

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attached

Blank lined area for listing applicable Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See Attached

Blank lined area for answering question 18.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attached

Blank lined area for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Tony Oviedo*

Date ▶ 6/23/17

Print your name ▶ Tony Oviedo

Title ▶ EVP-Acctg; Admin

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check if self-employed PTIN

Kevin L. Brown, Esq.

6-23-2017

Firm's name ▶ Jones & Keller, PC

Firm's EIN ▶ 84-1157986

Firm's address ▶ 1999 Broadway, Suite 3150, Denver, CO 80202

Phone no. 303-573-1600

Earthstone Energy, Inc.

Attachment to IRS Form 8937

Report of Organizational Actions Affecting Basis of Securities

CONSULT YOUR TAX ADVISOR: The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Recapitalization (as defined below). The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. You are urged to consult your own tax advisor regarding the particular consequences of the Recapitalization to you, including the applicability and effect of all U.S. federal, state, local and foreign tax laws, as applicable.

Form 8937 – Part II – Item 14 (Description of Organizational Action):

On May 9, 2017, pursuant to the terms of a certain Contribution Agreement dated as of November 7, 2016, as amended on March 21, 2017, Earthstone Energy, Inc., a Delaware corporation (“Company”), in a reorganization, recapitalized its common stock into two classes, Class A common stock and Class B common stock. All of the Company’s then existing common stock was automatically converted into Class A common stock on a one-for-one basis (the “Recapitalization”). No cash consideration was paid for the existing common stock.

Form 8937 – Part II – Item 15 (Description of the Quantitative Effect of the Organizational Action):

The tax basis of each share of Class A common stock received by a Company shareholder as a result of the Recapitalization will equal the tax basis of the common stock exchanged therefor. Company shareholders that acquired shares of common stock at different times or different prices will need to calculate their tax basis in each block of shares of Class A common stock.

Form 8937 – Part II – Item 16 (Description of the Calculation of the Change in Basis):

Because the Recapitalization is intended to qualify as a tax-free reorganization under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended (the “Code”), and all common stock was automatically converted into Class A common stock on a one-for-one basis without any cash consideration, the Company shareholders did not recognize any gain or loss on the receipt of the Class A common stock. Accordingly, pursuant to Code Section 358, the Company shareholders will have a tax basis in the Class A common stock equal to their tax basis in the common stock surrendered.

Form 8937 – Part II – Item 17 (List of Applicable Internal Revenue Code Sections):

Code Sections 354, 358 and 368(a)(1)(E)

Form 8937 – Part II – Item 18 (Recognition of Loss):

No loss will be recognized on the Recapitalization.

Form 8937 – Part II – Item 19 (Other Information):

The Recapitalization occurred in calendar year 2017.