



South Texas Project Summary Baron Energy Inc.

June 1, 2017

Information Update

Forward-Looking Statements



FORWARD-LOOKING STATEMENTS: Certain statements contained in this document constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act and Section 27A of the Securities Exchange Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities, events or developments that Baron Energy Inc. and its subsidiaries expects, projects, believes or anticipates will or may occur in the future are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.



Executive Summary

- In the 4Q 2015 Baron Energy Inc. (“Baron”) (OTCPK: BROE), a publicly-traded, growth-oriented, independent oil and natural gas company, formed a consortium to aggregate a portfolio of up to 100 oil and gas wells with a gross production of at least 500 BOPD and the goal of monetizing the portfolio within a 3-5 year time-frame.
- This portfolio is referred to as the “South Texas Project” or the “Project”.
- Baron chose South Texas as a focus area due to the area’s extensive well count, prolific production history, and proximity to Baron’s HQ in San Marcos, Texas.
- The current consortium consists of four companies holding non-operated working interests in oil-producing properties. Baron is the Project Manager and operator of the properties. Baron may add 1-2 members to the consortium in 2017.
- This summary outlines the Project’s business plan, strategy, type properties, timing, funding, and exit expectations.
- **In the 1Q 2017 Baron modified the Project plan and reduced the total targeted well count to less than 40 producers to achieve its production targets**
- **Baron plans to begin drilling select new wells in 2017**

Management Team



Ronnie L. Steinocher | Chairman, President and CEO

- 37 years of oil and gas experience; 18 years with a major oil company; 10 years as an owner/operator; CEO Baron Energy since February 2010
- Extensive experience in drilling, engineering, production operations, business development, new ventures, and general management
- BS in Civil Engineering, The University of Texas at Austin
- Licensed professional engineer in Texas; member of Society of Petroleum Engineers

Lisa P. Hamilton | Executive Vice President, CFO and Director

- 36 years of oil and gas experience; 20 years with a major oil company; 10 years as an owner/operator; CFO Baron Energy since February 2010
- Extensive experience in finance, land, contracts, regulatory, joint ventures, production operations, business development, new ventures, and general management
- BS in Business and Commerce with Highest Honors, University of Houston - Downtown



South Texas Project Highlights

- Began Project in December 2015
- Seasoned, multi-disciplined management team
- Simple strategy; highly flexible business model
- Focused on build-to-monetize plan and 2019 exit
- Realistic acquisition targets in focus area; production only – no exploration
- Reasonable production and revenue growth targets
- Potential for significant value creation for exit
- Current 3-4 year drilling inventory
- Plan to begin drilling select new wells in 2017
- **Revised Exit Target to less than 40 wells and 300-500 BOPD production**

Exit Target Date is 2019



2016 RESULTS and 2017-2019 TARGETS

2016 RESULTS

- Increased producing well count from 1 to 5
- Increased gross production from 3 Bopd to 15 Bopd
- Increased gross acreage from 193 acres to 734 acres
- Increased non-operated working interest partners from 2 to 5

2017 TARGETS

- Acquire 1-5 producing wells per acquisition profile
- Recomplete 1 current producing well
- Drill 1 new development well
- Increase gross production from 15 Bopd to 100-150 Bopd
- Increase gross acreage from 734 acres to more than 1,000 acres

