

# INVESTOR UPDATE

MARCH 2022





# Disclaimer: Forward Looking Statements



*This presentation contains forward-looking statements that are intended to be covered by the safe harbor within the meaning of the Private Securities Litigation Reform Act of 1995 as stated in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Statements that are not strictly historical statements constitute forward-looking statements and may often, but not always, be identified by the use of such words such as "expects," "believes," "intends," "anticipates," "plans," "estimates," "guidance," "target," "potential," "possible," or "probable" or statements that certain actions, events or results "may," "will," "should," or "could" be taken, occur or be achieved. The forward-looking statements include statements about the expected future reserves, production, financial position, business strategy, revenues, earnings, costs, capital expenditures, liquidity and debt levels of the Company, and plans and objectives of management for future operations. Forward-looking statements are based on current expectations and assumptions and analyses made by Battalion and its management in light of experience and perception of historical trends, current conditions and expected future developments, as well as other factors appropriate under the circumstances. However, whether actual results and developments will conform to statements regarding oil, natural gas liquids or gas reserves is subject to a number of material risks and uncertainties, including but not limited to: further and substantial declines in oil, natural gas liquids or natural gas prices; risks relating to any unforeseen liabilities; the level of success in exploration, development and production activities; adverse weather conditions that may negatively impact development or production activities; the timing of exploration and development expenditures; inaccuracies of reserve estimates or assumptions underlying them; revisions to reserve estimates as a result of changes in commodity prices; impacts to financial statements as a result of impairment write-downs; risks related to levels of indebtedness and periodic redeterminations of the borrowing base under the Company's credit agreement; Battalion's ability to generate sufficient cash flows from operations to meet the internally funded portion of its capital expenditures budget; Battalion's ability to obtain external capital to finance exploration and development operations and acquisitions; the ability to successfully complete any potential acquisitions for value and the risks related thereto; the impacts of hedging on results of operations; uninsured or underinsured losses resulting from oil and natural gas operations; Battalion's ability to replace oil and natural gas reserves; and any loss of senior management or key technical personnel. Battalion's 2021 Annual Report on Form 10-K and subsequent, quarterly reports on Form 10-Q and current reports on Form 8-K, and other Securities and Exchange Commission ("SEC") filings discuss some of the important risk factors identified that may affect Battalion's business, results of operations, and financial condition. Battalion undertakes no obligation to revise or update publicly any forward-looking statements except as required by law.*

*This presentation includes references to certain non-GAAP financial information, such as adjusted G&A per BOE, adjusted EBITDA and the PV-10 value of proved reserves. These measures are presented based on management's belief that they will enable a user of the financial information to understand the impact of these items on reported results. Additionally, this presentation provides a beneficial comparison to similarly adjusted measurements of prior periods. These financial measures are not measures of financial performance under GAAP and should not be considered as an alternative to GAAP. These financial measures may not be comparable to similarly named non-GAAP financial measures that other companies may use and may not be useful in comparing the performance of those companies to Battalion's performance. Refer to Battalion's fourth quarter earnings release dated March 7, 2022 for a reconciliation of the non-GAAP financial information to the most directly comparable GAAP measure. The earnings release may be found on Battalion's website at: <https://battalionoil.com/investors/>.*

*This presentation has been prepared by Battalion and includes market data and other statistical information from third-party sources, including independent industry publications, government publications or other published independent sources. Although Battalion believes these third-party sources are reliable as of their respective dates, Battalion has not independently verified the accuracy or completeness of this information. Some data are based on Battalion's good faith estimates, which are derived from its review of internal sources as well as the 3rd-party sources described above.*

*Management's use of the term estimated ultimate recovery ("EUR") in this presentation describes estimates of potentially recoverable hydrocarbons that the SEC rules prohibit from being included in filings with the SEC. These are more speculative than estimates of proved, probable and possible reserves and accordingly are subject to substantially greater risk of being actually realized, particularly in areas or zones where there has been limited or no drilling history. We include EUR to demonstrate what we believe to be the potential for future drilling and production by Battalion.*

*Actual quantities that may be ultimately recovered may differ substantially from estimates. Factors affecting ultimate recovery include the scope of the operators' ongoing drilling programs, which will be directly affected by the availability of capital, drilling and production costs, availability of drilling services and equipment, drilling results, lease expirations, transportation constraints, regulatory approvals and other factors, and actual drilling results, including geological and mechanical factors affecting recovery rates. Estimates of potential resources may also change significantly as the development of the properties underlying Battalion's mineral interests provides additional data. This presentation also contains Battalion's internal estimates of its potential drilling locations, which may prove to be incorrect in a number of material ways and may. Actual results may be substantially different than estimates.*

# Battalion Oil Corporation: Delaware Pure-Play



## Pure Play E&P

- **Pure Play** Delaware Basin Operator (~40,400 net acres)
- Well performance competes with **best in the basin** (~1,100 Mboe per well EUR)
- Deep inventory of **high rate of return locations**

## Organic Growth

- **51% increase** in 1P Reserves YoY (1P reserves: 95.9 MMBoe, \$1.1 Bn<sup>1</sup>)
- Targeting **double-digit growth** in daily oil production by YE 2022
- Early start to new capital plan - **keeping a rig running in 2022**

