
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-35371

Bonanza Creek Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

410 17th Street, Suite 1400

Denver, Colorado

(Address of principal executive offices)

61-1630631

(I.R.S. Employer Identification No.)

80202

(Zip Code)

(720) 440-6100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$0.01 per share

Trading Symbol
BCEI

Name of exchange on which registered
New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-accelerated Filer
Emerging growth company

Accelerated Filer
Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 5, 2021, the registrant had 30,848,887 shares of common stock outstanding.

BONANZA CREEK ENERGY, INC.
INDEX

		<u>PAGE</u>
<u>Part I.</u>	<u>FINANCIAL INFORMATION</u>	
	<u>Item 1.</u>	<u>Financial Statements</u>
		<u>Condensed Consolidated Balance Sheets as of June 30, 2021 and December 31, 2020</u>
		<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)</u>
		<u>for the Three and Six Months Ended June 30, 2021 and 2020</u>
		<u>Condensed Consolidated Statements of Stockholders' Equity for the Three and Six</u>
		<u>Months Ended June 30, 2021 and 2020</u>
		<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30,</u>
		<u>2021 and 2020</u>
		<u>Notes to the Condensed Consolidated Financial Statements</u>
	<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>Item 4.</u>	<u>Controls and Procedures</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>	
	<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	<u>Item 5.</u>	<u>Other Information</u>
	<u>Item 6.</u>	<u>Exhibits</u>

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements.

BONANZA CREEK ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share amounts)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,403	\$ 24,743
Accounts receivable, net:		
Oil and gas sales	77,533	32,673
Joint interest and other	20,082	14,748
Prepaid expenses and other	6,046	3,574
Inventory of oilfield equipment	13,990	9,185
Derivative assets (note 10)	—	7,482
Total current assets	142,054	92,405
Property and equipment (successful efforts method):		
Proved properties	1,670,453	1,056,773
Less: accumulated depreciation, depletion, and amortization	(264,147)	(211,432)
Total proved properties, net	1,406,306	845,341
Unproved properties	96,348	98,122
Wells in progress	50,366	50,609
Other property and equipment, net of accumulated depreciation of \$4,065 in 2021 and \$3,737 in 2020	5,718	3,239
Total property and equipment, net	1,558,738	997,311
Right-of-use assets (note 4)	28,595	29,705
Deferred income tax assets (note 12)	181,262	60,520
Other noncurrent assets	5,531	2,871
Total assets	\$ 1,916,180	\$ 1,182,812
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses (note 4)	\$ 83,097	\$ 37,425
Oil and gas revenue distribution payable	54,090	18,613
Lease liability (note 2)	12,313	12,044
Derivative liability (note 10)	80,866	6,402
Total current liabilities	230,366	74,484
Long-term liabilities:		
Senior notes (note 5)	100,000	—
Credit facility (note 5)	99,000	—
Lease liability (note 4)	16,543	17,978
Ad valorem taxes and other	22,678	15,069
Derivative liability (note 10)	11,285	1,330
Asset retirement obligations for oil and gas properties (note 9)	51,194	28,699
Total liabilities	531,066	137,560
Commitments and contingencies (note 6)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 25,000,000 shares authorized, none outstanding	—	—
Common stock, \$0.01 par value, 225,000,000 shares authorized, 30,844,625 and 20,839,227 issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	4,378	4,282
Additional paid-in capital	1,083,446	707,209
Retained earnings	297,290	333,761
Total stockholders' equity	1,385,114	1,045,252
Total liabilities and stockholders' equity	\$ 1,916,180	\$ 1,182,812

The accompanying notes are an integral part of these condensed consolidated financial statements.

