

**BASIC EARTH SCIENCE
SYSTEMS, INC.**

(EARTHSTONE ENERGY, INC.)

Annual Shareholder Meeting

December 15, 2009



“SAFE HARBOR” DISCLOSURE

This presentation contains statements that are forward looking within the meanings of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “expect,” “intend,” “project,” “estimate,” “anticipate,” “believe,” or “continue” or the negative thereof or similar terminology. All statements other than statements of historical facts included in this presentation, including, without limitation, statements regarding the Company’s future financial position, business strategy, budgets, projected costs, plans to move to a national exchange, and plans and objectives for future operations, staffing and acquisitions, are “forward looking” statements that involve various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

“SAFE HARBOR” DISCLOSURE (Cont.)

Important factors that could cause actual results to differ materially from these forward-looking statements include: inherent uncertainties in interpreting engineering and reserve or production data; operating hazards; delays or cancellations of drilling operations because of weather and other natural and economic forces; fluctuations in oil and natural gas prices in response to changes in supply; competition from other companies with greater resources; environmental and other government regulations; defects in title to properties; increases in the Company’s cost of borrowing or inability or unavailability of capital resources to fund capital expenditures; and other risks described under “Risk Factors” in Part I, Item 1 of the Company’s latest Annual Report on Form 10-K filed with the Securities and Exchange Commission and elsewhere in the Company’s documents filed from time to time with the Securities and Exchange Commission. All forward-looking statements included in this presentation are based on information available to the Company on the date hereof. The Company assumes no obligation to update any forward-looking statements.

Company Presentation

- 2009 Overview/Background
- Operational Overview
- Financial Overview
- Recent Projects
- Acquisition Status
- What Does The Future Look Like?
- Questions & Answers



2009 Overview/Background

- Accounting & Reporting
 - Department Re-Structure
 - Re-statement of Financial Statements
 - New Auditors
 - Sarbanes-Oxley Compliance
 - Prepare For New Accounting Software

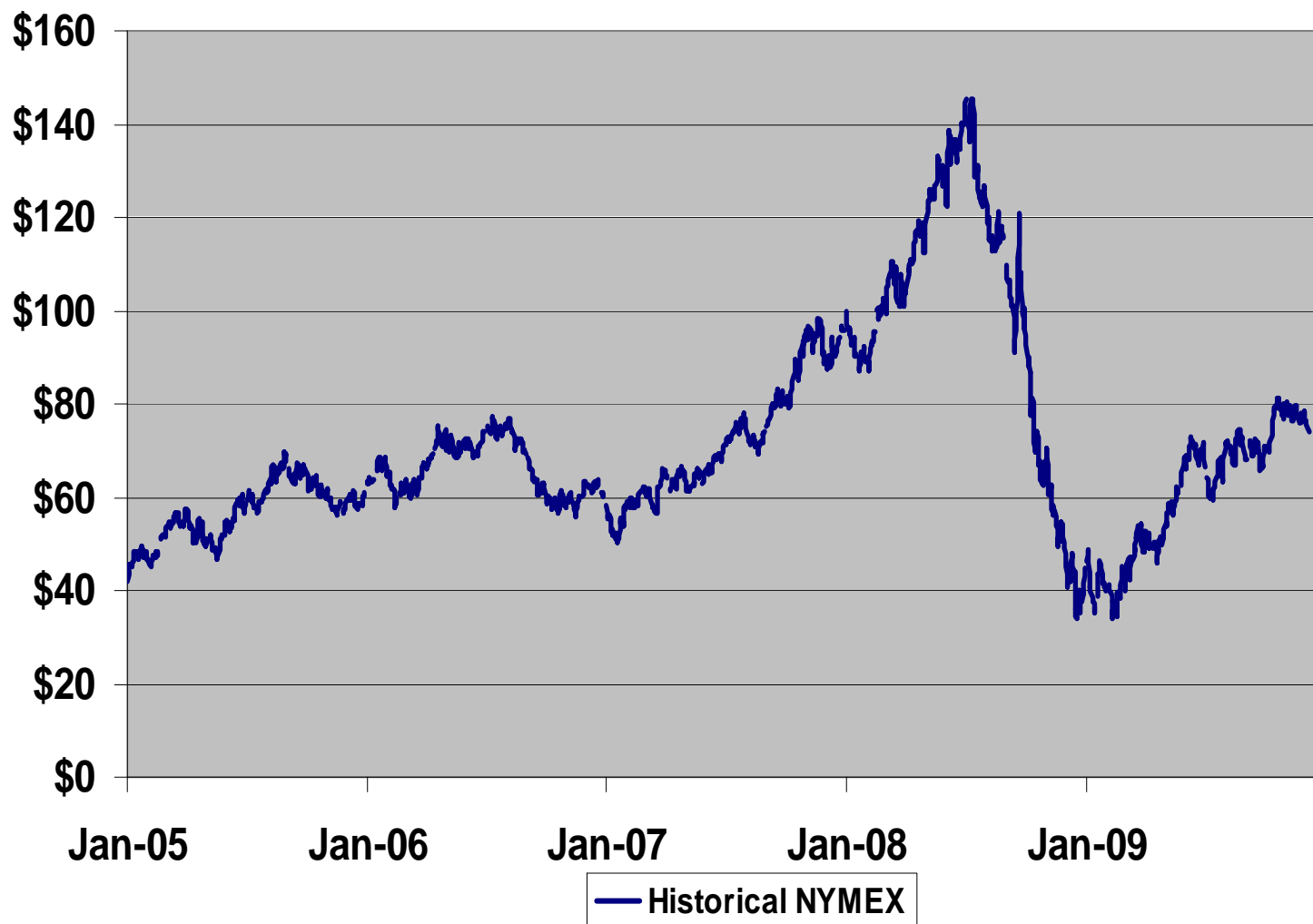




2009 Overview/Background

- Accounting and Reporting
- Economic Upheaval
- Oil Price Drops

Historical NYMEX (Jan '05 - Dec '09)



2009 Overview/Background

- Accounting and Reporting
- Economic Upheaval
- Oil Price Drops
- **Hostile Overture**