## Strengthening Balance Sheet

- **Rapid deleveraging** (reduced net leverage from 3.1x to 2.1x since 2Q21)
- Recent financing provides **substantial liquidity**
- **Improving hedge book** in robust commodity price environment

## Operational Efficiency

- **Record D&C cost per foot** – ~\$853 per completed lateral foot at Eureka pad
- Improved offtake capacity provides **reliability and optionality**
- Focused R&M drives **improved run-time** with minimal cost increases<sup>2</sup>

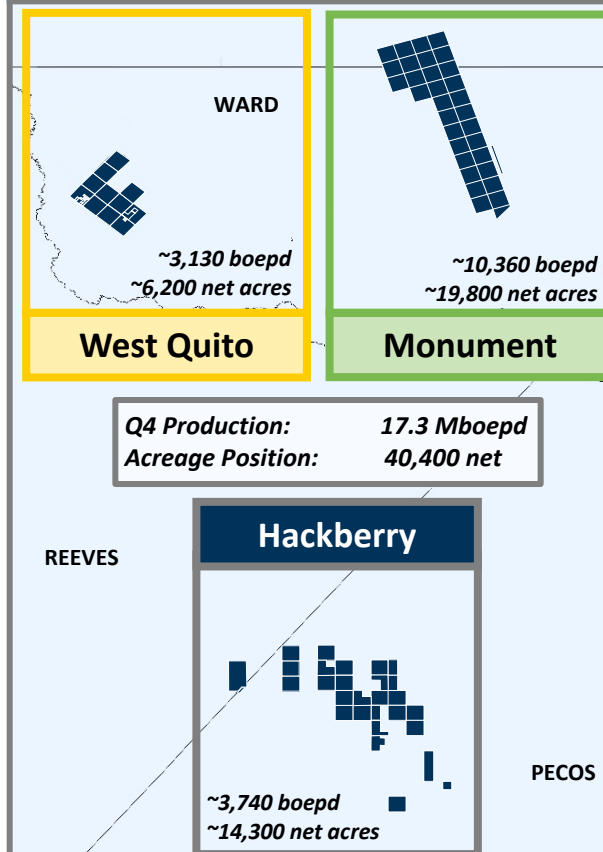
## ESG Initiatives

- Continuing discussions on a **comprehensive H2S & CO2 solution (AGI)**
- **Active in the community** in areas which we operate
- Compensation is tied to ESG – **performance-based pay**

## Market Snapshot

NYSE American Symbol: BATL  
 Market Cap: \$314 million<sup>3</sup>  
 Net Debt: \$154 million<sup>4</sup>  
 Enterprise Value: \$468 million  
 Share Count: 16.3 million

## Asset Overview



(1) PV-10 based on SEC Pricing  
 (2) R&M: Repairs & maintenance

(3) Based on 3.2.2022 closing share price  
 (4) Long-term debt plus outstanding letters of credit less unrestricted cash

# Q4 2021 Key Financial Highlights



## Strategic Refinancing Complete

- Significant liquidity supporting increased 2022 capital plan
- ~\$47 million cash on hand with \$35 million undrawn capacity<sup>1</sup>



## Early Start to 2022 Capital Program

- Increased 2021 capital guidance by \$5 million
- Broke ground on 2022 capital program in December



## Robust Commodity Pricing

- Improved commodity price environment allowing for increased free cash flow



## Improved Hedge Book

- Added meaningful hedge volumes in 2023 – 2026 to protect against downside and lock in development returns



## Significant Organic Deleveraging

- Reduced net leverage from 3.1x to 2.1x since 2Q21
- Targeting net leverage of ~1.0x by YE 2023

## Capitalization & Liquidity Summary

\$0,000	12/31/21
Term Loan Borrowings	\$ 200,000
Plus: Other Indebtedness	85
Plus: Outstanding Letters of Credit	300
Less: Cash & Cash Equivalents	(46,864)
<b>Total Indebtedness, Net</b>	<b>\$ 153,521</b>

Cash & Cash Equivalents	\$ 46,864
Plus: Undrawn Capacity <sup>1</sup>	35,000
<b>Total Liquidity, Net<sup>2</sup></b>	<b>\$ 81,864</b>

<b>Adjusted EBITDA, LTM</b>	<b>\$ 72,730</b>
<b>Net Leverage, LTM</b>	<b>2.11x</b>

(1) Delayed Draw Term Loan Borrowings available subject to satisfaction of certain conditions