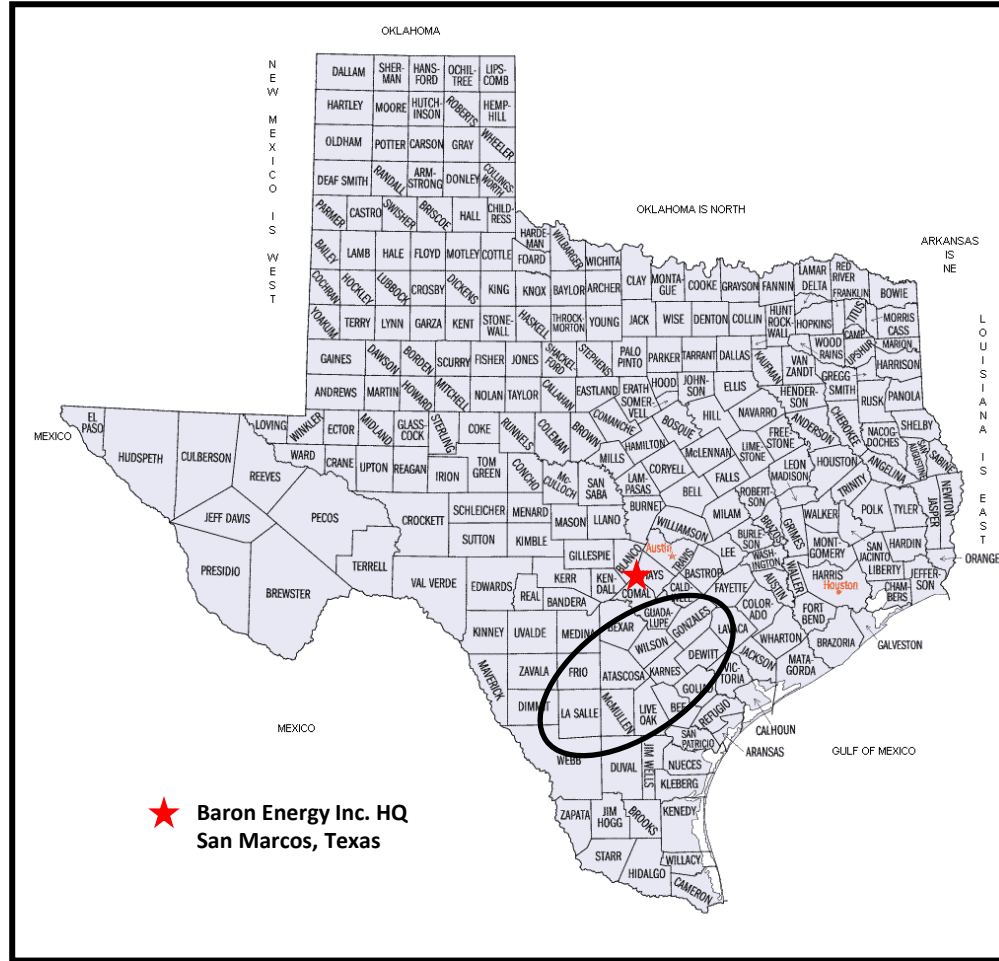
2018 TARGETS

- Acquire 1-5 producing wells per acquisition profile
- Drill 2 new development wells
- Increase gross production to 150-250 Bopd

2019 TARGETS

- Acquire 1-5 producing wells per acquisition profile
- Drill 3 new development wells
- Increase gross production to 250-400 Bopd

South Texas Focus Area of Interest





Focus Area of Operations

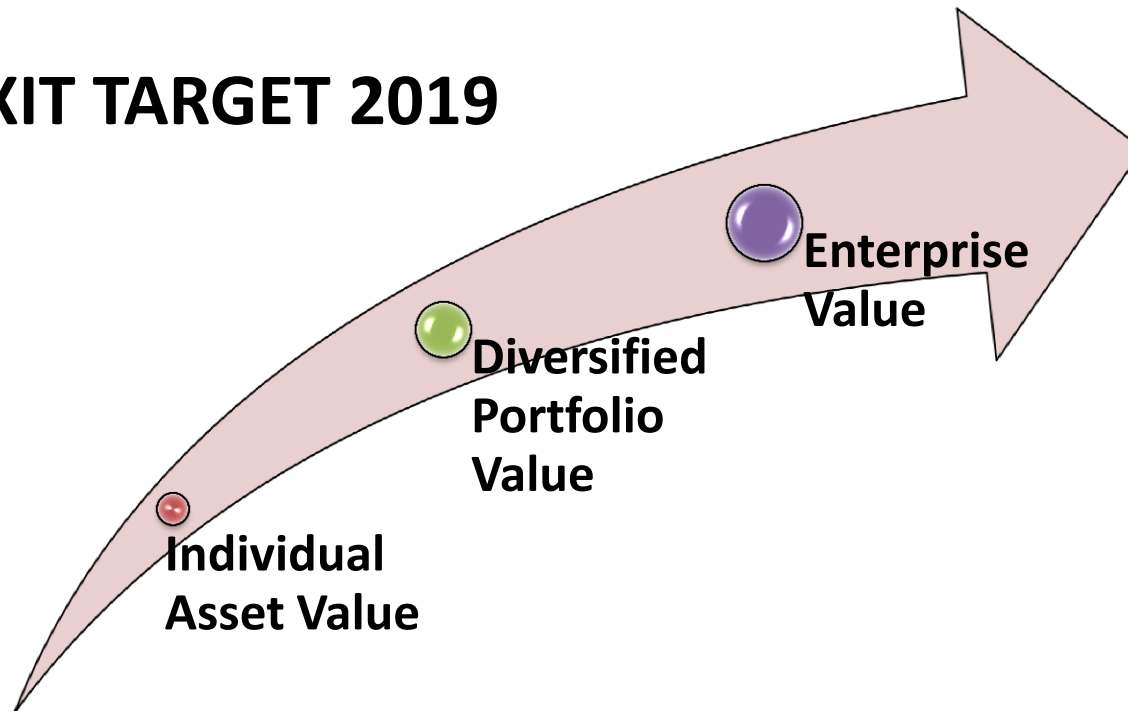
- South Texas
- 17 Counties
- 12,000 producing leases
- 122,500 wells drilled
- Stacked pay scenarios throughout focus area
- 1.6 million barrels of oil equivalent production per day (BOEPD)