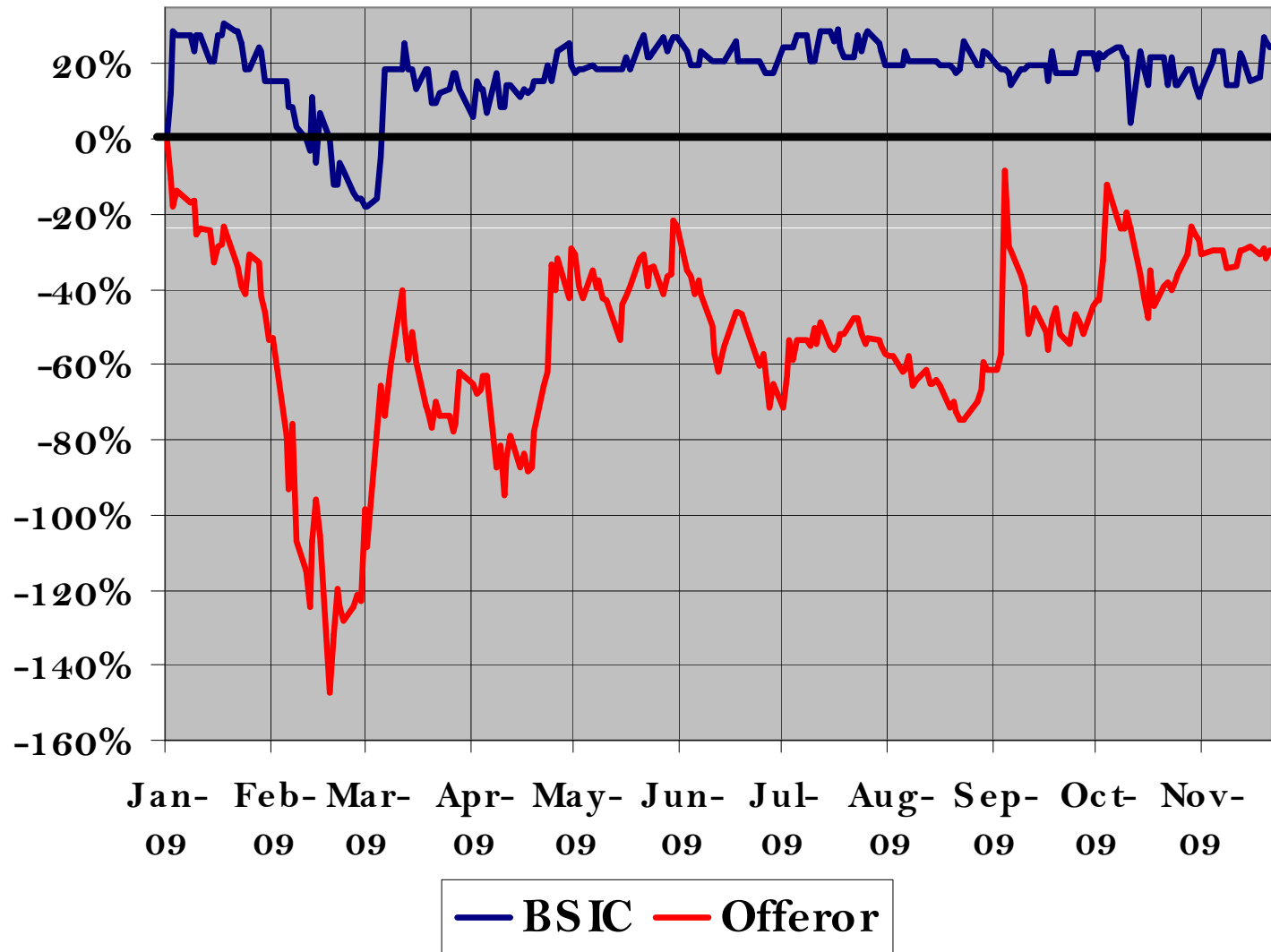


2009 Overview/Background

- Hostile Overture
 - Analysis Of Filing
 - Commitment of Resources
 - Drain on Board, Staff and Cash
 - Big Legal Tab
 - Dilutive To Shareholders
 - Earnings & Reserves
 - Coercive
 - Did Not Treat All Shareholders Equally
 - Threatened Illiquid Stock
 - Shareholder Rights Plan



BSIC vs Offeror



2009 Overview/Background

- Accounting and Reporting
- Economic Upheaval
- Oil Price Drops
- Hostile Takeover