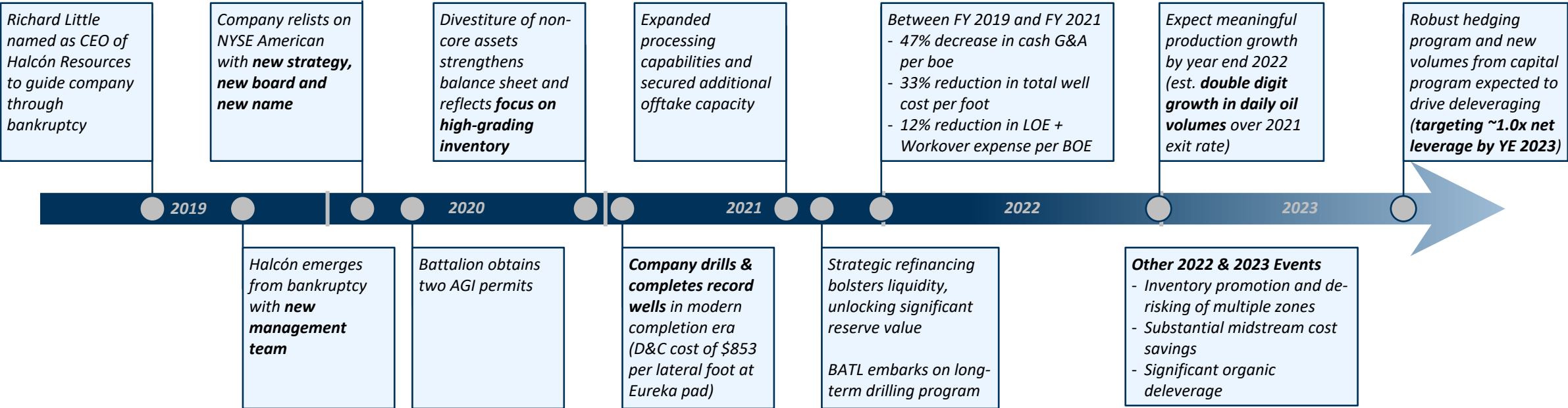
## Battalion Strategy

*Develop our liquids-rich acreage positions to grow production and reserves efficiently*

*Enhance returns through continued improvements in operational and cost efficiencies*