**Baron is currently concentrating on 5 counties
within its Focus Area**

A Diversified Portfolio Is More Valuable Than Individual Assets



EXIT TARGET 2019





Critical Success Factors

- ID properties that fit the acquisition profile
- Secure funding for the acquisition and close deal
- Complete near-term production enhancement program
- ID and inventory upside for each property
- Repeat process to stay-on-pace with exit plan
- **Begin drilling development wells in 2017**

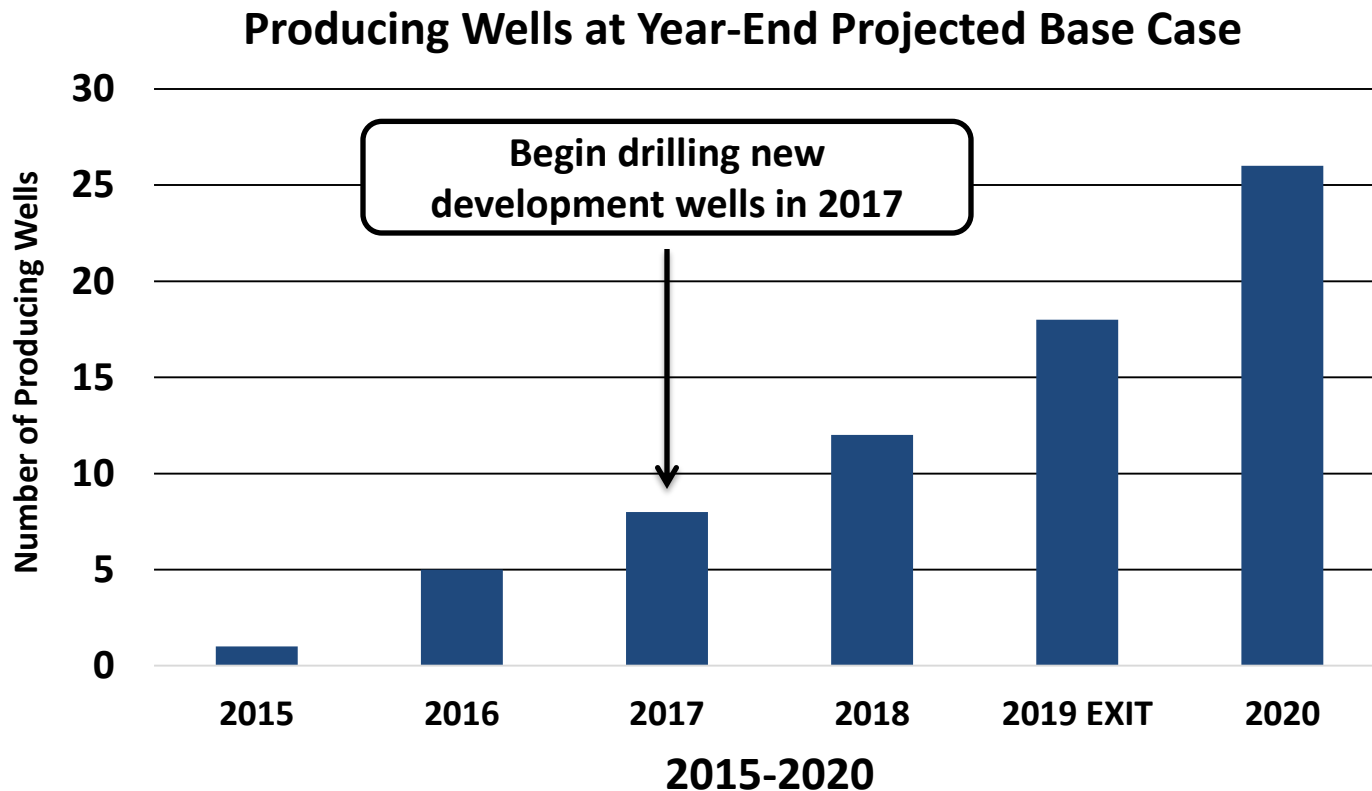
Baron's Management Team has closed more than 130 buy/sell transactions in Texas since 2002, operated oil and gas properties in 24 Texas counties and, at peak, operated more than 150 wells and 500 BOEPD.



Base Case Plan

- **Acquire/Drill up to 40 wells by 2020**
- 2-5 BOPD/well average production at time of acquisition
 - Range 2-10 BOPD/well; low decline rates
 - Well depths 2,000-10,000 feet; multiple pay zones
 - Upside via workovers, recompletions, and new development wells
 - 100% WI preferred at time of acquisition
- **Execute Production Enhancement Programs**
 - Workovers
 - 2-3X production increase
 - Recompletions
- **Begin drilling select development wells in 2017**
 - 50-150 BOPD/Well IP for new drilled wells
- **Target 300-500 BOPD gross production by 2020**