Historic, Redefining Year

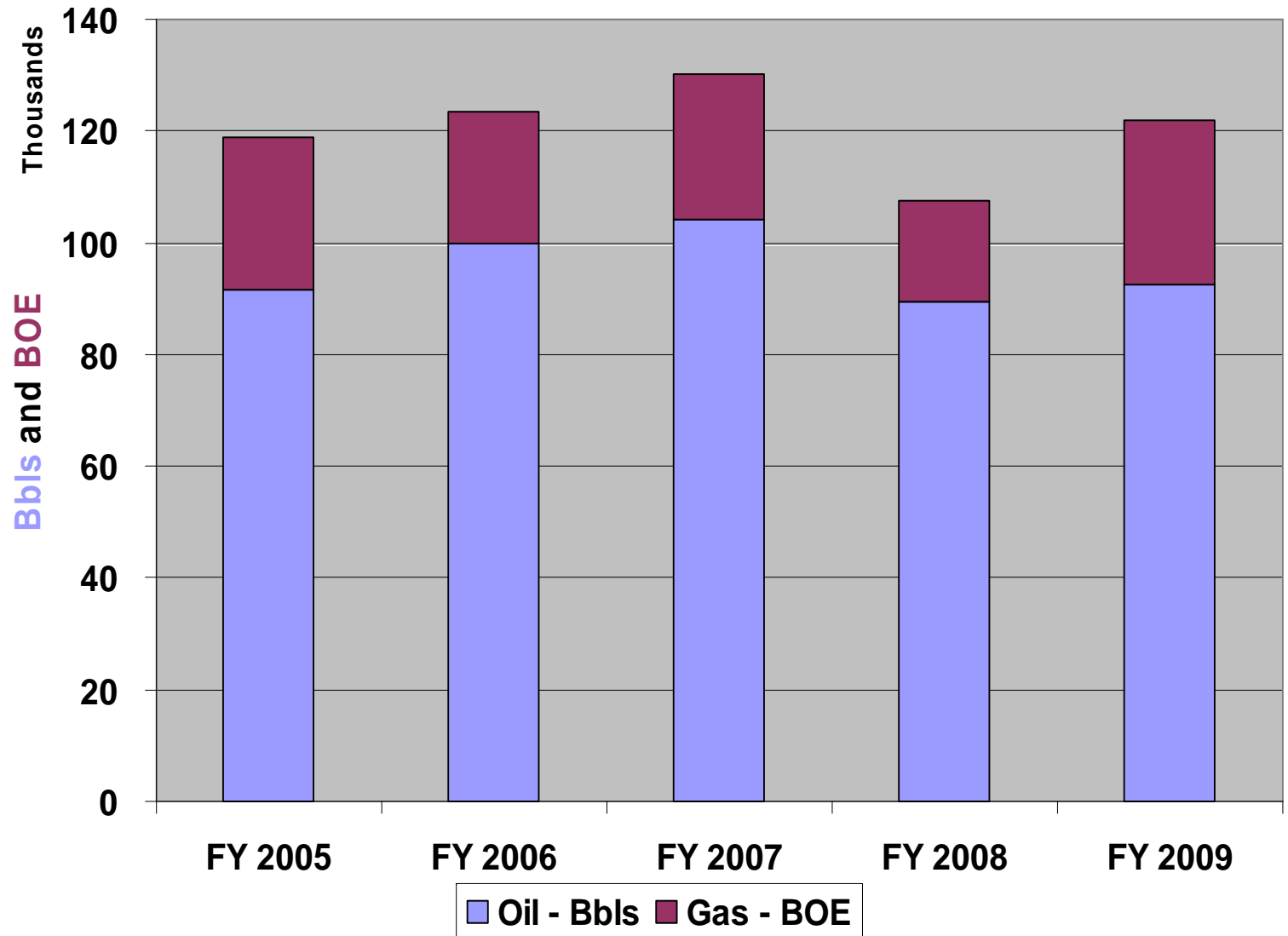




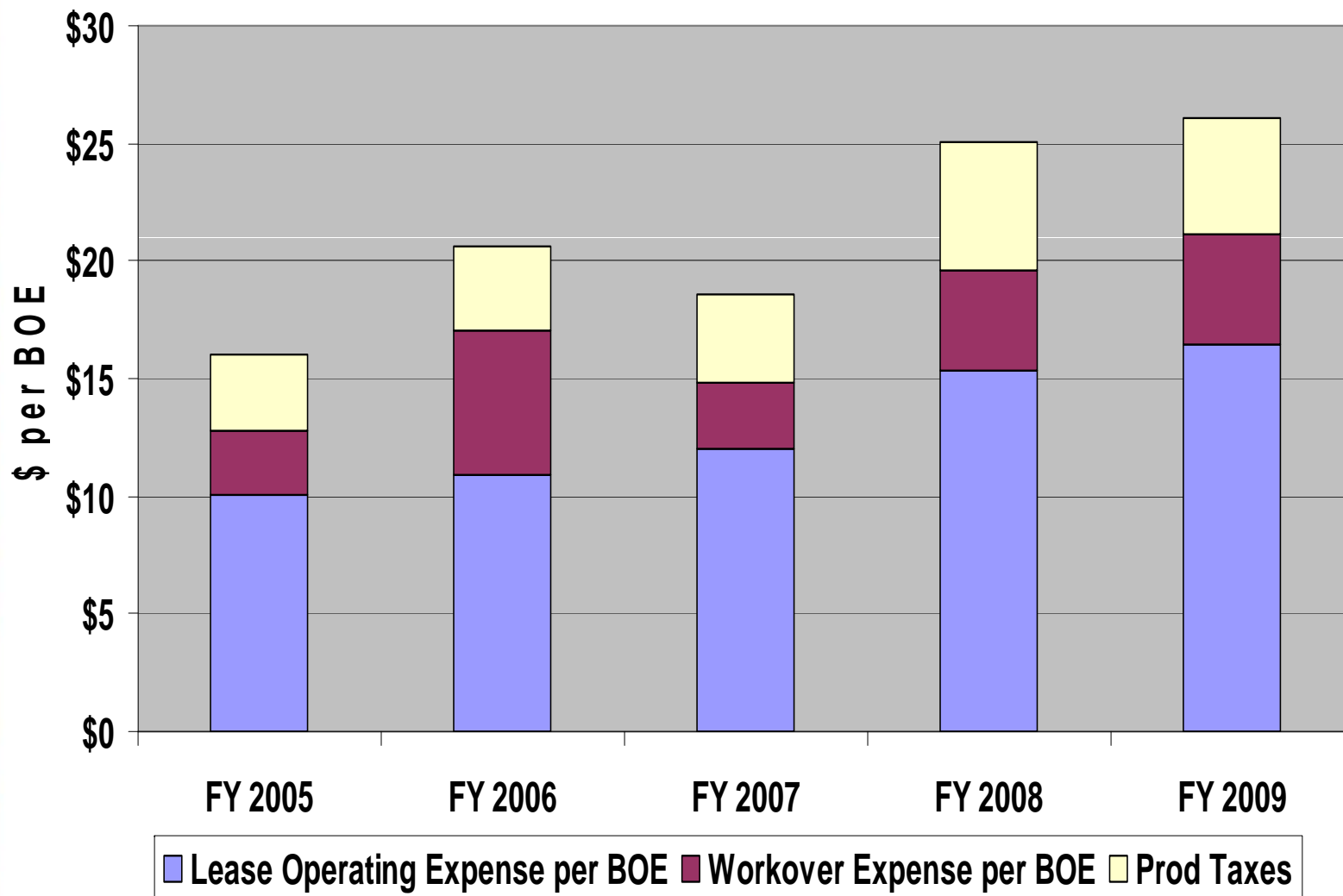
OPERATIONAL OVERVIEW



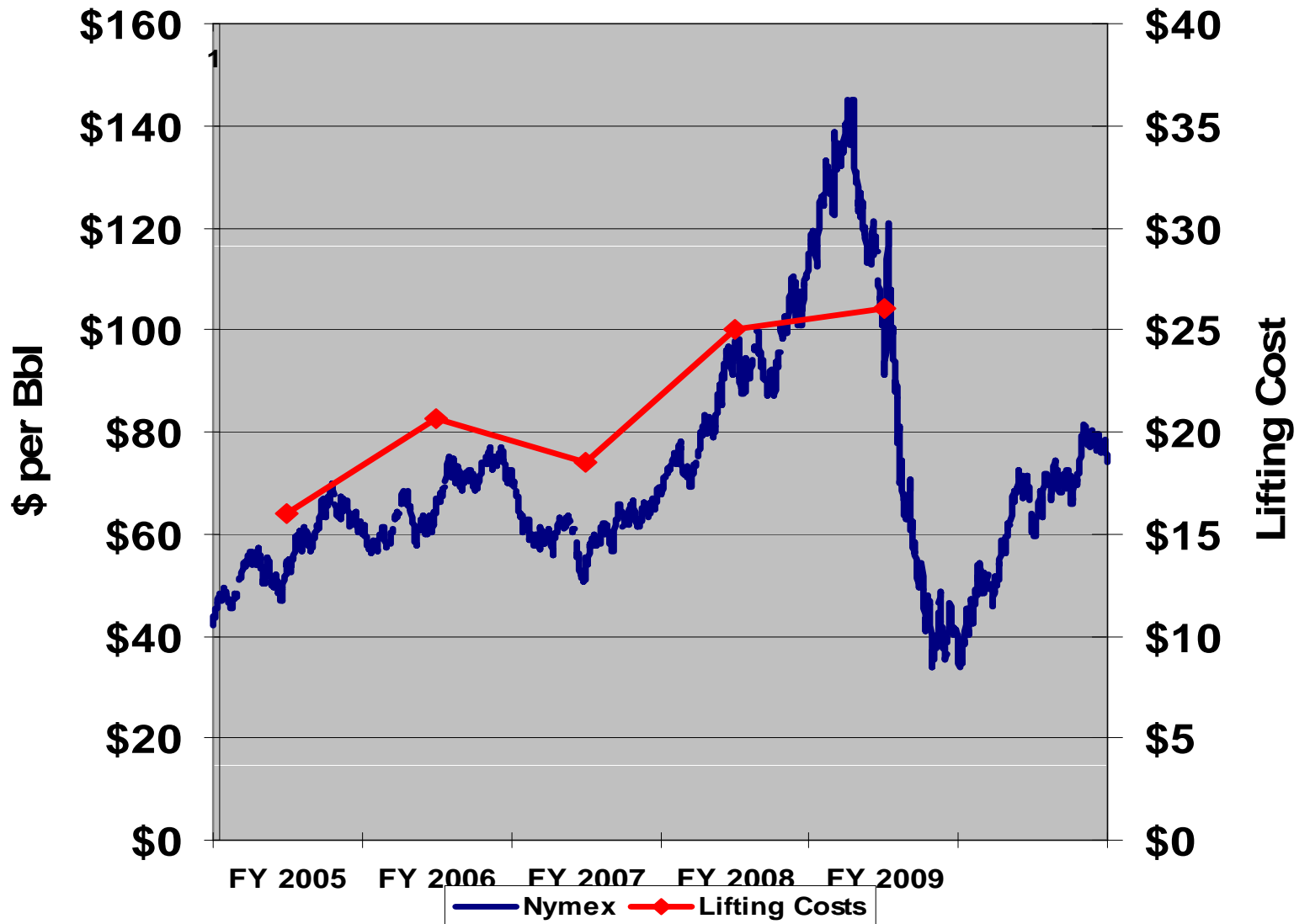
Volume Sales - BOE



Lifting Cost per BOE



