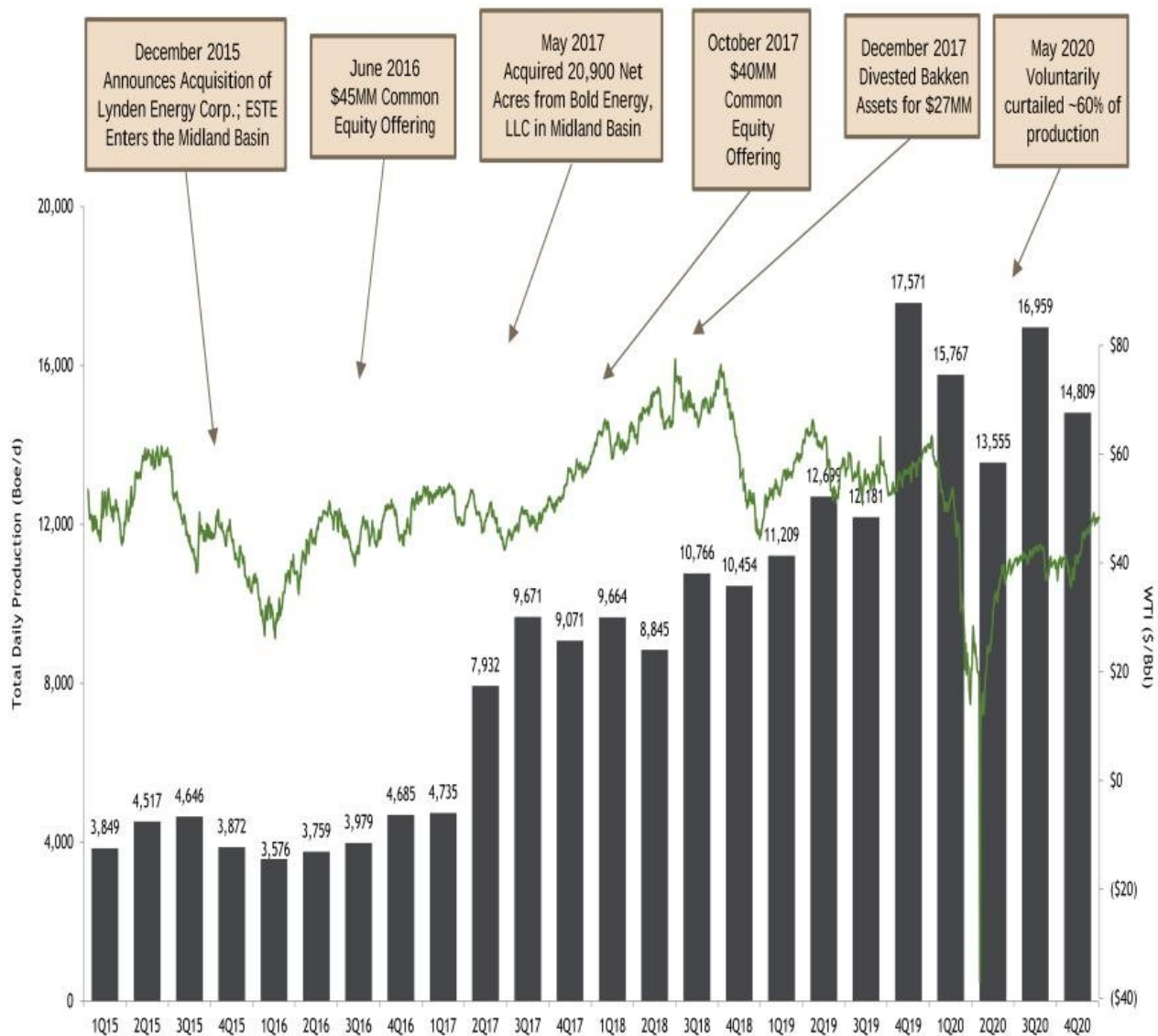


Source: Factset data as of 4/19/2021

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# 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	4Q20
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	\$30
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	\$20
Total Debt / LQA 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	1.0x
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	\$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%	32%

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; excludes acquisitions

(3) Liquidity defined as revolver availability + cash; Liquidity % defined as (revolver availability + cash) / borrowing base. Liquidity in 4Q20 pro forma for IRM acquisition

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# 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 (-32,800 core net acres<sup>(1)</sup>)
  - Additional 38,500 net acres in the Midland Basin and 12,500 net acres in the Eagle Ford
  - Pending additional -20,300 net acres in the Midland Basin from Tracker
- Strategy of growing through the drill bit, organic leasing, and attractive asset acquisitions and business combinations
- 2020 4Q production of 22,128 Boe/d (53% oil, 76% liquids)<sup>(2)</sup>

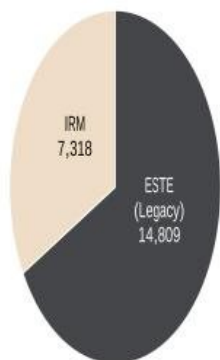
## Market Statistics<sup>(3)</sup>

(\$ in millions, except share price)