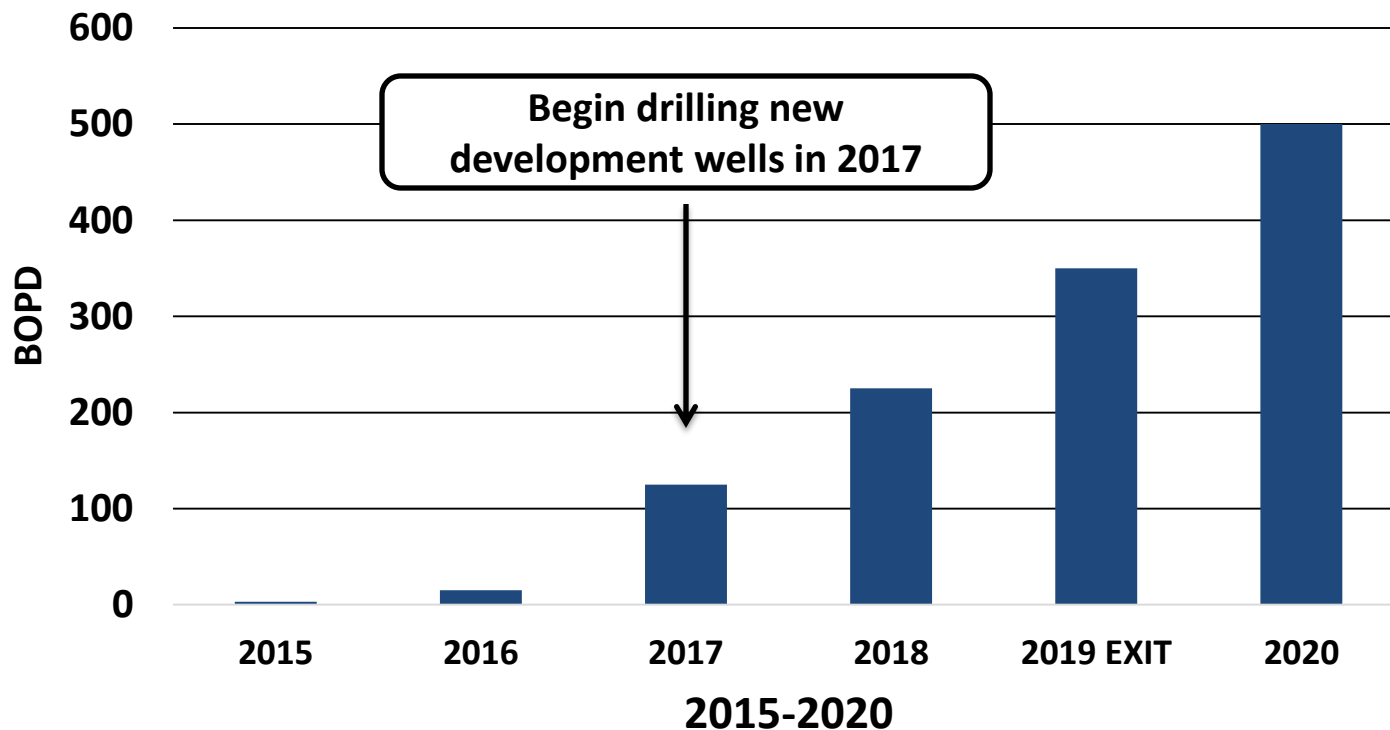
Producing Well Status and Projected Well Count