BONANZA CREEK ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating net revenues:				
Oil and gas sales	\$ 156,035	\$ 36,192	\$ 230,194	\$ 96,597
Operating expenses:				
Lease operating expense	11,358	5,795	17,089	11,494
Midstream operating expense	4,246	3,354	8,151	7,368
Gathering, transportation, and processing	13,721	3,711	18,688	7,192
Severance and ad valorem taxes	9,813	3,478	14,417	8,651
Exploration	3,547	112	3,643	485
Depreciation, depletion, and amortization	35,006	22,283	53,829	43,867
Abandonment and impairment of unproved properties	2,215	309	2,215	30,366
Unused commitments	4,328	—	4,328	—
Bad debt expense	—	—	—	576
Merger transaction costs	18,246	21	21,541	21
General and administrative expense (including \$2,195, \$1,474, \$3,807, and \$2,713 respectively, of stock-based compensation)	12,144	8,385	21,395	17,814
Total operating expenses	114,624	47,448	165,296	127,834
Other income (expense):				
Derivative gain (loss)	(73,970)	(25,146)	(97,389)	75,273
Interest expense, net	(3,241)	(984)	(3,660)	(1,201)
Loss on property transactions, net	—	(1,398)	—	(1,398)
Other income (expense)	89	(118)	277	(1,788)
Total other income (expense)	(77,122)	(27,646)	(100,772)	70,886
Income (loss) from operations before taxes	(35,711)	(38,902)	(35,874)	39,649
Income tax benefit	10,392	—	10,436	—
Net income (loss)	\$ (25,319)	\$ (38,902)	\$ (25,438)	\$ 39,649
Comprehensive income (loss)	\$ (25,319)	\$ (38,902)	\$ (25,438)	\$ 39,649
Net income (loss) per common share:				
Basic	\$ (0.83)	\$ (1.87)	\$ (0.99)	\$ 1.91
Diluted	\$ (0.83)	\$ (1.87)	\$ (0.99)	\$ 1.91
Weighted-average common shares outstanding:				
Basic	30,655	20,776	25,774	20,713
Diluted	30,655	20,776	25,774	20,759

The accompanying notes are an integral part of these condensed consolidated financial statements.

BONANZA CREEK ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balances, December 31, 2020	20,839,227	\$ 4,282	\$ 707,209	\$ 333,761	\$ 1,045,252
Restricted common stock issued	109	—	—	—	—
Stock used for tax withholdings	(38)	—	—	—	—
Exercise of stock options	429	—	15	—	15
Stock-based compensation	—	—	1,612	—	1,612
Net loss	—	—	—	(119)	(119)
Balances, March 31, 2021	20,839,727	4,282	708,836	333,642	1,046,760
Issuance pursuant to acquisition	9,802,166	98	374,835	—	374,933
Restricted common stock issued	261,539	—	—	—	—
Stock used for tax withholdings	(70,330)	(2)	(2,814)	—	(2,816)
Exercise of stock options	11,523	—	394	—	394
Stock-based compensation	—	—	2,195	—	2,195
Dividends declared	—	—	—	(11,033)	(11,033)
Net loss	—	—	—	(25,319)	(25,319)
Balances, June 30, 2021	30,844,625	\$ 4,378	\$ 1,083,446	\$ 297,290	\$ 1,385,114
Balances, December 31, 2019	20,643,738	\$ 4,284	\$ 702,173	\$ 230,233	\$ 936,690
Restricted common stock issued	13,674	—	—	—	—
Stock used for tax withholdings	(2,330)	—	(61)	—	(61)
Stock-based compensation	—	—	1,239	—	1,239
Net income	—	—	—	78,551	78,551
Balances, March 31, 2020	20,655,082	4,284	703,351	308,784	1,016,419
Restricted common stock issued	228,149	—	—	—	—
Stock used for tax withholdings	(56,904)	(2)	(951)	—	(953)
Stock-based compensation	—	—	1,474	—	1,474
Net loss	—	—	—	(38,902)	(38,902)
Balances, June 30, 2020	20,826,327	\$ 4,282	\$ 703,874	\$ 269,882	\$ 978,038

The accompanying notes are an integral part of these condensed consolidated financial statements.