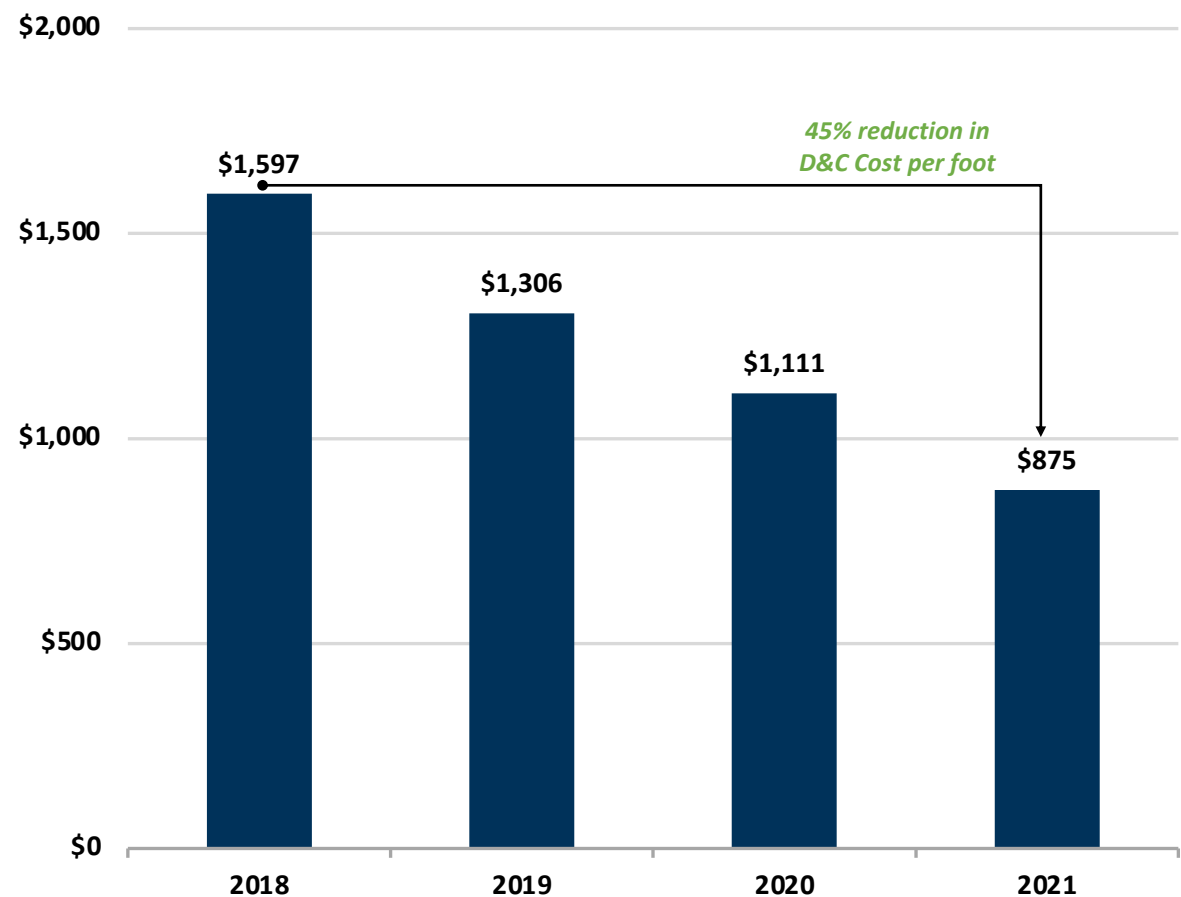
*Maintain financial flexibility*

*Attain growth through strategic business combinations*

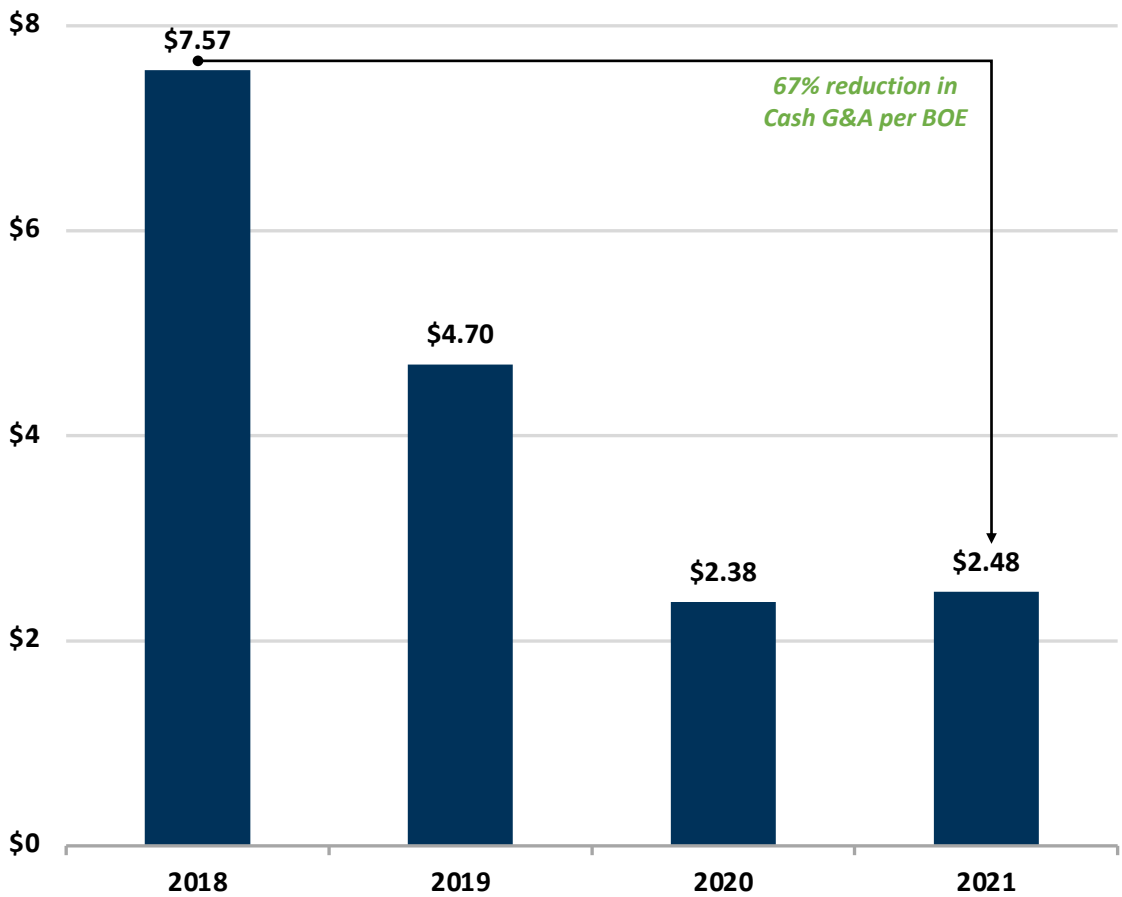


## Maintaining Capital Discipline and Cost Efficiency in Recovering Commodity Environment

### Driving Efficiencies in Total Well Cost per Foot<sup>1</sup>



### Streamlining Corporate G&A per BOE<sup>2</sup>



(1) Reflects total well costs per completed lateral foot excluding artificial lift for Monument Draw wells

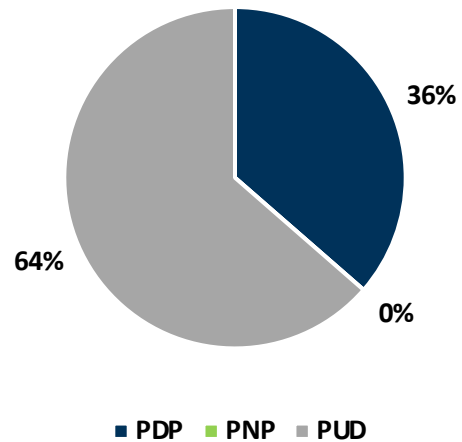
(2) Represents Adjusted G&A per BOE

# YE 2021 Reserve Summary and Drilling Inventory

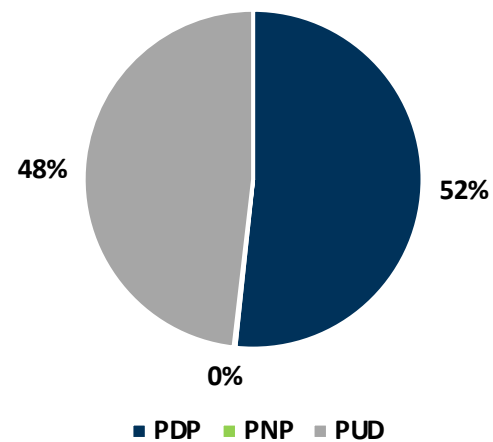
## YE 2021 Reserves<sup>1</sup>

Category	Net Oil	Net Gas	Net NGL	Total	Capex <sup>2</sup>	PV-0	PV-10
	MMBbl	Bcf	MMBbl	MMBoe	\$MM	\$MM	\$MM
PDP	21.7	71.0	8.9	42.4	\$4.0	\$978.7	\$557.8
PNP	-	-	-	-	-	(\$2.6)	(\$1.9)
PUD	37.0	54.0	7.4	53.5	\$517.8	\$1,224.1	\$519.9
<b>Total 1P</b>	<b>58.7</b>	<b>125.0</b>	<b>16.3</b>	<b>95.9</b>	<b>\$521.8</b>	<b>\$2,200.3</b>	<b>\$1,075.8</b>