Production and Projected



Production and Projected at Year-End Base Case





Base Case Plan - Example Costs

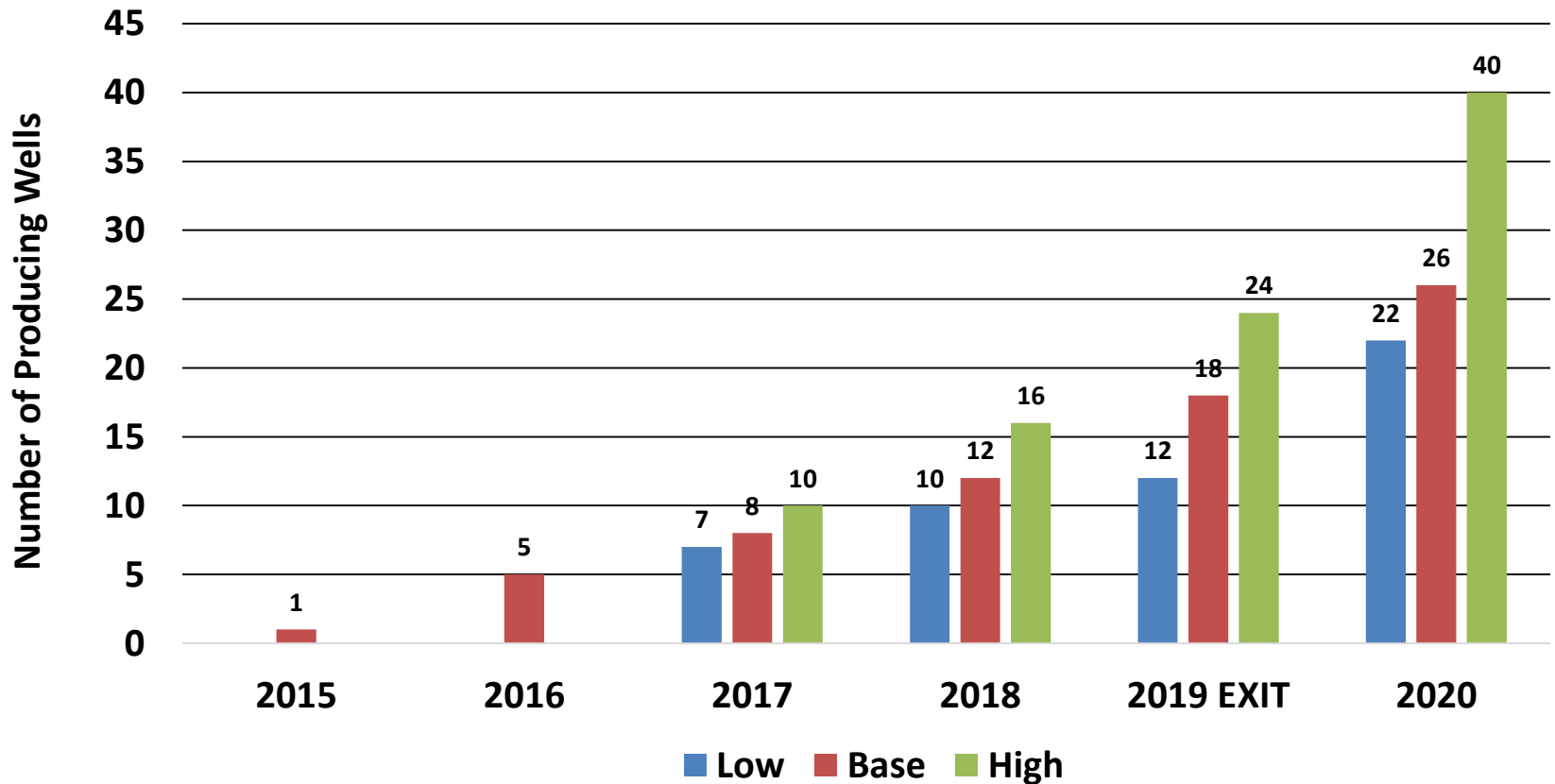
- \$100-125K per well average acquisition cost
 - Range \$60-375K per well
- \$5-20K per workover
- \$10-500K per recompletion
 - Includes vertical and horizontal wells
 - IP = 20-150 BOPD
- \$150K-\$1.5 million per new drilled development well
 - Vertical and horizontal wells
 - IP = 20-200 BOEPD

A significant percentage of future acquisition/drilling cost is expected to be funded from project cash flows in 2018 and forward