BONANZA CREEK ENERGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ (25,438)	\$ 39,649
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, and amortization	53,829	43,867
Deferred income tax benefit	(10,228)	—
Abandonment and impairment of unproved properties	2,215	30,366
Well abandonment costs and dry hole expense	—	(8)
Stock-based compensation	3,807	2,713
Non-cash lease component	(35)	(103)
Amortization of deferred financing costs	526	680
Derivative (gain) loss	97,389	(75,273)
Derivative cash settlement gain (loss)	(23,990)	33,867
Loss on property transactions, net	—	1,398
Other	—	(2,708)
Changes in current assets and liabilities:		
Accounts receivable, net	(14,686)	24,521
Prepaid expenses and other assets	2,500	2,812
Accounts payable and accrued liabilities	(3,428)	(31,957)
Settlement of asset retirement obligations	(2,902)	(1,595)
Net cash provided by operating activities	<u>79,559</u>	<u>68,229</u>
Cash flows from investing activities:		
Acquisition of oil and gas properties	(549)	(549)
Cash acquired	49,827	—
Exploration and development of oil and gas properties	(57,269)	(51,054)
Additions to other property and equipment	(38)	(416)
Net cash used in investing activities	<u>(8,029)</u>	<u>(52,019)</u>
Cash flows from financing activities:		
Proceeds from credit facility	155,000	30,000
Payments to credit facility	(210,000)	(52,000)
Proceeds from exercise of stock options	409	—
Payment of employee tax withholdings in exchange for the return of common stock	(2,816)	(1,014)
Dividends paid	(10,789)	—
Deferred financing costs	(3,653)	(13)
Principal payments on finance lease obligations	(21)	(40)
Net cash used in financing activities	<u>(71,870)</u>	<u>(23,067)</u>
Net change in cash, cash equivalents, and restricted cash	(340)	(6,857)
Cash, cash equivalents, and restricted cash:		
Beginning of period	24,845	11,095
End of period	<u>\$ 24,505</u>	<u>\$ 4,238</u>
Supplemental cash flow disclosure⁽¹⁾:		
Cash paid for interest, net of capitalization	\$ 87	\$ 670
Receivables exchanged for additional interests in oil and gas properties	\$ —	\$ 8,299
Changes in working capital related to drilling expenditures	\$ (16,285)	\$ (2,382)

(1) Refer to Note 4 - Leases in the notes to the condensed consolidated financial statements for supplemental cash flows related to leases.

The accompanying notes are an integral part of these condensed consolidated financial statements.

BONANZA CREEK ENERGY, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - ORGANIZATION AND BUSINESS

Bonanza Creek Energy, Inc. (“BCEI” or, together with our consolidated subsidiaries, the “Company”) is engaged primarily in acquiring, developing, extracting, and producing oil and gas properties. The Company’s assets and operations are concentrated in the rural portions of the Wattenberg Field in Colorado.

NOTE 2 - BASIS OF PRESENTATION

These unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial statements and pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments consisting of normal recurring adjustments as necessary for a fair presentation of our financial position and results of operations.

The financial information as of December 31, 2020, has been derived from the audited financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K”), but does not include all disclosures, including notes required by GAAP. As such, this quarterly report should be read in conjunction with the consolidated financial statements and related notes included in our 2020 Form 10-K. The Company follows the same accounting principles for preparing quarterly and annual reports. Certain prior period amounts have been reclassified to conform to the current period presentation. In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events after the balance sheet date of June 30, 2021, through the filing date of this report.

Principles of Consolidation

The condensed consolidated balance sheets (“balance sheets”) include the accounts of the Company and its wholly owned subsidiaries, Bonanza Creek Energy Operating Company, LLC, Boron Merger Sub, Inc., Holmes Eastern Company, LLC, and Rocky Mountain Infrastructure, LLC. All intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of the Company’s condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of oil and gas reserves, assets and liabilities, and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the three and six months ended June 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. Further these estimates and other factors, including those outside of the Company’s control, such as the impact of lower commodity prices, may impact the Company’s business, financial condition, results of operations and cash flows.