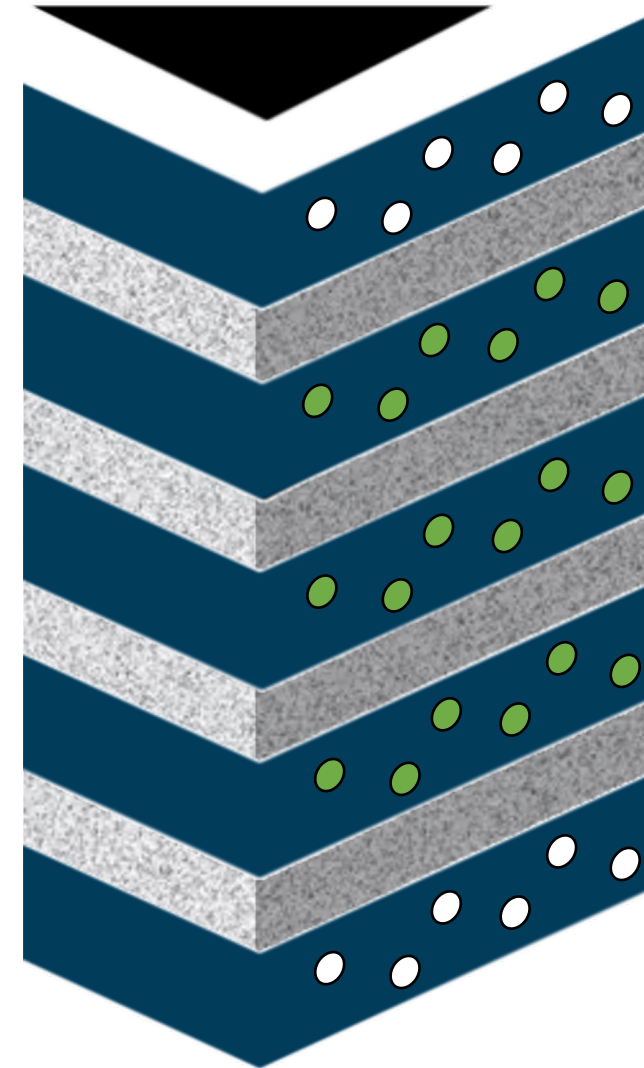
## Net Oil Volume by Category



## PV-10 by Category



## Premium Drilling Inventory in Monument (10,000' Lateral)



1<sup>st</sup>/2<sup>nd</sup> Bone Spring Upside  
153 Locations

3<sup>rd</sup> Bone Spring Upside  
151 Locations (4 PUDs)

Wolfcamp A  
89 Locations (46 PUDs)

Wolfcamp B  
113 Locations (5 PUDs)

Woodford Upside  
Offset operator tests

● Primary Target(s)  
○ Upside

(1) Assumes SEC pricing, which does not give effect to any derivative contracts

(2) Excludes capex related to plugging and abandonment liabilities



## Environment



***Committed to sustainability through reduced flaring, spills and emissions***

- Ongoing discussions on AGI solution
- Minimal flaring overall with Q4 average flare intensity of 0.01 Mcf gas flared/bbls oil produced (industry standard 0.10)
- Record low TRIR (0.41) in 2021
- Membership in Environment Partnership (API) for study on methane emissions

## Social



***Committed to a culture of safety and supporting communities where we operate***

- Program in place to support employee giving of time and money to local communities and non-profit organizations
- Provided over 5,000 EHS training hours for employees and contractors
- Investing in employees through benefits/training
- Community efforts to liaison with first responders and local community

## Governance



***Committed to accountability, risk management and ethical behavior***

- Independent Governance
  - Separated roles of Chairman and CEO
- Compensation structure aligned with ESG initiatives - specific focus on emissions and safety
- Enhanced Board oversight of 2022 ESG initiatives
- Code of Business Conduct and Ethics for Employees and Contractors