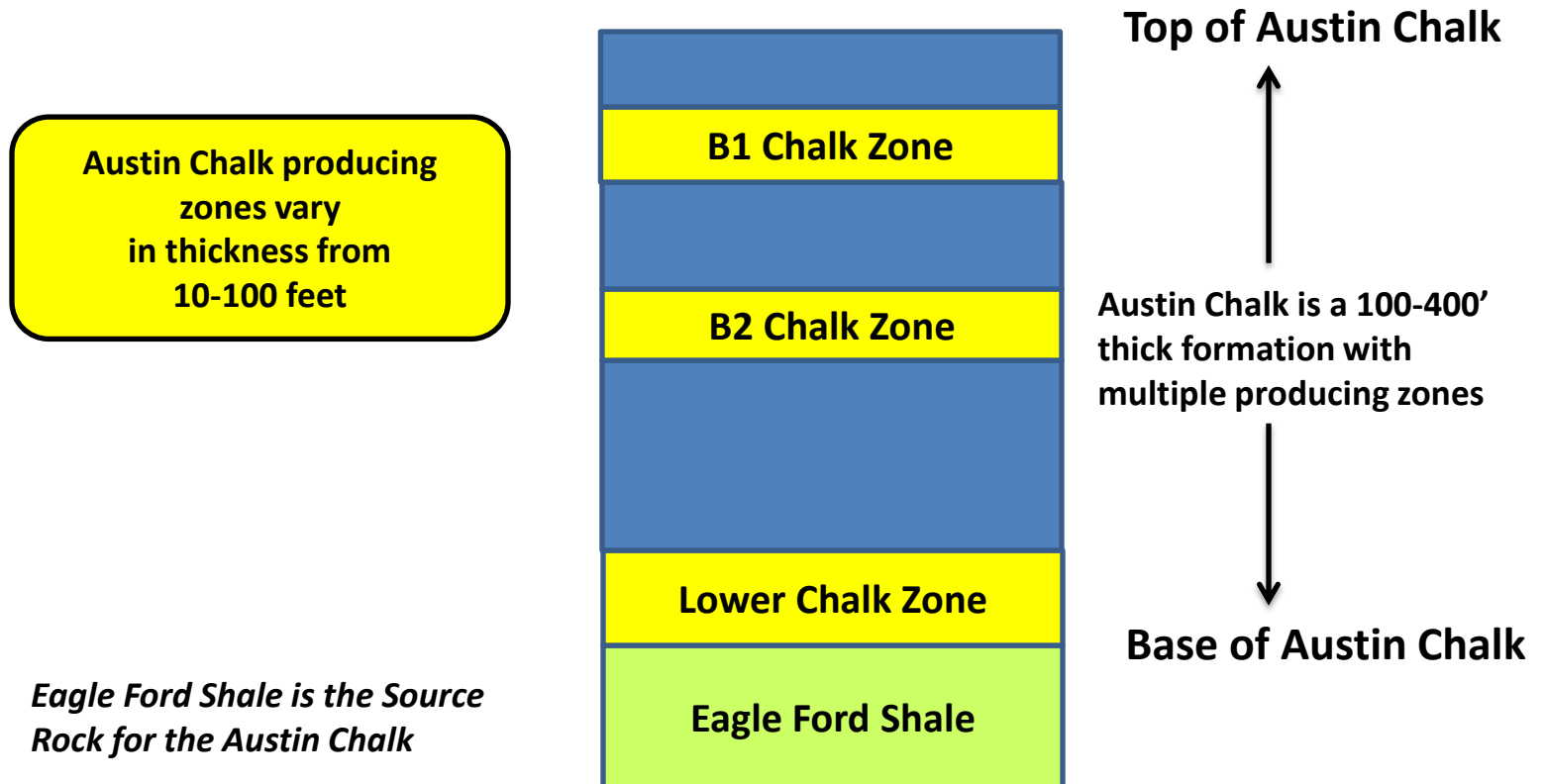
Well Count Year-end Examples



Projected Number of Wells at Year-End



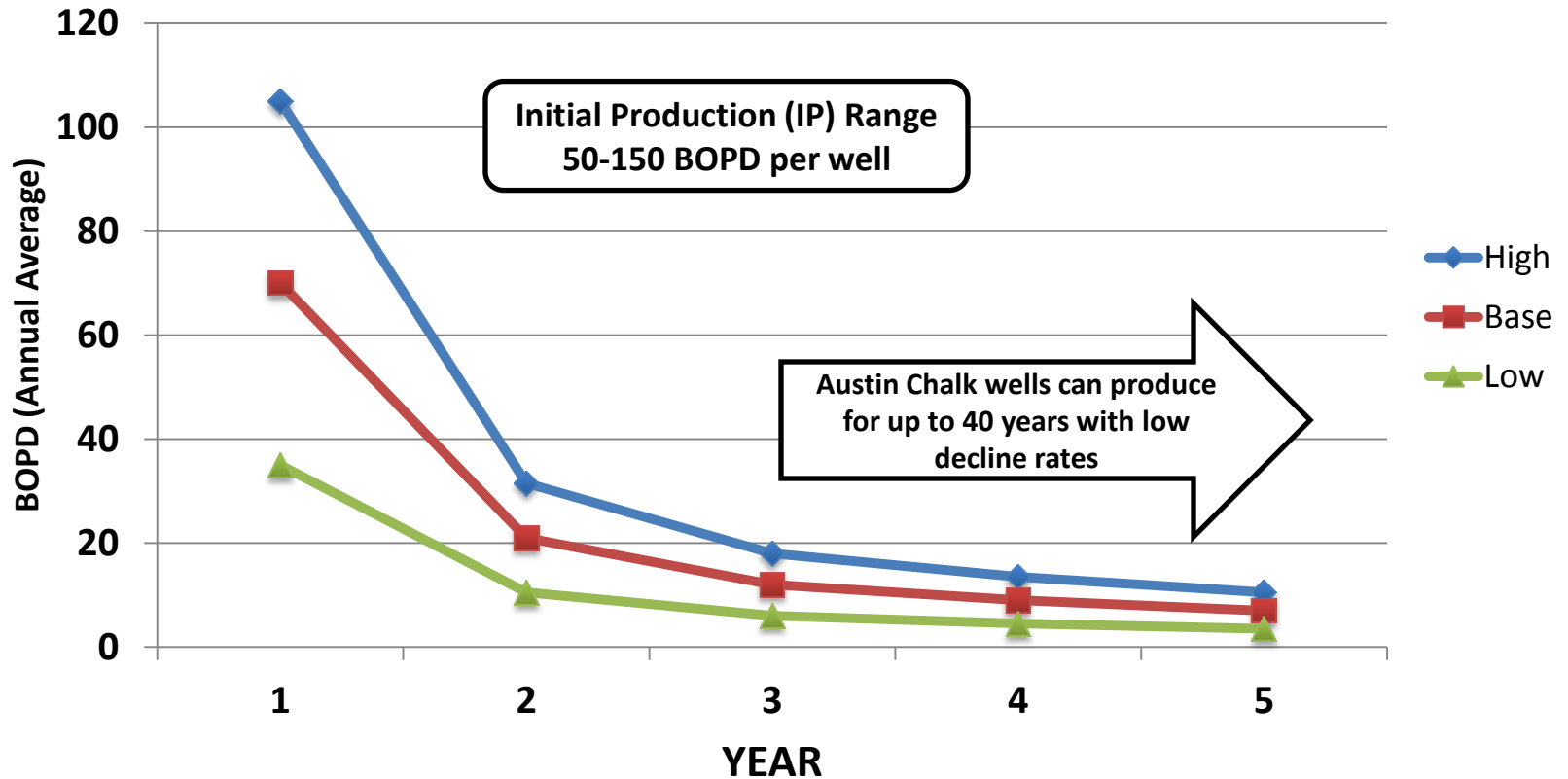
Austin Chalk Formation - South Texas Multiple Producing Zones