Industry Segment and Geographic Information

The Company operates in one industry segment, which is the development and production of oil, natural gas, and natural gas liquids (“NGLs”), and all of the Company’s operations are conducted in the continental United States.

Revenue Recognition

Sales of oil, natural gas, and NGLs are recognized when performance obligations are satisfied at the point control of the product is transferred to the customer. The Company’s contracts’ pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of the oil or natural gas, and prevailing supply and demand conditions. As a result, the price of the oil, natural gas, and NGLs fluctuates to remain competitive with other available oil, natural gas, and NGLs supplies.

As further described in *Note 6 - Commitments and Contingencies*, one contract with NGL Crude Logistics, LLP (“NGL Crude”, known as the “NGL Crude agreement”) has an additional aspect of variable consideration related to the minimum volume commitments (“MVCs”) as specified in the agreement. On an on-going basis, the Company performs an analysis of expected risk adjusted production applicable to the NGL Crude agreement based on approved production plans to determine if liquidated damages to NGL Crude are probable. As of June 30, 2021, the Company believes that the volumes

delivered to NGL Crude will be in excess of the MVCs required then and for the upcoming approved production plan. As a result of this analysis, to date, no variable consideration related to potential liquidated damages has been considered in the transaction price for the NGL Crude agreement.

Under the oil sales contracts, the Company sells oil production at the wellhead, or other contractually agreed-upon delivery points, and collects an agreed-upon index price, net of pricing differentials. In this scenario, the Company recognizes revenue when control transfers to the purchaser at the wellhead, or other contractually agreed-upon delivery point, at the net contracted price received.

Under the natural gas processing contracts, the Company delivers natural gas to an agreed-upon delivery point. The delivery points are specified within each contract, and the transfer of control varies between the inlet and outlet of the midstream processing facility. The midstream processing entity gathers and processes the natural gas and remits proceeds to the Company for the resulting sales of NGLs and residue gas. For the contracts where the Company maintains control through the outlet of the midstream processing facility, the Company recognizes revenue on a gross basis, with gathering, transportation, and processing fees presented as an expense in the Company's accompanying condensed consolidated statements of operations and comprehensive income (loss) ("statements of operations"). Alternatively, for those contracts where the Company relinquishes control at the inlet of the midstream processing facility, the Company recognizes natural gas and NGLs revenues based on the contracted amount of the proceeds received from the midstream processing entity and, as a result, the Company recognizes revenue on a net basis.

Under the product sales contracts, the Company invoices customers once the performance obligations have been satisfied, at which point payment is unconditional. Accordingly, the Company's product sales contracts do not give rise to contract assets or liabilities under this guidance. At June 30, 2021 and December 31, 2020, the Company's receivables from contracts with customers were \$77.5 million and \$32.7 million, respectively. Payment is generally received within 30 to 60 days after the date of production.

The Company records revenue in the month production is delivered to the purchaser. However, as stated above, settlement statements for certain natural gas and NGLs sales may not be received for 30 to 60 days after the date production is delivered, and as a result, the Company is required to estimate the amount of production delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between its estimates and the actual amounts received for product sales in the month in which payment is received from the purchaser. For the period from January 1, 2021 through June 30, 2021, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was insignificant.

Revenue attributable to each identified revenue stream is disaggregated below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating Revenues:				
Crude oil sales	\$ 116,091	\$ 28,934	\$ 166,155	\$ 80,080
Natural gas sales	15,168	4,712	28,300	10,730
Natural gas liquids sales	24,776	2,546	35,739	5,787
Oil and gas sales	\$ 156,035	\$ 36,192	\$ 230,194	\$ 96,597

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets, which sums to the total of such amounts shown in the accompanying condensed consolidated statements of cash flows ("statements of cash flows") (in thousands):

	As of June 30,	
	2021	2020
Cash and cash equivalents	\$ 24,403	\$ 4,144
Restricted cash ⁽¹⁾	102	94
Total cash, cash equivalents, and restricted cash	\$ 24,505	\$ 4,238

(1) Included in other noncurrent assets and consists of funds for road maintenance and repairs.