Oil Price vs. Lifting Costs





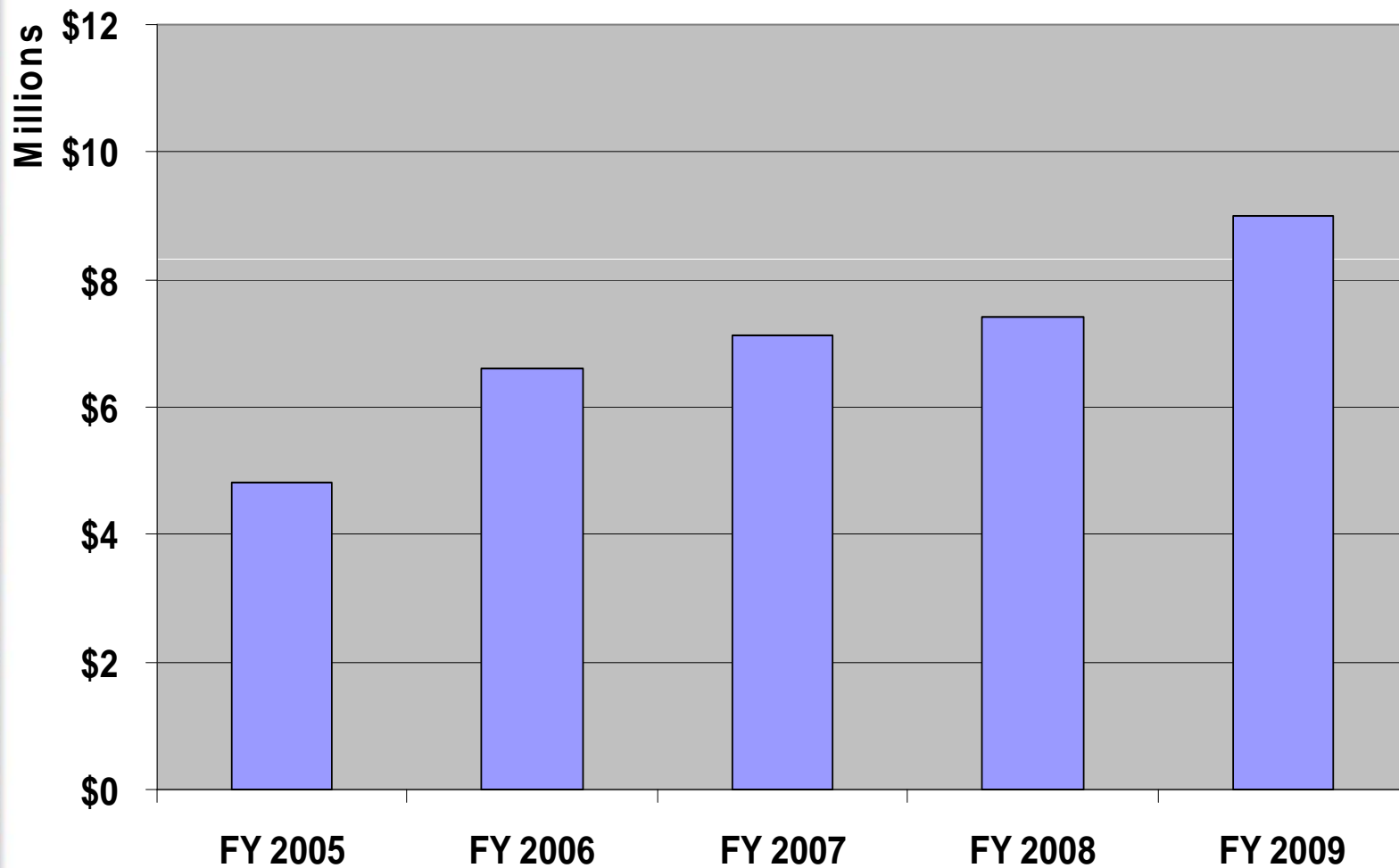
FINANCIAL OVERVIEW

Financial Overview

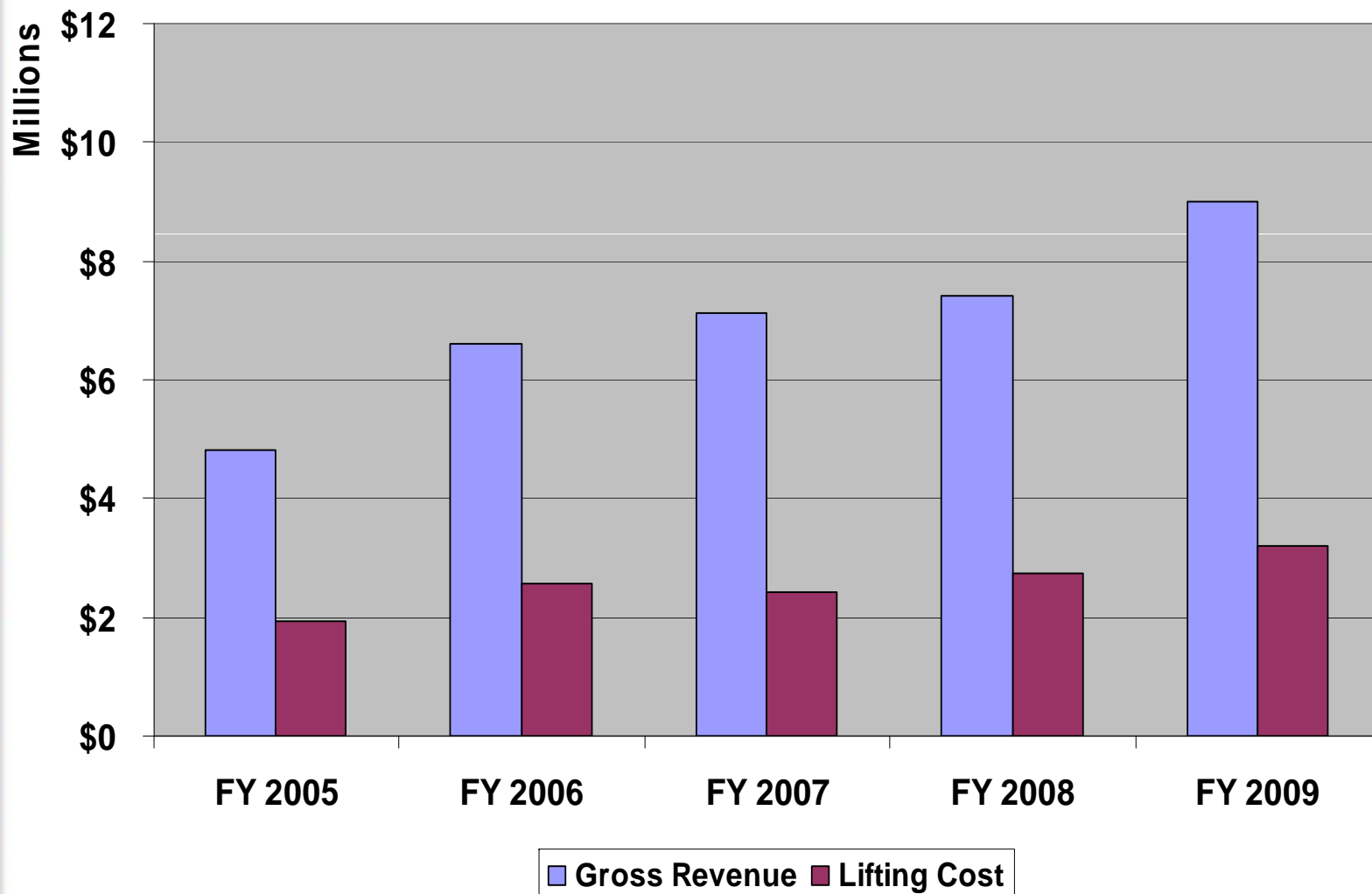
- 2009 Revenue
- G&A Expense
- Impairment
- Non-cash Charges
- Earnings