Austin Chalk Vertical Well Production Profiles



Austin Chalk Production Profiles – Vertical Well



Pump Jack on Austin Chalk Well South Texas



- Rural terrain
- Existing infrastructure
- Local services



Crude Oil Transport Well-to-Market South Texas



- Oil moved from well to storage tank then to sales via truck
- Local oil sales
- Oil moved to local commercial storage prior to pipeline transfer



Legacy Austin Chalk Wells South Texas



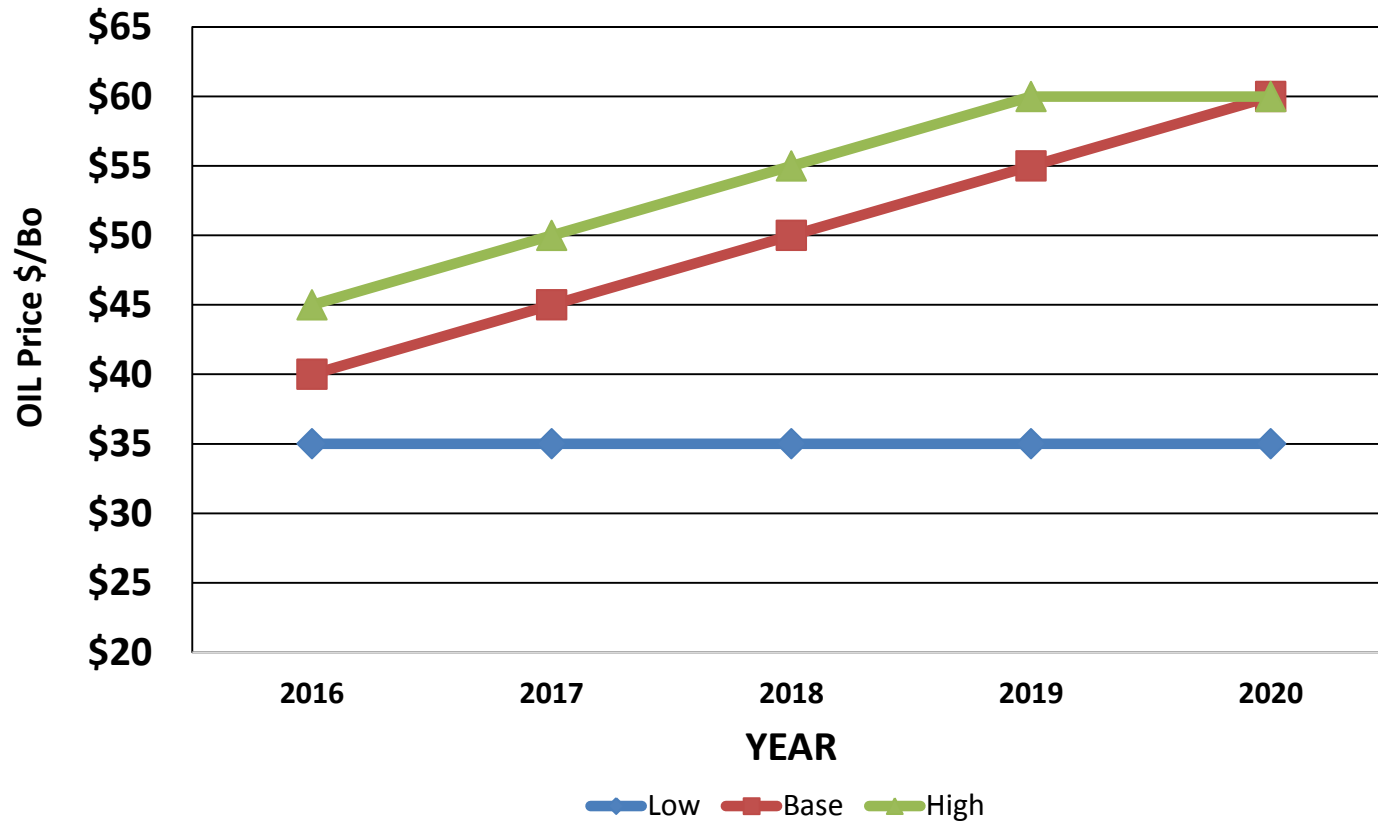
- **Some Austin Chalk wells have been on production for more than 38 years**
- **Wells are still producing**
- **Some wells even have potential upside via recompletions**