Class A Common Stock (MM)	43.6
Class B Common Stock (MM)	34.4
Total Common Stock Outstanding (MM)	78.1
Stock Price (as of 4/19/21)	\$7.00
Market Capitalization	\$546.6
Plus: Total Debt (as of 3/31/21)	\$223.4
Less: Cash (as of 3/31/21)	(1.4)
<b>Enterprise Value</b>	<b>\$768.6</b>

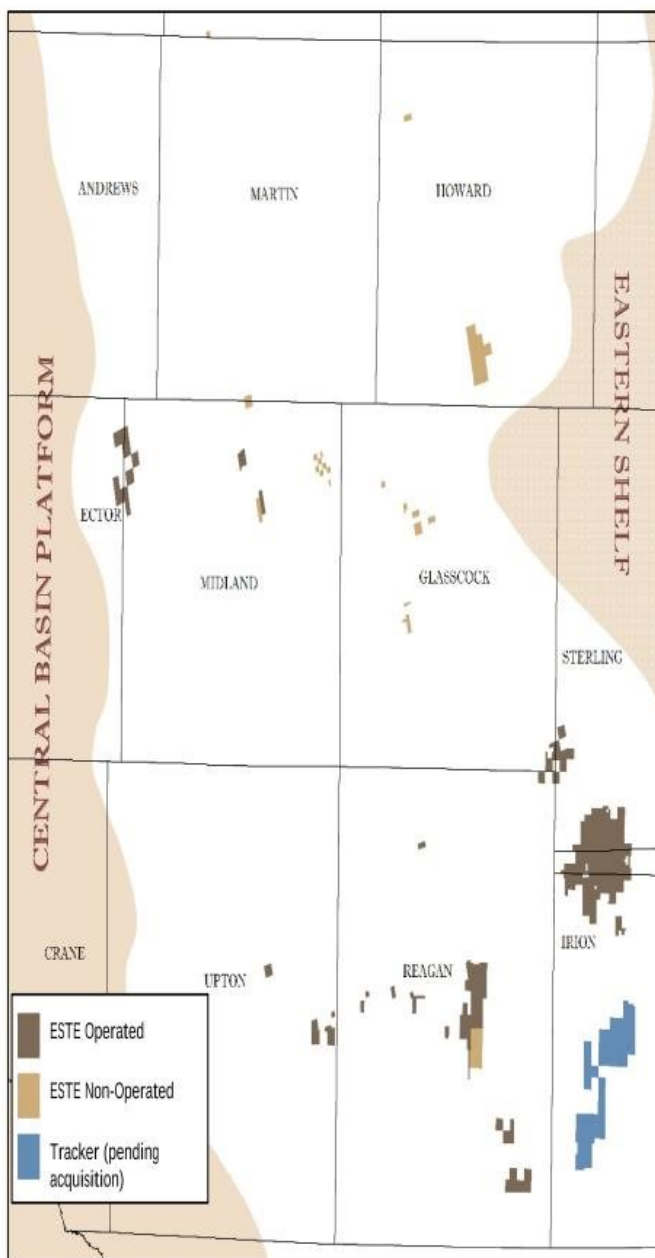
## Production Summary<sup>(2)</sup>

4Q20 Net Sales Volumes: 22,128 Boe/d



**Tracker**  
5,800 - 6,000 boepd  
estimated  
production 2H 2021

## Midland Basin Asset Overview



(1) Includes -4,900 core net acres from acquisition of IRM. Total Midland Basin -71,300 net acres

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

(3) Class A and Class B Common Stock outstanding as of 3/4/21. Total ESTE debt and cash as of 3/31/21 (excludes impact of pending Tracker acquisition)

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## Earthstone Overview

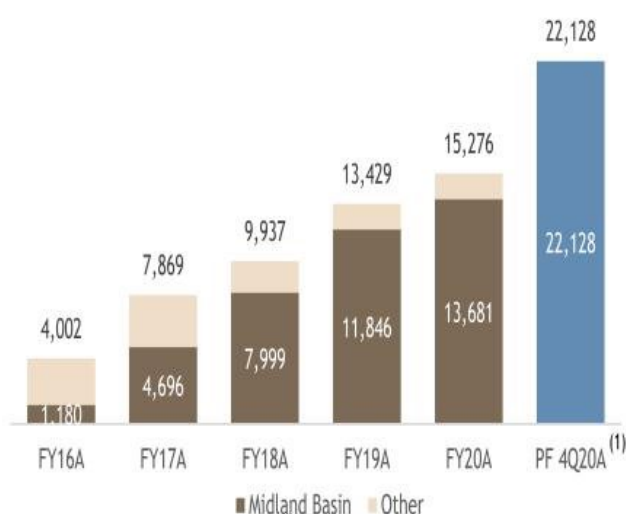
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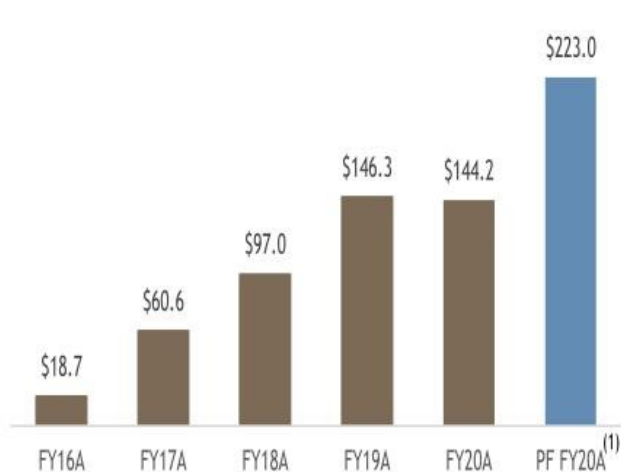
## Midland Basin Growth Story

