

# INVESTMENT BANKING UPDATE

November 8, 2016

**Undisclosed**



*Has combined with*



*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 November 8, 2016, Earthstone Energy, Inc. (NYSE MKT: ESTE) ("Earthstone" or the "Company") and Bold Energy III LLC ("Bold"), a portfolio company of EnCap Investments L.P. ("EnCap"), announced that they have entered into a definitive contribution agreement (the "Agreement") under which Earthstone will acquire all of the outstanding membership interests of Bold, inclusive of producing assets and undeveloped acreage, in an "Up-C" transaction (the "Transaction")
  - Upon completion of the Transaction, current Earthstone stockholders will own approximately 39% of the combined company, and Bold members will own the remaining 61% on a fully diluted basis
  - Bold's asset base consists of ~20,900 net surface acres (62,500 net effective acres) in the core of the Midland Basin, and current net production of ~2,320 Boepd (63% oil) predominantly from 18 gross (12.6 net) horizontal operated Wolfcamp wells
- The Transaction represents a transformational shift for Earthstone to a high-growth, Midland Basin-focused operating company
- The existing Earthstone management team, including President and CEO, Frank A. Lodzinski, will lead the combined company
- 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 & Publicly Available Information

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

Earthstone Energy, Inc. is a growth-oriented independent oil and gas exploration and production company engaged in developing and acquiring oil and gas reserves through an active and diversified program that includes acquiring, drilling and developing undeveloped leases, asset and corporate acquisitions and exploration activities, with its primary assets located in the Midland Basin of west Texas, the Eagle Ford trend of south Texas, and the Williston Basin of North Dakota. Earthstone is traded on NYSE MKT under the symbol "ESTE."

### **Bold Energy III LLC**

Bold Energy III is a Midland, Texas-based independent oil and gas acquisition and development company focused on acquiring and exploiting reserves in the Permian Basin. Management seeks to leverage their significant relationships and their extensive operational experience in the region in order to create value. EnCap initially partnered with the Bold management team through Bold Energy and Bold Energy II.

Sources: Company filings and publicly available information.

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