Unproved Property

Unproved oil and gas property costs are evaluated for impairment when there is an indication that the carrying costs may not be fully recoverable. During both the three and six months ended June 30, 2021, the Company incurred \$2.2 million in abandonment and impairment of unproved properties compared to \$0.3 million and \$30.4 million during the three and six months ended June 30, 2020, respectively, due to the reassessment of estimated probable and possible reserve locations based primarily upon economic viability and the expiration of non-core leases.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses contain the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Accrued drilling and completion costs	\$ 16,738	\$ 453
Accounts payable trade	13,150	1,931
Accrued general and administrative expense	6,046	4,942
Accrued merger transaction costs	2,426	2,587
Accrued lease operating expense	4,298	1,793
Accrued interest expense	3,368	322
Accrued oil and gas hedging	8,820	—
Accrued production and ad valorem taxes and other	28,251	25,397
Total accounts payable and accrued expenses	<u>\$ 83,097</u>	<u>\$ 37,425</u>

Accounting Pronouncements Recently Adopted and Issued

In March 2020, the FASB issued *Update No. 2020-04, Reference Rate Reform (Topic 848)*, which provides temporary optional guidance to companies impacted by the transition away from the LIBOR. The amendment provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. Further, in January 2021, the FASB issued *Update No. 2021-01, Reference Rate Reform (Topic 848)*, which clarifies the scope of Topic 848 so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. These amendments are effective upon issuance and expire on December 31, 2022. The Company is currently assessing the impact of the LIBOR transition on the Company's condensed consolidated financial statements.

There are no other accounting standards applicable to the Company that would have a material effect on the Company's condensed consolidated financial statements and disclosures that have been issued but not yet adopted by the Company as of June 30, 2021, and through the filing date of this report.

NOTE 3 - ACQUISITIONS & DIVESTITURES*HighPoint Acquisition*

On April 1, 2021, Bonanza Creek completed its previously announced acquisition of HighPoint Resources Corporation, a Delaware corporation ("HighPoint"), pursuant to the terms of HighPoint's prepackaged plan of reorganization under Chapter 11 of the United States Bankruptcy Code (the "Prepackaged Plan"), which was confirmed by the U.S. Bankruptcy Court for the District of Delaware on March 18, 2021 pursuant to a confirmation order, and went effective on April 1, 2021 (the "HighPoint Merger").

The Prepackaged Plan implements the merger and restructuring transactions in accordance with the Agreement and Plan of Merger, dated as of November 9, 2020 (the "HighPoint Merger Agreement"), by and among Bonanza Creek, HighPoint and Boron Merger Sub, Inc., a wholly-owned subsidiary of Bonanza Creek ("Merger Sub"). Pursuant to the Prepackaged Plan and the HighPoint Merger Agreement, at the effective time of the HighPoint Merger (the "Effective Time") and the effective date under the Prepackaged Plan, Merger Sub merged with and into HighPoint, with HighPoint continuing as the surviving corporation and wholly-owned subsidiary of Bonanza Creek. At the Effective Time, each eligible share of common stock, par value \$0.001 per share, of HighPoint issued and outstanding immediately prior to the Effective Time was automatically converted into the right to receive 0.11464 shares of common stock, par value \$0.01 per share, of Bonanza Creek ("Bonanza Creek Common Stock"), with cash paid in lieu of the issuance of any fractional shares. As a result, the Company issued approximately 487,952 shares of Bonanza Creek Common Stock to former HighPoint stockholders.