- 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

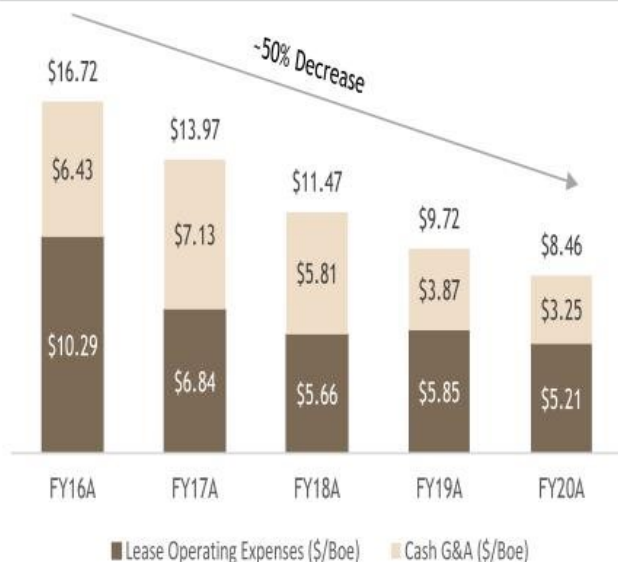
Average Daily Production (Boe/d)



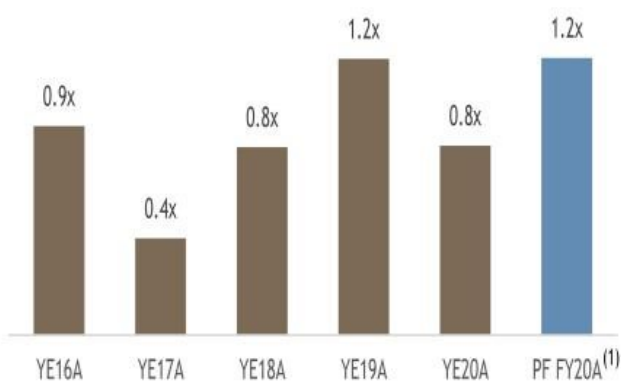
Adjusted EBITDAX (\$MM)



Lease Operating Expense and Cash G&A<sup>(2)</sup> (\$/Boe)



Debt / Adjusted LTM EBITDAX



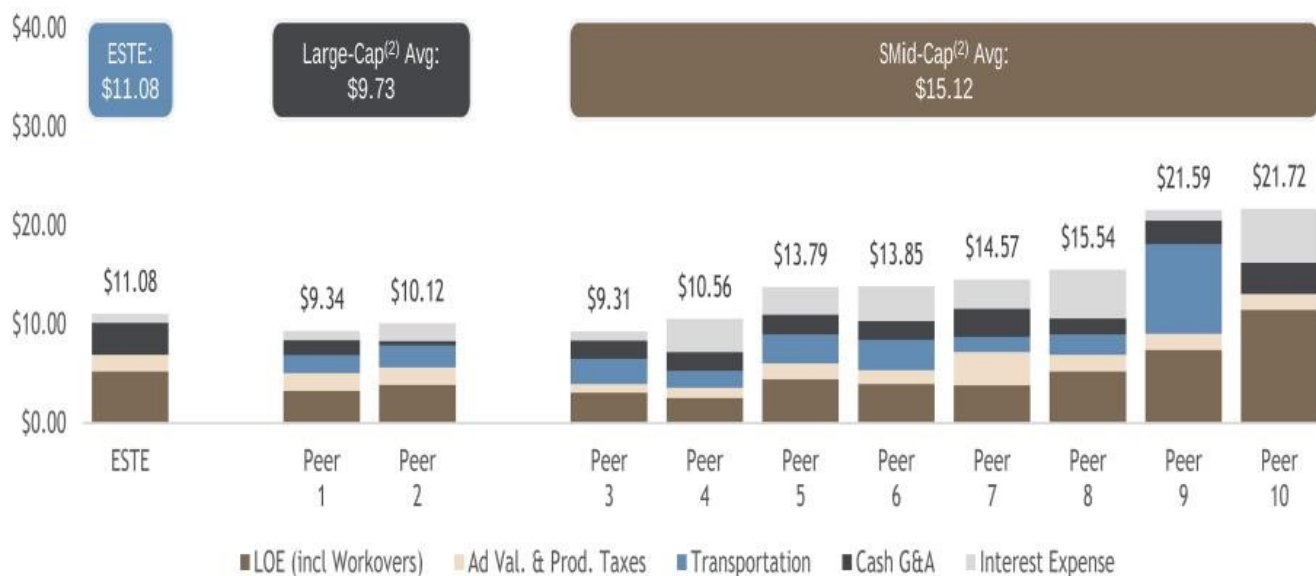
(1) Pro forma for acquisition of IRM  
 (2) Excludes stock-based compensation