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# Appendix

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# Hedge Summary

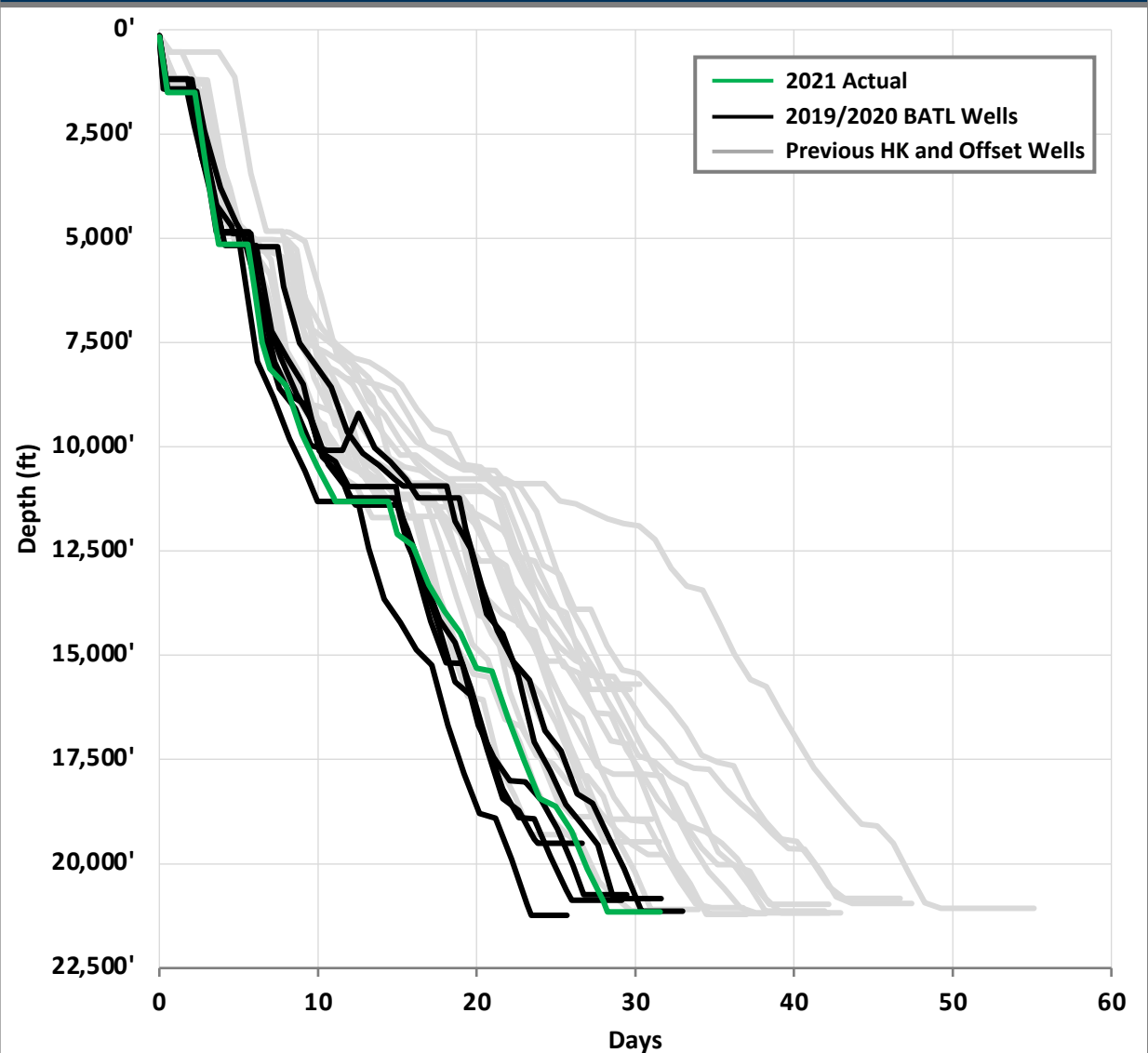
*As Battalion returns to development, the Company's hedge strategy is to heavily hedge base production and protect returns on future wells by hedging expected production as capital is committed*

Consolidated Crude Oil (Bbl/d) & Natural Gas Hedges (MMBtu/d)						
		2022	2023	2024	2025	2026
<b>Crude Oil</b>						
Swaps – WTI	Avg. Volume	6,911	5,482	3,885	2,768	82
	Wavg. Price	\$50.43	\$65.75	\$60.93	\$59.77	\$59.61
Swaps – Roll	Avg. Volume	6,882	5,307	3,795	2,708	82
	Wavg. Price	(\$0.00)	\$0.50	\$0.27	\$0.10	\$0.00
Swaps – Basis	Avg. Volume	6,861	5,307	3,795	2,708	82
	Wavg. Price	\$0.47	\$0.25	\$0.23	\$0.16	\$0.10
<b>Natural Gas</b>						
Swaps - Henry Hub	Avg. Volume	9,608	10,525	6,780	6,166	-
	Wavg. Price	\$3.67	\$3.34	\$3.05	\$2.95	-
Collars - Henry Hub	Avg. Volume	8,285	4,154	3,178	986	-
	Wavg. Floor/Ceiling	\$2.69 - \$3.15	\$3.44 - \$5.15	\$3.01 - \$4.57	\$3.00 - \$3.95	-
Swaps - Basis	Avg. Volume	17,097	13,731	9,580	7,029	-
	Wavg. Price	(\$0.36)	(\$0.58)	(\$0.59)	(\$0.50)	-