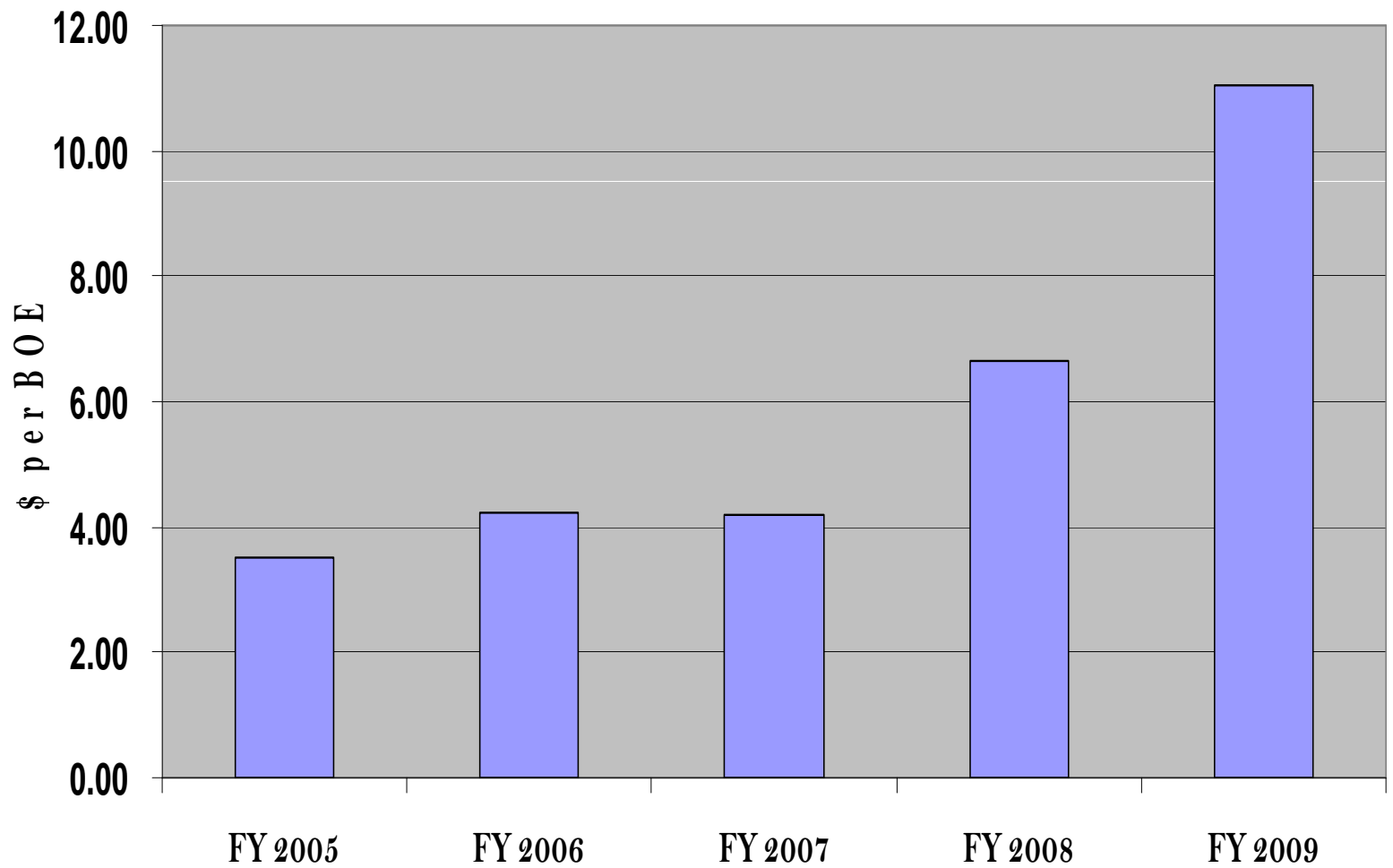
Gross Sales Revenue



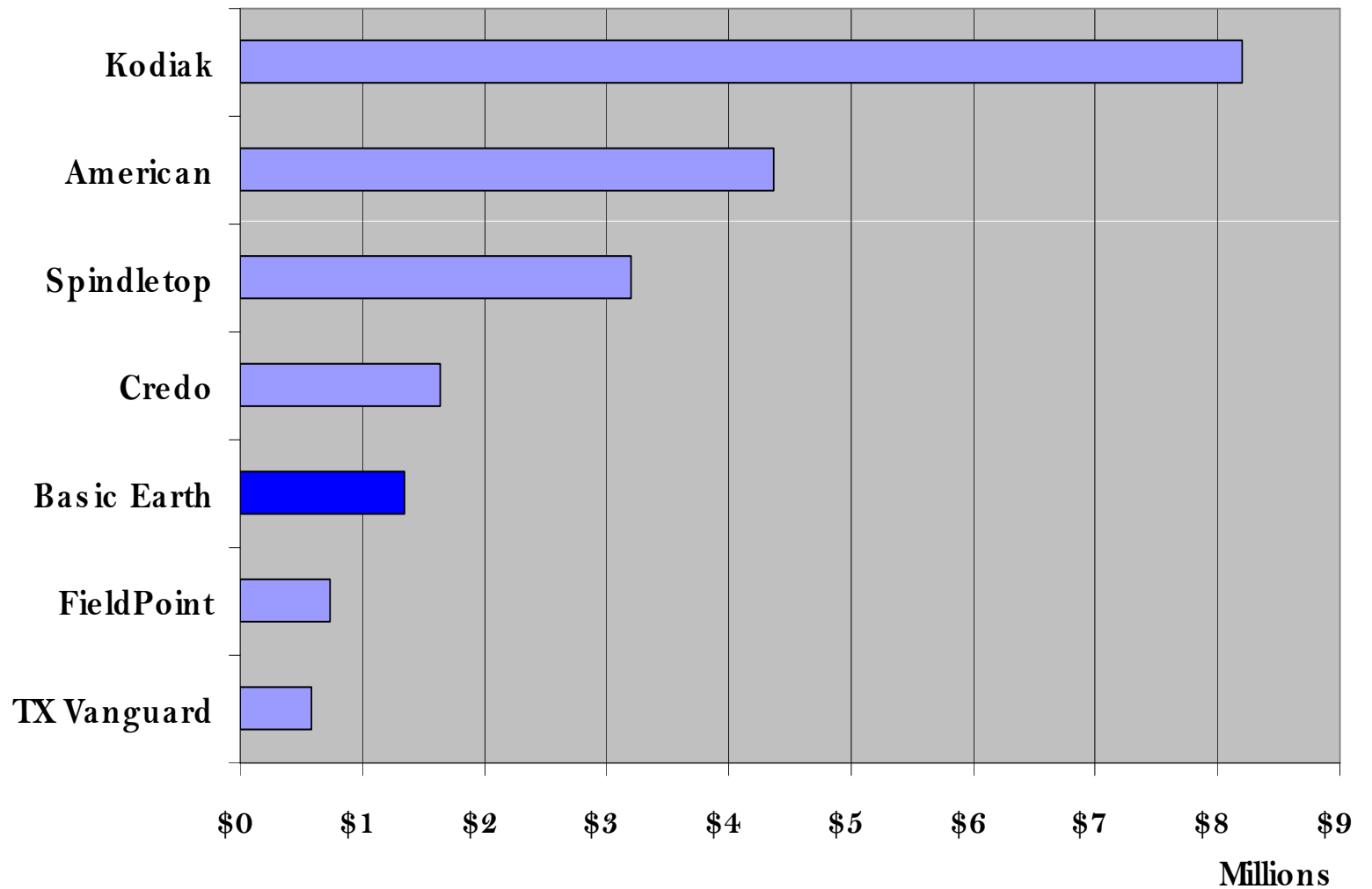
Gross Sales Revenue and Lifting Cost



G&A Expense per BOE

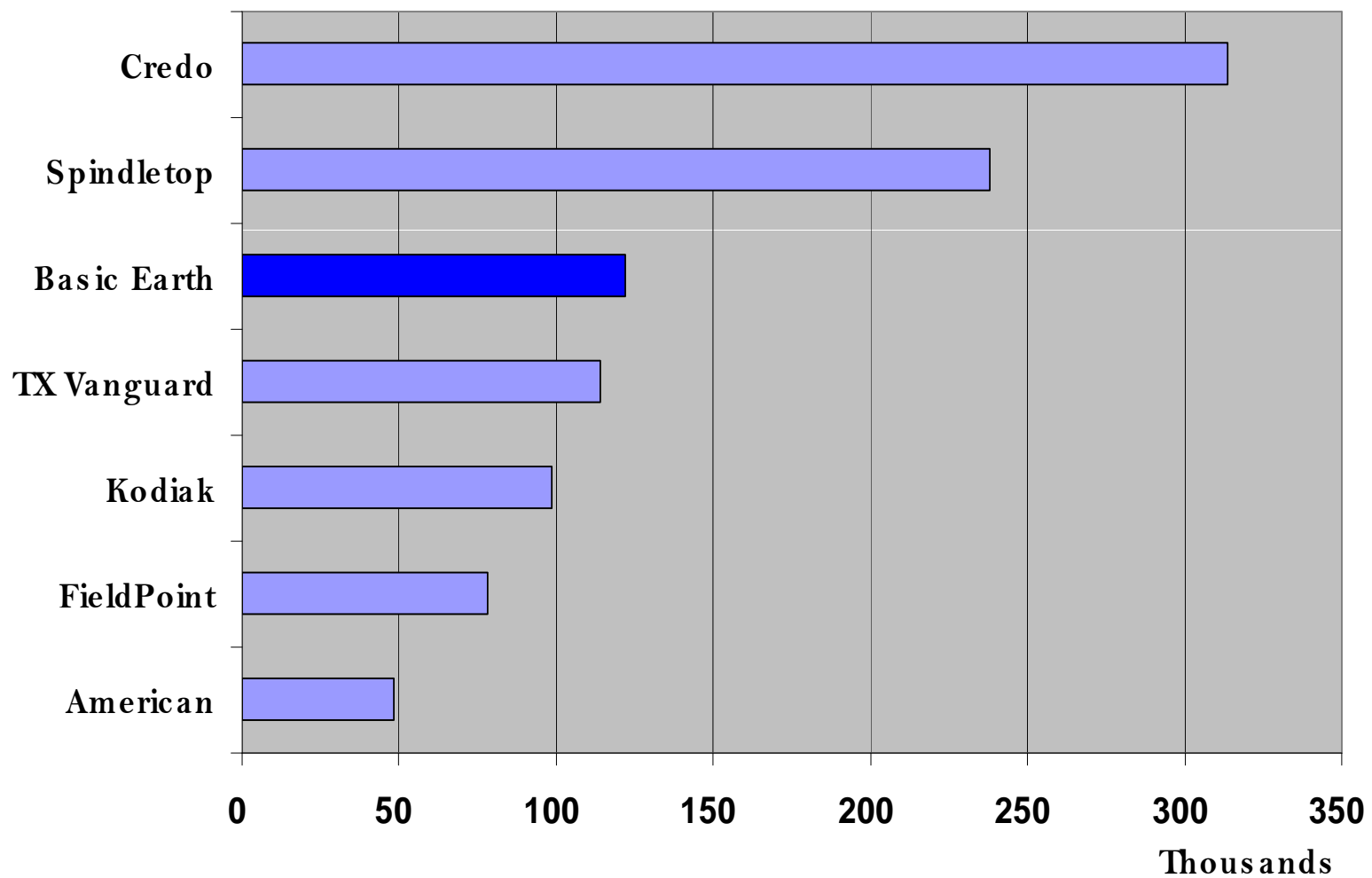


G&A Expense

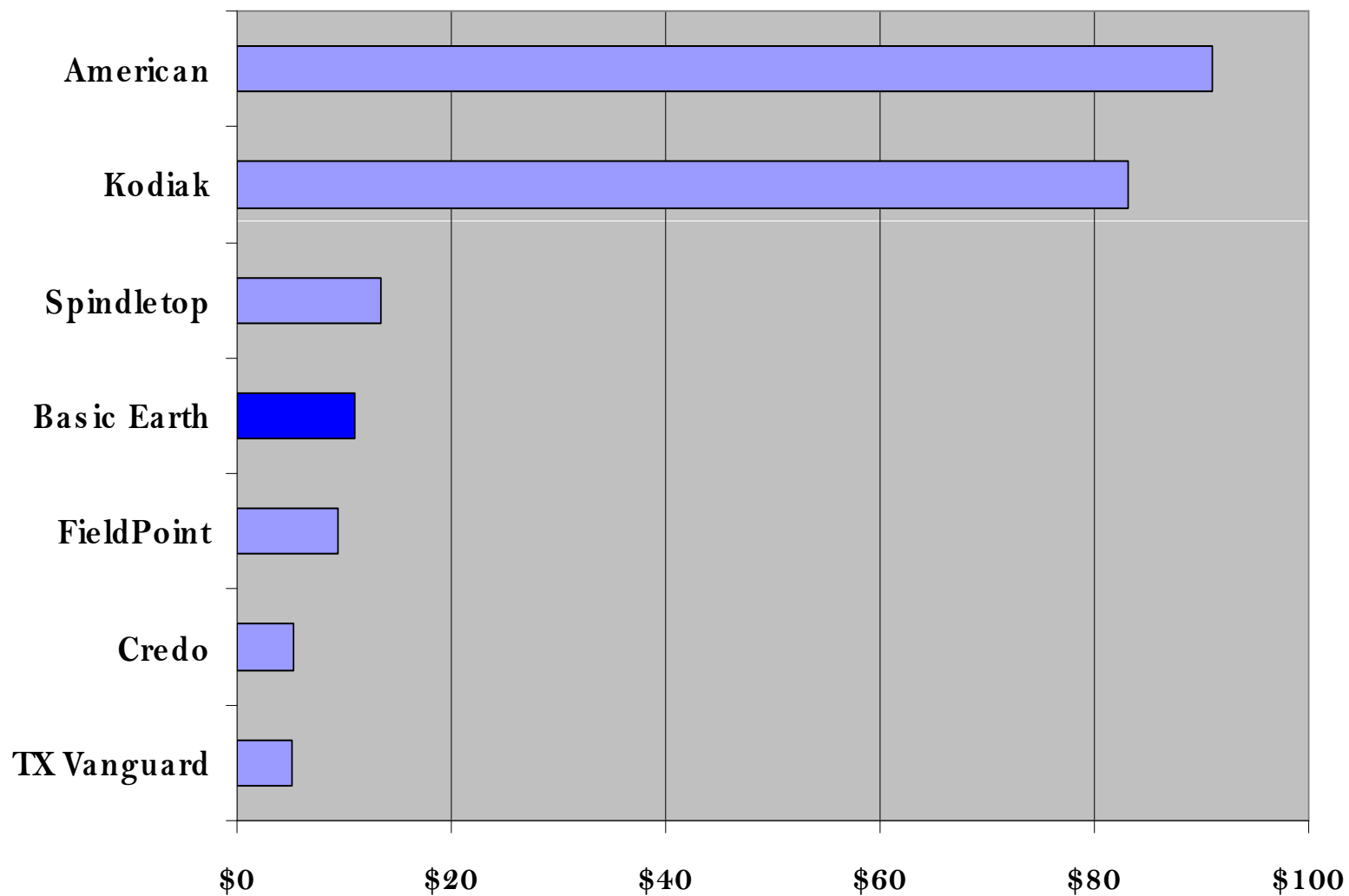




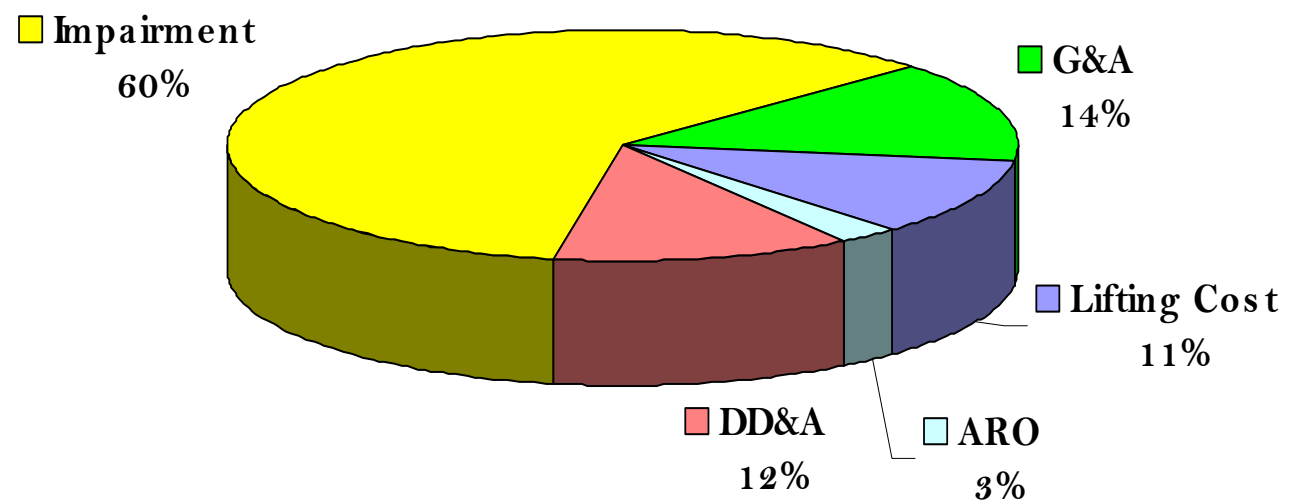
Sales - BOE



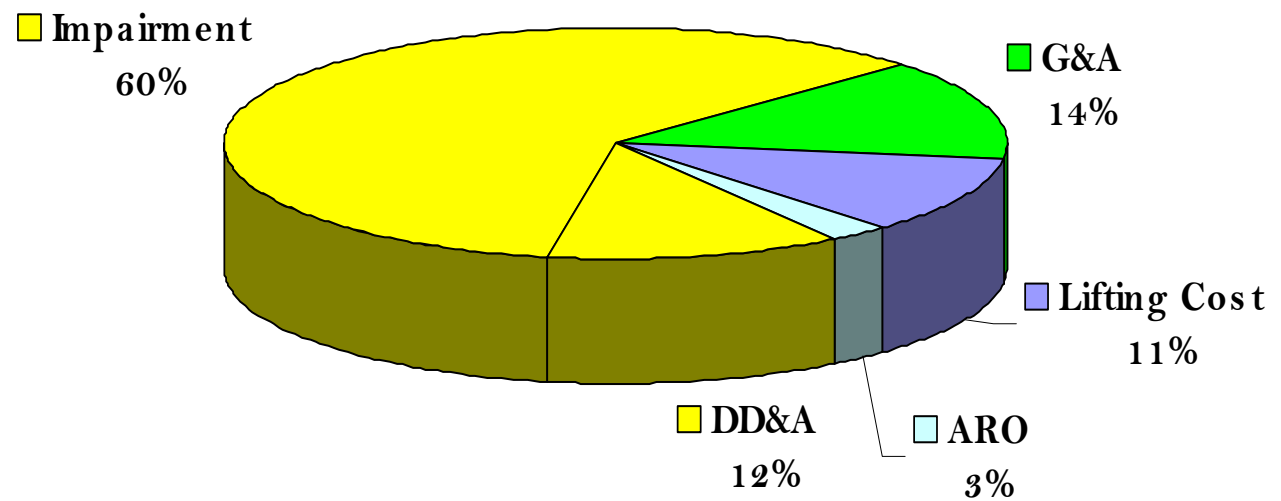
G&A Per BOE



Relative Impact of Expense Increases

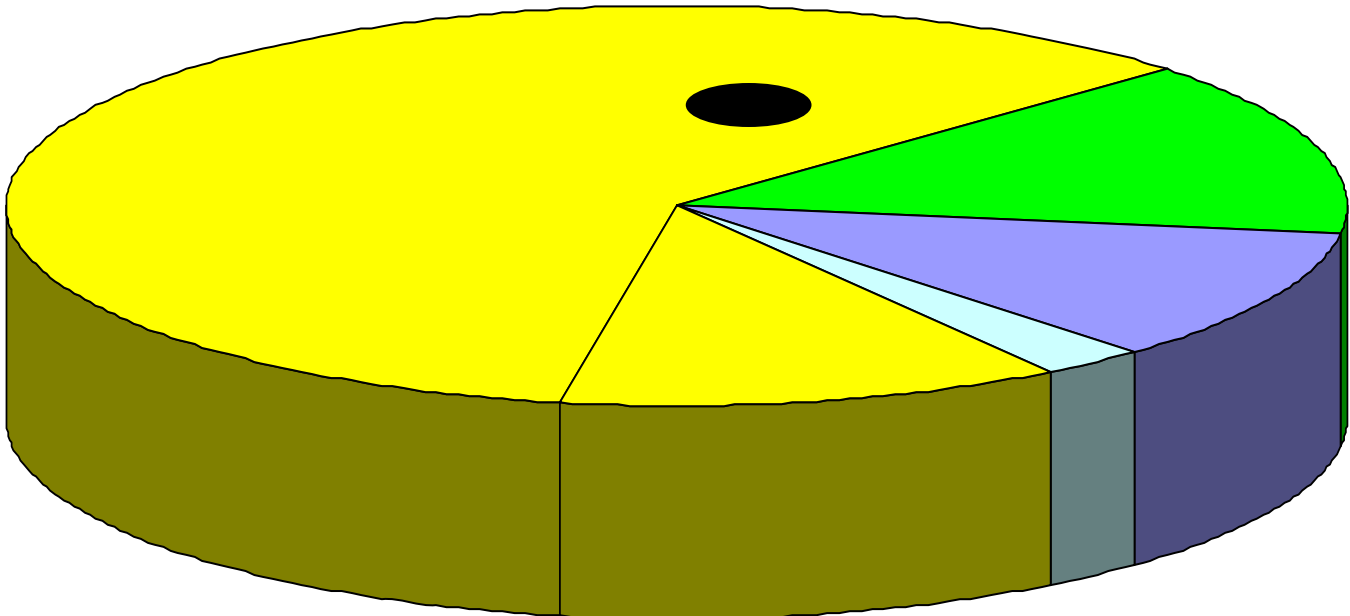


Relative Impact Of Expense Increases

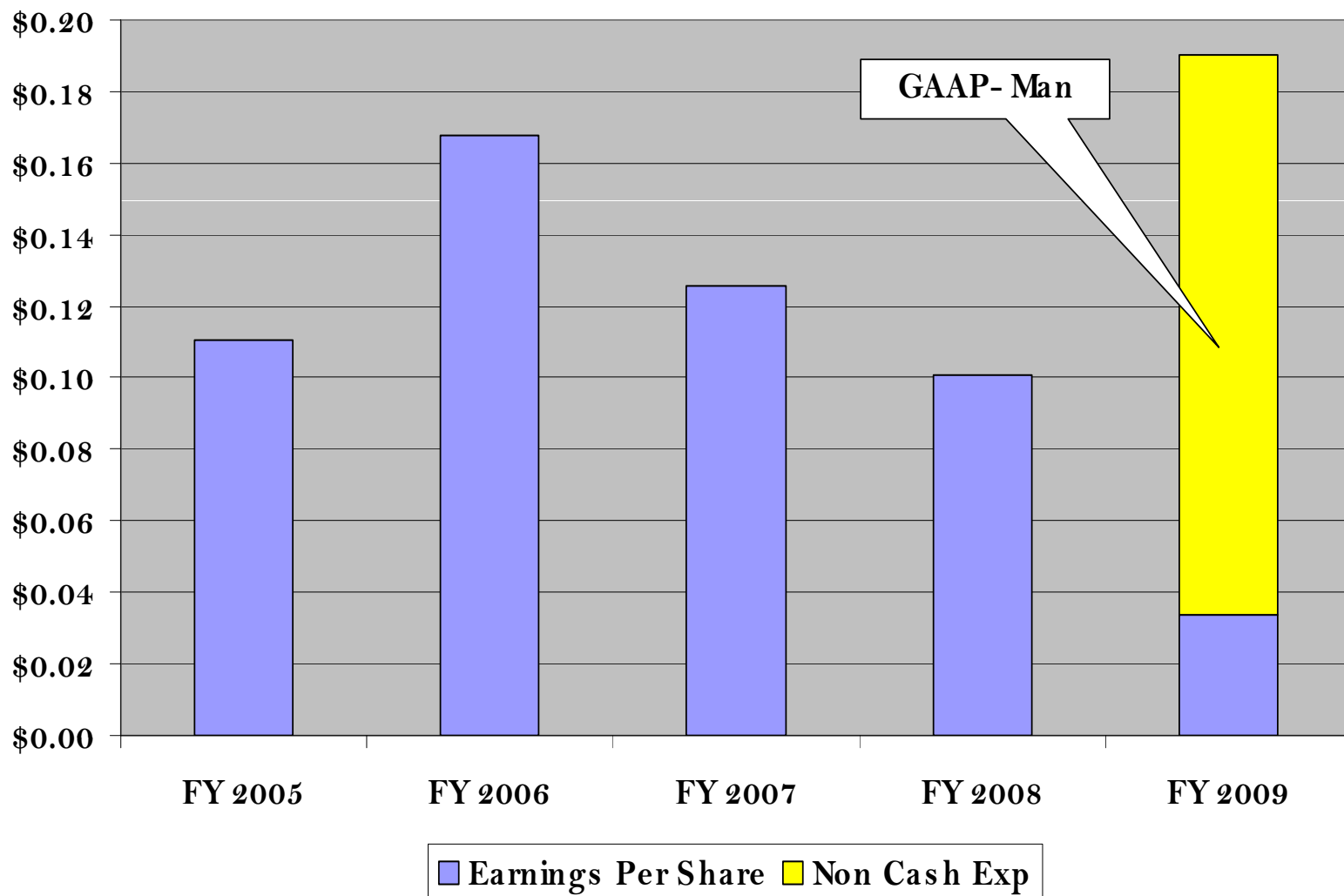




GAAP-Man!



Earnings Per Share



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- **Recent Projects**
- Acquisition Status
- What Does The Future Look Like?
- Questions & Answers





Recent Projects

- Antenna Federal
- Paulsen 14-9H 4-15-08
- Steffan 14-22H 1 9-30-08
- Wil E Coyote 9-2H 12-10-08
- Roscoe 2H-8 2-13-09
- Halvorsen 31X-36 4-1-09
- King's Canyon 21-27H 11-3-09