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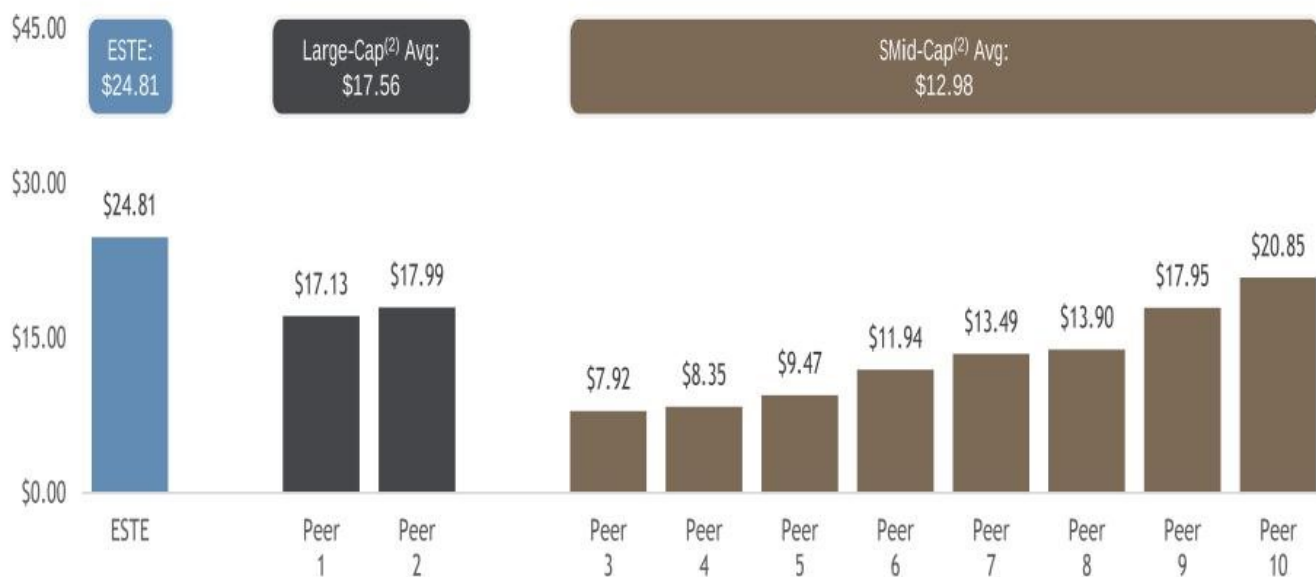


# Low Cost Production Generates Leading Cash Margins

FY20 All-in Cash Costs (\$/Boe)<sup>(1)</sup>



FY20 All-in Cash Margin (\$/Boe)<sup>(1)</sup>

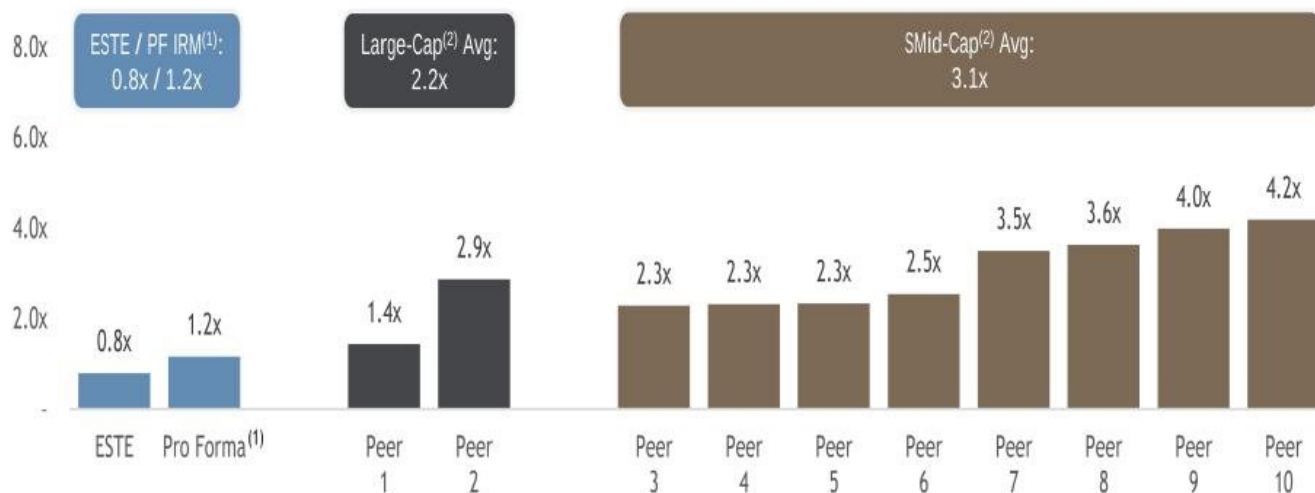


(1) All-in cash margin calculated on a per Boe basis as revenues after realized hedge impact less all-in cash costs, which consists of LOE, ad valorem and production taxes, transportation expense, cash G&A expense and interest expense. Excludes impact of income taxes. Cash G&A and interest expense includes 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 PKD. SMid-Cap includes: BATL, CDEV, CPE, LPI, MTDR, REI, SM and XEC

