

Investment Banking Update

\$950 MILLION

October 17, 2018



Has agreed to acquire



The undersigned served as independent financial advisor and provided a fairness opinion to the special committee of the board of directors of Earthstone

Stephens Inc.

Transaction Details

- On October 17, 2018, Earthstone Energy, Inc. (NYSE: ESTE) ("Earthstone") announced that it had entered into an agreement with Sabalo Holdings, LLC ("Sabalo Holdings"), whereby Earthstone will acquire all of Sabalo Holdings' interests in Sabalo Energy, LLC ("Sabalo") and Sabalo Energy, Inc., whose assets include both producing and non-producing oil and gas assets in the northern Midland Basin (predominately in Howard County, Texas)
 - In addition, on October 17, 2018, Sabalo entered into an agreement to acquire certain well-bore interests held by Shad Permian, LLC ("Shad"), which was part of a drilling joint venture between Sabalo and Shad
- As a result of these agreements, Earthstone expects to acquire 20,800 net acres located in the Midland Basin and an estimated 488 gross operated horizontal drilling locations and 349 gross non-operated horizontal drilling locations for an aggregate purchase price of \$950 million (the "Sabalo Acquisition") which consists of \$650 million in cash and \$300 million in stock at ~\$9.28 per share, comprised of 32,315,695 shares of Earthstone Class B common stock and corresponding membership interests of Earthstone Energy Holdings, LLC
- Sabalo's and Shad's combined average estimated production for the month of September 2018 was ~11,200 Boe/d (~83% oil)
- Stephens Inc. served as independent financial advisor and provided a fairness opinion to the special committee of the board of directors of Earthstone

According to the Company's Press Release:

Earthstone Energy, Inc.

Earthstone Energy, Inc. is a growth-oriented, independent energy company engaged in the development and operation of oil and natural gas properties. Its primary assets are located in the Midland Basin of west Texas and the Eagle Ford Trend of south Texas. Earthstone is listed on the New York Stock Exchange under the symbol "ESTE." For more information, visit Earthstone's website at www.earthstoneenergy.com.

Sabalo Energy, LLC

Sabalo is a privately-held oil and gas company based in Corpus Christi, Texas and is a portfolio company of EnCap Investments L.P.

Source: Company filings.

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