- Lassen 41-26H 11-3-09
- Paulsen 44-9H 11-10-09
- Crown 41-31 (S. Flat Lake) 11-16-09
- Mondak 4-14H 11-16-09

Company Presentation

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Acquisition Status

- We made a lot of noise last year
- Distracted by hostile takeover attempt
- Few quality acquisition opportunities
 - Companies holding on to good properties
 - Some packages outside of our financial capability



Acquisition Status

- We made a lot of noise last year
- Distracted by hostile takeover attempt
- Few quality acquisition opportunities
- We had a failure to communicate!
- Challenging, difficult economics - GAAP



Acquisition Status

- We had a failure to communicate!
- Challenging, difficult economics
 - Reserve evaluations have few components
 - BOE, price, revenue, lifting cost, cash flow
 - Cash flow becomes purchase price
 - Lifting cost becomes expense
 - Cash flow/BOE becomes depletion expense
 - Every \$ of acquisition revenue is expensed!
 - Plus ARO!!!

Acquisition Status

- We had a failure to communicate!
- Challenging, difficult economics
 - Great to increase production & revenues
 - Acquisitions don't add to earnings
 - Increase expense - reduce EPS
 - In down price market, financed by ST debt
 - They are lethal!
 - It makes little sense to acquire just for the sake of acquiring

Acquisition Status

- Acquisitions make sense if:
 - Synergistic to existing assets
 - Additional potential exists
 - Distressed or purchased below market value
 - Acquired with overvalued stock
- AND!
- Have the resources to survive short term fluctuations – wait for price to increase
 - We had a failure to communicate
- We are still looking for the right opportunity!



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- Recent projects
- Acquisition status
- **What Does The Future Look Like?**
- Questions & Answers





What Does The Future Look Like?

- Short term
- Intermediate
- Long term



What Does The Future Look Like?

- Short term – Rest of fiscal year
 - We hope to be spudding another vertical well before year end
 - We are awaiting word on our partner's budget funding on the Banks prospect in North Dakota

What Does The Future Look Like?

- Intermediate – Next Fiscal Year
 - We are evaluating several prospects where we will operate
 - Expand through drill bit
 - Increase our ownership – a recognized operator
 - We expect to expand our technical staff
 - Move to a national exchange





What Does The Future Look Like?

- Long Term – beyond
 - We expect to transition staff resources to be active operator
 - Enhance technical bench
 - Source new funds via equity offering - as required
 - The right acquisition is still a target
 - As Clara Peller said about Regulation FD.....

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