



To Shareholders of EON Resources Inc. ("EON" or the "Company"):

Re: \$45.5 million Recapitalization and Farmout Drive Equity Value

In our last letter to the shareholders dated March 25, 2025, we wrote, "We Are Moving Heaven and Earth to Increase Shareholder Value by \$40 million." On September 9th we accomplished this ambitious goal through a multi-party closing (the "Big Beautiful Closing"). EON received \$45.5 million of funding used, in part, for a simultaneous payoff and satisfaction of (i) the obligations to the sellers ("Sellers") of LH Operating, LLC including the Grayburg-Jackson Field on November 15, 2023, in a cash amount of \$20.7 million and issuance of 1.5 million shares of Class A common stock in exchange for Preferred Units, and (ii) full retirement of senior institutional debt in the amount of \$19.3 million.

Thank you for hanging in there with us. We just pulled off an incredible deal with many parts. We have received many questions, mostly around the deal benefits. Three categories comprise the Big Beautiful Closing: 1) the good, 2) the great and 3) still good.

THE GOOD:

- **Paid off \$20 million in senior institutional debt**, thereby eliminating \$700,000 in monthly principal and interest payments.
- **Retired \$20 million Promissory Note to the Seller** (principal and accrued interest) for \$7 million in cash.
- **Retired Preferred Units owned by the Seller** that had a redemption value of \$27 million and a potential conversion to a large number of common shares in exchange for 1.5 million Class A common shares of EON.
- **Acquired a 10% overriding royalty interest ("ORRI")** in the Company's principal asset, the Grayburg-Jackson Field ("GJF") from Seller for \$13.5 million.

THE GREAT:

- **Closed a Farmout of the San Andres Formation in the Grayburg-Jackson** with a subsidiary of Virtus Energy Partners, LLC ("Virtus"). The San Andres Formation is one of four main productive zones in the GJF. Virtus has an expert team with a skill set that we lacked and a proven record in horizontal San Andres development in the Permian Basin. Under the Farmout, the Company will have its 35% working interest ("WI") that includes many benefits to the Company.



- **The Company will have the first three (3) horizontal wells drilled carried to the tank under the Farmout.** Horizontal wells in the San Andres Formation cost \$3.5 to \$4.0 million each to drill. As modeled by Virtus, each horizontal well is expected to initially produce 300 to 500 barrels of oil per day (“BOPD”). We expect the Company’s retained 35% WI in this undertaking to net the Company 100 to 200 BOPD per well, or 300 to 600 BOPD for the 3 wells. We currently believe the 3 well carry and resulting production from horizontal wells drilled should produce sufficient cash flow to fund our portion of future drilling which could be as many as 90 horizontal wells once the economic profile of the San Andres Formation is proven.
- **The Farmout is a \$5 million cash sale of a 65% leasehold working interest in the San Andres Formation plus up to \$2 million in evaluation workover funding.** The leasehold sale price received by EON is being used for Company obligations and field work activities. The additional sum of up to \$2 million in evaluation workover funding is to be provided by Virtus for a small number of existing vertical wells in the GJF that will help define optimal completion methods when horizontal drilling commences in the second quarter of 2026. These workovers are expected to begin in the fourth quarter of 2025 and are estimated to add 100 to 300 net BOPD to EON’s production with no additional cost to EON this year.
- **\$20 million sale of a 5% ORRI in the San Andres Formation.** EON received \$20 million for the sale of a 5% overriding royalty interest in future production from the San Andres Formation. The San Andres Formation is outside EON’s primary focus of the Seven Rivers formation waterflood, and instead will be the sole focus of Virtus. Allowing EON and Virtus to focus on two separate objectives will serve to accelerate shareholder value beyond what EON could do with only our resources. This \$20 million sale is only on production from the San Andres without loss or reduction of any current income or revenues.

STILL GOOD:

- **\$40.5 million in sale of the ORRIs.** Of our current oil production where the Seller owned a 10% ORRI, in the Big Beautiful Closing we purchased the Seller’s 10% ORRI for \$13.5 million and separately sold a 15% perpetual ORRI (excluding the San Andres Formation) to a non-Seller party for \$20 million. The net effect to EON is a reduction in revenue of \$90,000 per month which enabled the Company to retire \$68 million in senior obligations. In addition we increased working capital by \$6.7 million through consideration received from the leasehold sale and return of cash reserves in payoff of the institutional debt.



- **We continue to focus on an increase in oil production in the Seven Rivers Formation waterflood in the GJF** from today's 900 BOPD by completing up to another 150 Seven Rivers waterflood patterns.
- **Benefits by raising funds through sale of the ORRIs.** compared to conventional institutional bank loans which EON paid off, the ORRI sale eliminates oil price and oil production loan default terms.

The Big Beautiful Closing may seem complicated on the surface and has naturally generated some questions that we will answer in this letter and during an upcoming investor call. Here are some of the questions we have received from many of you and our responses.