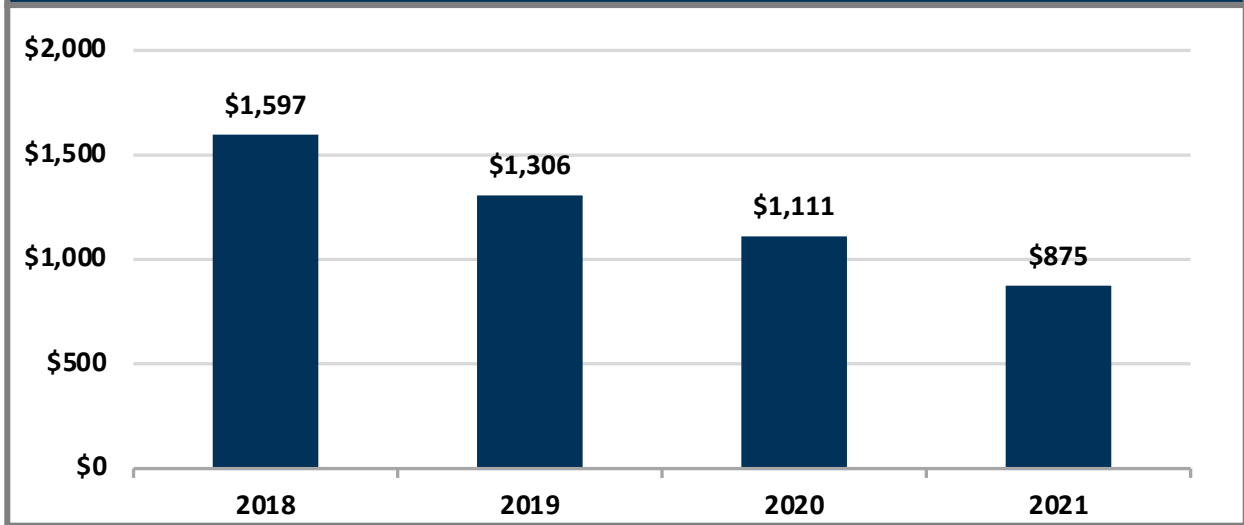
# Commitment to Capital Discipline and Execution



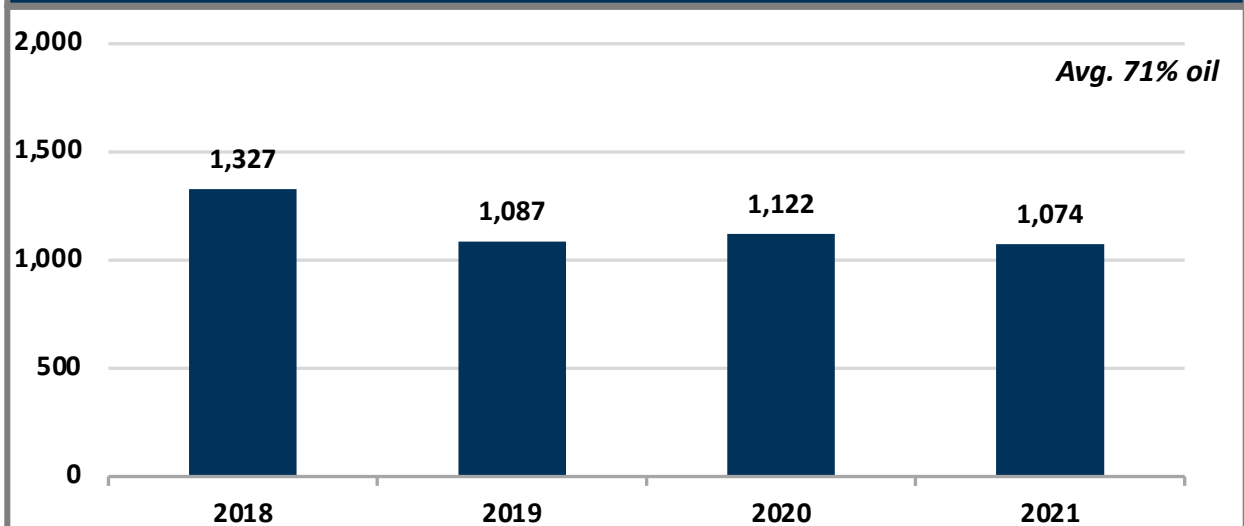
Monument Draw Drilling Performance



Total Well Cost per Lateral Foot<sup>1</sup>



Gross EUR/ft (MBOE) – Monument Draw



(1) Reflects total well costs per completed lateral foot excluding artificial lift for Monument Draw wells



# Selected Operating Data



	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
Production volumes:				
Crude oil (MBbls)	800	857	3,196	3,446
Natural gas (MMcf)	2,670	2,332	9,447	8,769
Natural gas liquids (MBbls)	345	345	1,157	1,262
Total (MBoe)	1,590	1,591	5,928	6,170
Average daily production (Boe/d)	17,283	17,293	16,241	16,858
Average prices:				
Crude oil (per Bbl)	\$ 75.36	\$ 40.46	\$ 66.81	\$ 36.56
Natural gas (per Mcf)	4.27	1.16	3.73	0.66
Natural gas liquids (per Bbl)	36.49	14.16	30.59	11.86
Total per Boe	53.01	26.57	47.93	23.79
Cash effect of derivative contracts:				
Crude oil (per Bbl)	\$ (31.06)	\$ 1.28	\$ (23.02)	\$ 12.31
Natural gas (per Mcf)	(1.02)	0.06	(0.46)	0.28
Natural gas liquids (per Bbl)	—	—	—	—
Total per Boe	(17.35)	0.78	(13.14)	7.28
Average prices computed after cash effect of settlement of derivative contracts:				
Crude oil (per Bbl)	\$ 44.30	\$ 41.74	\$ 43.79	\$ 48.87
Natural gas (per Mcf)	3.25	1.22	3.27	0.94
Natural gas liquids (per Bbl)	36.49	14.16	30.59	11.86
Total per Boe	35.66	27.35	34.79	31.07