Oil Prices Used In Property Evaluations



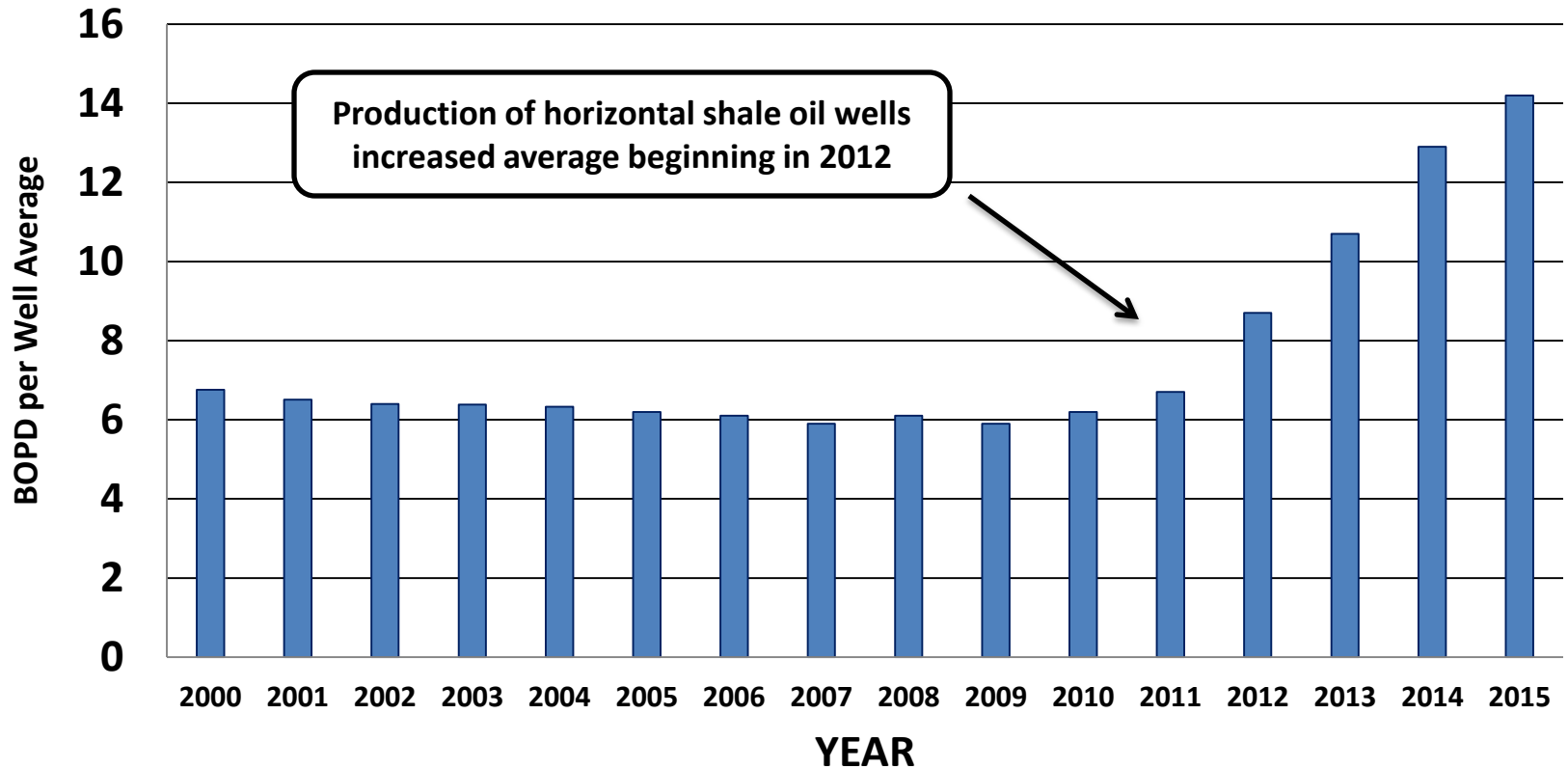
West Texas Intermediate (WTI) Oil Prices



Average Oil Production Per Well in Texas



Average Oil Production per Well in Texas





South Texas Project Summary

- **High Growth Model**
 - Production Only; No Exploration
 - Acquire Producing Properties with Upside
 - Drill New Development Wells
 - 3-5 Year Plan
- **Cash Positive in 2018**
- **Present and Future Value**
 - Escalating Production
 - Future drilling locations and recompletions
- **Exit Plan 2019**
 - Monetize Project

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