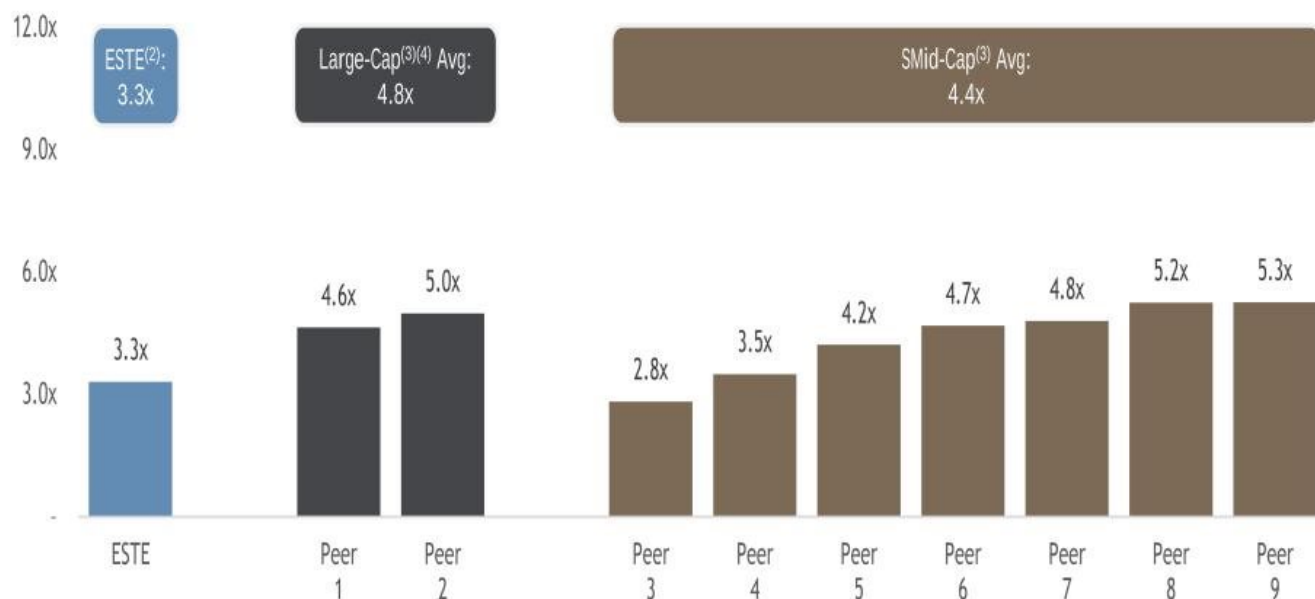
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# Leading Leverage Metrics but Undervalued Equity Trading

## YE20 Total Debt / FY20 EBITDAX



## Enterprise Value to 2022E EBITDAX



Source: Factset, Wall Street research. Market Data as of 4/19/21

(1) Pro forma for acquisition of IRM

(2) Pro forma for acquisition of IRM and Tracker

(3) Large-Cap includes: FANG and PXD. SMid-Cap includes: BATL, CDEV, CPE, LPI, MTDR, REI, SM and XEC (BATL excluded in bottom chart due to lack of research coverage)

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

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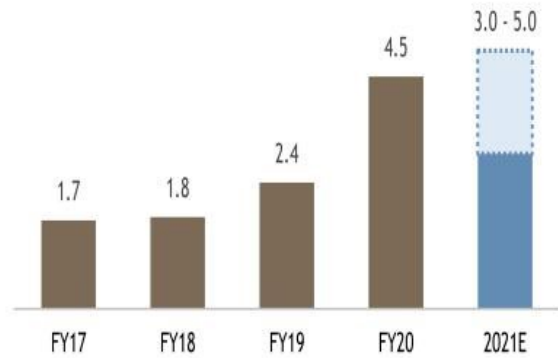
# Continuous Focus on Operational Improvement

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

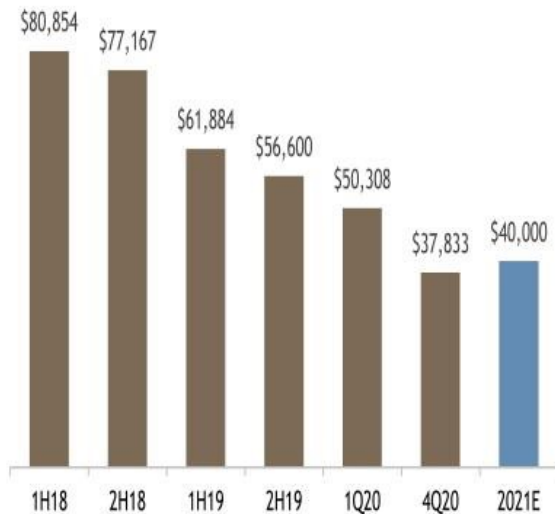
Actual Drilling, Completions & Equip. Cost (\$/Lat Ft.)<sup>(1)</sup>