# Selected Operating Data (\$/Boe)



	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
Average cost per Boe:				
Production:				
Lease operating	\$ 7.77	\$ 5.80	\$ 7.42	\$ 6.82
Workover and other	0.57	0.59	0.54	0.60
Taxes other than income	1.97	1.84	2.08	1.63
Gathering and other, as adjusted <sup>(1)</sup>	10.67	10.52	10.19	8.53
Restructuring	—	—	—	0.42
General and administrative, as adjusted <sup>(1)</sup>	2.03	3.24	2.48	2.38
Depletion	7.89	8.56	7.53	9.81
<i>((1) Represents gathering and other and general and administrative costs per Boe, adjusted for items noted in the reconciliation below:</i>				
General and administrative:				
General and administrative, as reported	\$ 1.99	\$ 3.28	\$ 2.79	\$ 2.99
Stock-based compensation:				
Non-cash	(0.28)	(0.49)	(0.34)	(0.42)
Non-recurring (charges) credits and other:				
Cash	0.32	0.45	0.03	(0.19)
General and administrative, as adjusted <sup>(2)</sup>	<u>\$ 2.03</u>	<u>\$ 3.24</u>	<u>\$ 2.48</u>	<u>\$ 2.38</u>
Gathering and other, as reported	\$ 10.67	\$ 10.52	\$ 10.19	\$ 9.08
Rig termination and stacking charges and other	—	—	—	(0.55)
Gathering and other, as adjusted <sup>(3)</sup>	<u>\$ 10.67</u>	<u>\$ 10.52</u>	<u>\$ 10.19</u>	<u>\$ 8.53</u>
Total operating costs, as reported	\$ 22.97	\$ 22.03	\$ 23.02	\$ 21.12
Total adjusting items	0.04	(0.04)	(0.31)	(1.16)
Total operating costs, as adjusted <sup>(4)</sup>	<u>\$ 23.01</u>	<u>\$ 21.99</u>	<u>\$ 22.71</u>	<u>\$ 19.96</u>

2) General and administrative, as adjusted, is a non-GAAP measure that excludes non-cash stock-based compensation charges relating to equity awards under our incentive stock plan, as well as other cash charges associated with non-recurring (charges) credits and other. The Company believes that it is useful to understand the effects that these charges have on general and administrative expenses and total operating costs and that exclusion of such charges is useful for comparison to prior periods.

3) Gathering and other, as adjusted, is a non-GAAP measure that excludes rig termination and stacking charges and other costs. The Company believes that it is useful to understand the effects that these charges have on gathering and other expense and total operating costs and that exclusion of such charges is useful for comparative purposes.

4) Represents lease operating expense, workover and other expense, taxes other than income, gathering and other expense and general and administrative costs per Boe, adjusted for items noted in the reconciliation above.

# Adjusted EBITDA Reconciliation (in thousands)



	Three Months Ended December 31,		Years Ended December 31,	
	2021	2020	2021	2020
Net income (loss), as reported	\$ 25,935	\$ (63,757)	\$ (28,317)	\$ (229,707)
<i>Impact of adjusting items:</i>				
Interest expense	3,215	1,853	8,453	7,373
Depletion, depreciation and accretion	12,679	13,886	45,408	62,053
Full cost ceiling impairment	—	26,702	—	215,145
Stock-based compensation	450	785	2,010	2,578
Interest income	(1)	(171)	(213)	(773)
(Gain) loss on sale of other assets	(3)	—	(18)	52
Restructuring	—	—	—	2,580
Loss (gain) on extinguishment of debt	122	—	(1,946)	—
Unrealized loss (gain) on derivatives contracts	(21,332)	30,172	47,721	6,143
Rig termination and stacking charges	—	—	—	3,383
Non-recurring charges (credits) and other	(715)	(658)	(368)	1,286
Adjusted EBITDA <sup>(1)(2)</sup>	<u>\$ 20,350</u>	<u>\$ 8,812</u>	<u>\$ 72,730</u>	<u>\$ 70,113</u>

- 1) Adjusted EBITDA is a non-GAAP measure, which is presented based on management's belief that it will enable a user of the financial information to understand the impact of these items on reported results. This financial measure is not a measure of financial performance under GAAP and should not be considered as an alternative to GAAP measures, including net income (loss). This financial measure may not be comparable to similarly named non-GAAP financial measures that other companies may use and may not be useful in comparing the performance of those companies to Battalion's performance.
- 2) Adjusted EBITDA for the year ended December 31, 2020 includes approximately \$22.9 million of net proceeds from hedge monetizations that occurred during the period.



PV-10 is a non-GAAP financial measure and represents the present value of estimated future cash inflows from proved oil and gas reserves, less future development and production costs, discounted at 10% per annum to reflect the timing of future cash flows. The calculation of PV-10 does not give effect to derivative contracts. Management believes that PV-10 provides useful information to investors because it is widely used by professional analysts and sophisticated investors in evaluating oil and natural gas companies. Because there are many unique factors that can impact an individual company when estimating the amount of future income taxes to be paid, management believes that the use of a pre-tax measure is valuable for evaluating Battalion. PV-10 should not be considered as an alternative to the standardized measure of discounted future net cash flows as computed under GAAP.

The following table provides a reconciliation of the reported standardized measure of discounted future net cash flows to the PV-10 value of reserves using SEC pricing at December 31, 2021 (in thousands):

Standardized measure of discounted future net cash flows, as reported	\$ 1,075,655
Plus: Present value of future income taxes discounted at 10%	119
PV-10	<u>\$ 1,075,774</u>





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