1. What is an ORRI? What does overriding royalty interest mean?

- We pay Royalty to the owners of the mineral's rights in the GJF field. This Royalty is an ownership interest carved from the sales proceeds of oil and gas production. Royalties are not an expense interest, or in other words, Royalties do not bear the cost of drilling or producing oil and gas. Royalties have a revenue or income interest where we pay the Royalties from monthly proceeds net of production taxes received by the Company from the purchaser of our oil and natural gas production.
- The Royalties we pay on the GJF have two components: 1) the leasehold ownership Royalty to the original holders of the property rights; and 2) the Overriding Royalty Interest ("ORRI") where we sold an additional Royalty on our assets. The original leasehold Royalty is 16%. The Seller ORRI was 10%, which we bought back and then sold a 15% ORRI. With the incremental 5% from the ORRI, our overall Net Revenue Interest ("NRI") decreased from 74% to 69%.

2. Looks like you sold two ORRIs. Can you explain the difference?

- There are two different ORRI's conveyed to one party by the Company in the GJF. One ORRI is in the amount of 15% of 8/8ths which burdens the existing waterflood operations. The second ORRI is a 5% of 8/8ths ORRI burden on production from the San Andres Formation throughout the GJF in the wells to be drilled and completed by Virtus under the Farmout. The two ORRI's are mutually exclusive. The ORRIs are not duplicated in any of the leasehold or production.
- The 15% ORRI burdens production from vertical wells currently existing and operated by LH Operating, LLC which are considered waterflood operations primarily in the Seven



Rivers formation from the existing 550 producing and injection wells. The Company purchased back a 10% ORRI in the entire GJF from the Sellers which increased our NRI from 74% to 84%. In turn, we sold the 15% ORRI decreasing our NRI from the adjusted 84% to the current 69%. The net effect in regard to Company income is that there is now a 5% increase in burdens on production from our current and historical burdens.

- The 5% ORRI is payable out of proceeds of production from horizontal development wells or vertical recompletions in the San Andres Formation of the GJF. Production under the Farmout will predominantly be from the horizontal drilling program that is expected to commence to the second quarter of 2026. In short, the 5% ORRI will burden future production and revenues which only becomes possible under the Farmout.

3. How do the ORRIs impact the Company's future?

- The sale of the ORRI's allowed the Company to accelerate future production revenues to eliminate our debt and other senior obligations in the amount of \$68 million. Essentially, we diluted our asset ownership but increased value of the Company. Also, we partnered with a proven team that has a skill set we were missing to exploit a known producing zone in the GJF which could provide meaningful production growth to the Company.
- In the near-term, the increase of 5% in additional ORRI does lessen revenues by up to \$100K (or \$90K net of production taxes) per month. However, the funding via the sales price of the ORRI eliminates interest to the lenders by \$500K per month. The ORRI funding used to satisfy the debt obligation to our institutional lender eliminates \$670K of monthly senior debt amortization payments, which is only offset by \$100K in lower revenues. The sale of the 5% ORRI alters our cash flow profile, allowing us to invest more into our existing properties.
- Over the long-term, the Farmout is expected to generate significant additional income and EBITDA for EON starting in 2026 and lasting for many years into the future.

4. Is the 35% interest retained interest in the San Andres Formation under the Farmout good for EON?

- Yes, especially because the Farmee, Virtus, has the skill set we lacked. Based on the development plan presented by Virtus, the full field San Andres development could require up to \$300 million over the life of the field. Virtus anticipates drilling 10-20 new horizontal wells annually, up to a possible 90 well count.



5. What are your plans to grow production from the waterflood operations?

- The Company plans continuous workovers on its 550 wells in the GJF and the newly acquired South Justis Field. This backlog of over 400 workovers to perform could more than double existing production of 1,000 BOPD. These transactions provide capital and financial flexibility to accelerate this work.

6. Why purchase EON stock?

- The Big Beautiful Closing has completely transformed the Company. We are now debt free with a simplified capital structure, and have increased monthly income and cash flow. We believe that our plans in both the GJF and South Justis Field can continue to accrue equity value going forward. We also believe that our simplified capital structure will enable us to attract alternative forms of capital to continue our acquisition strategy.

In summary:

- A. \$40.5 million was raised from proceeds of the sale of two ORRIs. An additional \$5 million was raised under a Farmout of a 65% working interest in the San Andres formation of the GJF. The Company paid \$40 million to retire \$68 million in obligations while acquiring a 10% ORRI from seller. The Company and its shareholders are in a greatly improved position, and poised for the future.
- B. Both net income and cash flow were dramatically increased with the closing of the Big Beautiful Closing. This was achieved by wiping out the senior institutional debt which required \$700,000 monthly service payments.
- C. We eliminated a massively dilutive preferred units instrument, necessary at the time we bought the Grayburg-Jackson field, for a minimal number of shares.
- D. The Company sold a 65% working interest to develop of our San Andres Formation through horizontal drilling by an experienced joint interest owner without impacting our waterflood operations in the Seven Rivers formation.

For those of you who have hung in there with us this past year like the entire EON team has done, **thank you!** For those of you who have sold our stock, we understand your reasons, but we fervently believe blue skies are ahead. We have moved heavy boulders standing in our way, allowing for remarkable success this year and beyond. Now let's all enjoy our next development phase – profitable growth!



Sincerely,

Joseph V. Salvucci

Joseph V. Salvucci Sr., Chairman

Dante Caravaggio

Dante Caravaggio, President & CEO

September 18, 2025