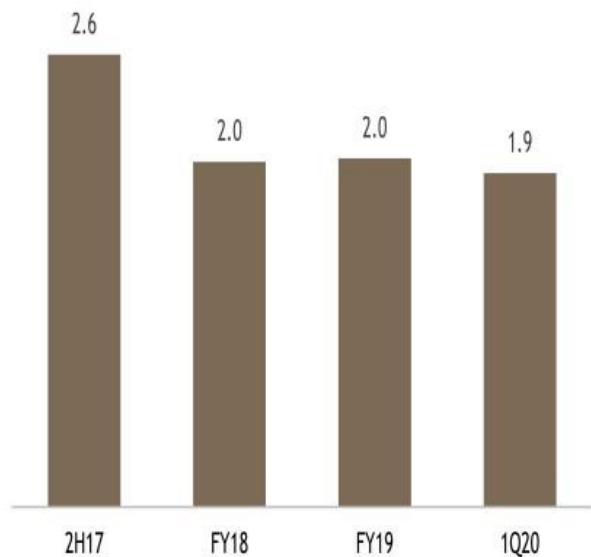
Average Number of Wells Per Pad



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)

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## 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% to 42% in 2020
- ✓ 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

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## Executive Compensation Fully Aligned with Shareholders

- Leading executive compensation practices
  - Consistent with investor demands
  - Focused on share price and corporate performance
  - Designed to incentivize management for performance
- Lower cash, higher equity weighted compensation structure
  - Meaningful compensation but below peers<sup>(1)</sup>
  - Annual cash incentive is 100% at risk and target below peers<sup>(1)</sup>
  - Equity compensation aligned with shareholders and dependent upon stock performance
    - 75% of shares at-risk based solely on shareholder return (see right side of page)
    - 25% of shares vest over 3-year period

75% of Equity Compensation based on 3-year Absolute Shareholder Return<sup>(2)</sup>

3-Year Total Shareholder Return <sup>(3)</sup>	Payout (% of target) <sup>(3)</sup>
<25%	0%
25% - 50%	50-100%
50% - 75%	100-200%
>75%	200%

Majority of executive compensation is based directly on shareholder gains

(1) Peers include all U.S. public upstream operators with market capitalization from \$250MM to \$1.0BN as of 1/29/2021: BRY, BCEI, CPE, CDEV, MCF, LPI, OAS, PVAC, QEP, TALO, WTI, WLL. Data based on 2020 SEC proxy filings

(2) Absolute shareholder return includes change in stock price plus impact of dividends paid

(3) Based on 2021 long term equity incentive plan awards

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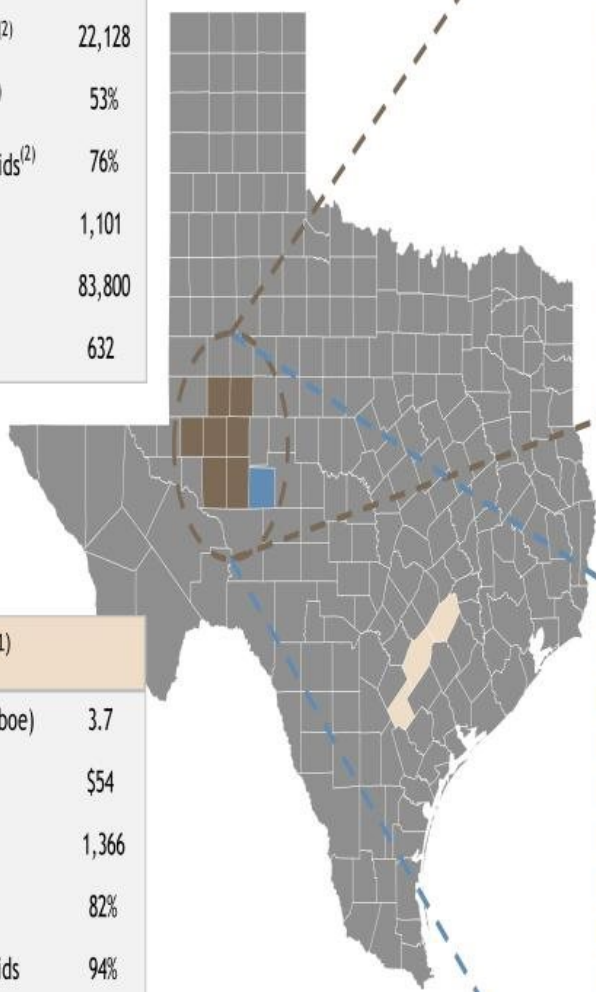
# Areas of Operations

Total (excludes Tracker) <sup>(1)</sup>	
Total Proved Developed (Mmboe)	56.0
Total PD PV-10 (\$mm)	\$653
4Q20 Net Production (Boe/d) <sup>(2)</sup>	22,128
4Q20 Net Production - % Oil <sup>(2)</sup>	53%
4Q20 Net Production - % Liquids <sup>(2)</sup>	76%
Gross Producing Wells	1,101
Net Acres	83,800
Gross Drilling Locations	632

ESTE Midland Basin <sup>(1)</sup>	
Total Proved Developed (Mmboe)	52.3
Total PD PV-10 (\$mm)	\$598
4Q20 Net Production (Boe/d)	20,762
4Q20 Net Production - % Oil	51%
4Q20 Net Production - % Liquids	75%
Gross Producing Wells	980
Net Acres	71,300
Gross Drilling Locations	632

Eagle Ford <sup>(1)</sup>	
Total Proved Developed (Mmboe)	3.7
Total PD PV-10 (\$mm)	\$54
4Q20 Net Production (Boe/d)	1,366
4Q20 Net Production - % Oil	82%
4Q20 Net Production - % Liquids	94%
Gross Producing Wells	121
Net Acres	12,500
Gross Drilling Locations	0

Tracker	
PDP Reserves (Mmboe) <sup>(3)</sup>	19.8
PDP PV-10 (\$mm) <sup>(3)</sup>	\$153
Mar21 Net Production (Boe/d) <sup>(4)</sup>	~7,800
Mar21 Net Production - % Oil <sup>(4)</sup>	21%
Mar21 Net Production - % Liquids <sup>(4)</sup>	59%
Gross Producing Wells	71
Net Acres	-20,300
Gross Drilling Locations <sup>(5)</sup>	49



(1) Based on ESTE management estimates of reserves as of 12/31/20 assuming Oil - \$50/Bbl, Gas - \$2.50/Mcf. Excludes impact of pending Tracker acquisition

(2) Represents estimated sales volumes

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

(4) Estimated March 2021 three-stream sales volumes

(5) 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

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# Substantial Economic Inventory in The Midland Basin

(Excludes Impact of Pending Tracker Acquisition)

## 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>	
<b>% Total (Gross)</b>	<b>13%</b>	<b>33%</b>	<b>54%</b>	<b>100%</b>	

## 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	Length	WI	
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

## (Excludes Impact of Pending Tracker Acquisition)

ESTE 2021 Capital Budget					2021 FY Guidance			
		Gross / Net Operated	Gross / Net Operated	Net Non-Op	2021 Average Daily Production (Boepd)	19,500	-	21,000
(\$ in millions)		Wells Spudded	Wells On Line	Wells On Line	% Oil	52%	-	54%
Drilling and Completion	\$80 - \$90	21 / 18.5	16 / 13.5	0.7	% Liquids	77%	-	79%
Land / Infrastructure	\$10							
<b>Total</b>	<b>\$90 - \$100</b>				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 (3/31/21) <sup>(2)</sup>	
<p>89% Drilling and Completion, 11% Land / Infrastructure</p>		(\$mm)	3/31/2021
		Cash	\$1.4
		Revolver Borrowings	223.4
		<b>Total Debt</b>	<b>\$223.4</b>
		Revolver Borrowing Base	475.0
		Less: Revolver Borrowings	(223.4)
		Plus: Cash	1.4
		<b>Liquidity</b>	<b>\$253.0</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) Excludes impact of pending Tracker acquisition

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## 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	843,925	9,173	\$48.91
4Q 2021	849,475	9,233	\$49.29
FY 2021	3,441,500	9,429	\$48.34
FY 2022	1,732,250	4,746	\$53.64

Gas Production Hedges - 100% Swaps			
Period	Volume (MMBtu)	Volume (MMBtu/d)	\$/MMBtu
1Q 2021	1,412,000	15,689	\$2.784
2Q 2021	1,820,000	20,000	\$2.813
3Q 2021	1,840,000	20,000	\$2.813
4Q 2021	1,840,000	20,000	\$2.813
FY 2021	6,912,000	18,937	\$2.807
1Q 2022	450,000	5,000	\$2.971

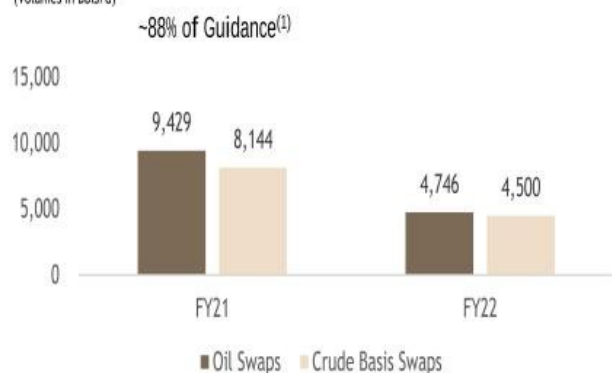
WTI Midland Argus Crude Basis Swaps			
Period	Volume (Bbls)	Volume (Bbls/d)	\$/Bbl (Differential)
1Q 2021	742,840	8,254	\$0.77
2Q 2021	720,260	7,915	\$0.78
3Q 2021	751,925	8,173	\$0.79
4Q 2021	757,475	8,233	\$0.80
FY 2021	2,972,500	8,144	\$0.79
FY 2022	1,642,500	4,500	\$0.74

WAHA Differential Basis Swaps			
Period	Volume (MMBtu)	Volume (MMBtu/d)	\$/MMBtu
1Q 2021	1,412,000	15,689	(\$0.402)
2Q 2021	1,820,000	20,000	(\$0.366)
3Q 2021	1,840,000	20,000	(\$0.366)
4Q 2021	1,840,000	20,000	(\$0.366)
FY 2021	6,912,000	18,937	(\$0.373)
1Q 2022	450,000	5,000	(\$0.228)

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)

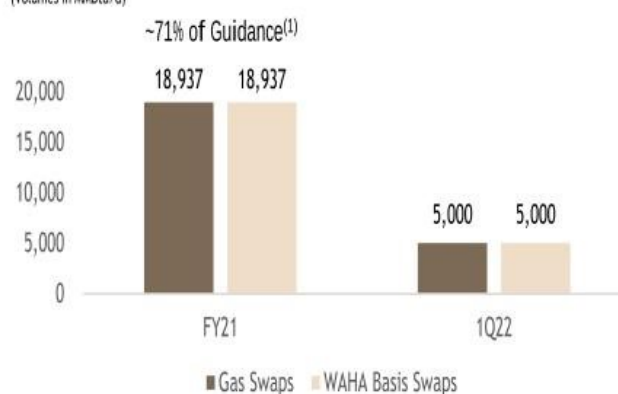
### Oil Production Swaps

(Volumes in Bbls/d)



### Gas Production Swaps

(Volumes in MMBtu/d)



Note: Hedgebook as of 4/9/21; excludes impact of pending Tracker acquisition

(1) Based on midpoint of FY2021 guidance (19,500 - 21,000 Boe/d; 52% - 54% oil, 21% - 23% gas)

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## Analyst Coverage

Firm	Analyst Contact Info
Alliance Global Partners	Andrew Bond / 203-577-5427 / abond@alliancecg.com
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Scott Thelander Vice President of Finance

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## Appendix

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## 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 measure not prepared in accordance with accounting principles generally accepted in the United States ("GAAP") 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>

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## Reserves Summary - Alternative

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			Tracker(1)	COMBINED		
	Proved Developed	Proved Undeveloped	Total	Proved Developed	Proved Undeveloped	Total	Proved Developed	Proved Developed	Proved Undeveloped	Total
Oil (MBbls)	19,547	21,530	41,077	9,551	8,570	18,121	3,336	32,434	30,100	62,534
Gas (MMcf)	57,891	56,580	114,471	17,789	5,125	22,914	50,836	126,516	61,705	188,221
NGL (MBbls)	10,502	10,316	20,818	3,834	1,105	4,939	8,022	22,358	11,421	33,779
Total (MBoe)	39,698	41,276	80,974	16,350	10,529	26,879	19,831	75,879	51,805	127,684
PV-10 <sup>(2)</sup> (\$ in thousands)	\$452,780	\$265,499	\$718,279	\$199,960	\$104,331	\$304,291	\$141,353	\$794,093	\$369,830	\$1,163,923

(1) Based on internal estimates utilizing \$50 oil and \$2.50 gas effective as of 3/1/21

(2) 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

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

Earthstone uses Adjusted EBITDAX, a financial measure that is not presented in accordance with 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:

FY 2020 Adjusted EBITDAX (\$ in 000s)		FY 2019 Adjusted EBITDAX (\$ in 000s)	
	FY 20		FY 19
Net (loss) income	(\$29,434)	Net (loss) income	\$1,580
Accretion of asset retirement obligations	\$307	Accretion of asset retirement obligations	\$214
Depreciation, depletion and amortization	\$96,414	Depreciation, depletion and amortization	\$69,243
Impairment expense	\$64,498	Impairment expense	\$0
Interest expense, net	\$5,232	Interest expense, net	\$6,566
Transaction costs	\$622	Transaction costs	\$1,077
Rig termination expense	\$426	Rig termination expense	\$0
Loss (gain) on sale of oil and gas properties	(\$204)	Loss (gain) on sale of oil and gas properties	(\$3,222)
Exploration expense	\$298	Exploration expense	\$653
Unrealized loss (gain) on derivative contracts	(\$3,855)	Unrealized loss (gain) on derivative contracts	\$59,849
Stock based compensation (non-cash) <sup>(1)</sup>	\$10,054	Stock based compensation (non-cash) <sup>(1)</sup>	\$8,648
Income tax expense (benefit)	(\$112)	Income tax expense (benefit)	\$1,665
<b>Adjusted EBITDAX</b>	<b>\$144,246</b>	<b>Adjusted EBITDAX</b>	<b>\$146,273</b>

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

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

The following table provides a reconciliation of Earthstone's and IRM's Net (loss) income to Adjusted EBITDAX for:

Combined FY 2020 Adjusted EBITDAX (\$ in 000s)			
	ESTE	IRM	Combined
Net (loss) income	(\$29,434)	\$18,154	(\$11,280)
Accretion of asset retirement obligations	\$307	\$1,277	\$1,584
Depreciation, depletion and amortization	\$96,414	\$46,230	\$142,644
Impairment expense	\$64,498	\$0	\$64,498
Interest expense, net	\$5,232	\$9,845	\$15,077
Transaction costs	\$622	\$0	\$622
Rig termination expense	\$426	(\$24)	\$402
Loss (gain) on sale of oil and gas properties	(\$204)	\$0	(\$204)
Exploration expense	\$298	\$0	\$298
Unrealized loss (gain) on derivative contracts	(\$3,855)	\$1,109	(\$2,746)
Stock based compensation (non-cash) <sup>(1)</sup>	\$10,054	\$1,799	\$11,853
Income tax expense (benefit)	(\$112)	\$362	\$250
<b>Adjusted EBITDAX</b>	<b>\$144,246</b>	<b>\$78,752</b>	<b>\$222,998</b>

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

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