Concurrently with the HighPoint Merger and pursuant to the Prepackaged Plan, and in exchange for the \$625 million in aggregate principal amount outstanding of 7.0% Senior Notes due 2022 of HighPoint Operating Corporation ("HighPoint OpCo") and 8.75% Senior Notes due 2025 of HighPoint OpCo (collectively, the "HighPoint Senior Notes"), Bonanza Creek issued to all holders of HighPoint Senior Notes an aggregate of (i) 9,314,214 shares of Bonanza Creek Common Stock and (ii) \$100 million aggregate principal amount of 7.5% Senior Notes due 2026 of Bonanza Creek ("Bonanza Creek Senior Notes"). Please refer to *Note 5 - Long-term Debt* for further discussion of the Bonanza Creek Senior Notes.

Immediately after the Effective Time, in connection with the HighPoint Merger, Bonanza Creek entered into the Second Amendment, dated April 1, 2021, to the Credit Facility. Please refer to *Note 5 - Long-term Debt* for further discussion.

The following tables present the HighPoint Merger consideration and purchase price allocation of the assets acquired and the liabilities assumed in the HighPoint Merger:

Merger Consideration (in thousands except per share amount)

Shares of Bonanza Creek Common Stock issued to existing holders of HighPoint Common Stock ⁽¹⁾	488
Shares of Bonanza Creek Common Stock issued to existing holders of HighPoint Senior Notes	9,314
Total additional shares of Bonanza Creek Common Stock issued as merger consideration	9,802
Closing price per share of Bonanza Creek Common Stock ⁽²⁾	\$ 38.25
Merger consideration paid in shares of Bonanza Creek Common Stock	\$ 374,933
Aggregate principal amount of Bonanza Creek Senior Notes	100,000
Total merger consideration	\$ 474,933

(1) Based on the number of shares of HighPoint Common Stock issued and outstanding as of April 1, 2021 and the conversion ratio of 0.11464 per share of Bonanza Creek Common Stock.

(2) Based on the closing stock price of Bonanza Creek Common Stock on April 1, 2021.

Purchase Price Allocation (in thousands)

Assets Acquired		
Cash and cash equivalents	\$	49,827
Accounts receivable - oil and gas sales		26,343
Accounts receivable - joint interest and other		9,161
Prepaid expenses and other		3,608
Inventory of oilfield equipment		4,688
Proved properties		539,820
Other property and equipment, net of accumulated depreciation		2,769
Right-of-use assets		4,010
Deferred income tax assets		110,513
Other noncurrent assets		797
Total assets acquired	\$	751,536
Liabilities Assumed		
Accounts payable and accrued expenses	\$	51,088
Oil and gas revenue distribution payable		20,786
Lease liability		744
Derivative liability		13,481
Current portion of long-term debt		154,000
Lease liability (long-term)		3,266
Ad valorem taxes		3,746
Derivative liability (long-term)		5,019
Asset retirement obligations for oil and gas properties		24,473
Total liabilities assumed		276,603
Net assets acquired	\$	474,933

As part of the HighPoint Merger, the Company obtained net operating losses of \$170.6 million. The HighPoint Merger was accounted for under the acquisition method of accounting for business combinations. Accordingly, we conducted assessments of the net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition were expensed as incurred. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market, and therefore represent Level 3 inputs. The fair values of crude oil and natural gas properties and asset retirement obligations were measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation of proved oil and gas properties include estimates of reserves, future operating and development costs, future commodity prices, estimated future cash flows, and a market-based weighted-average cost of capital rate of approximately 13%. These inputs require significant judgments and estimates by management at the time of the valuation.

The following unaudited pro forma financial information represents a summary of the consolidated results of operations for the six months ended June 30, 2021 and for the three and six months ended June 30, 2020, assuming the acquisition had been completed as of January 1, 2020. The financial information for the three months ended June 30, 2021 is included in our statement of operations and therefore does not require a pro forma disclosure. The pro forma financial information includes certain non-recurring pro forma adjustments that were directly attributable to the business combination. The pro forma financial information is not necessarily indicative of the results of operations that would have been achieved if the acquisition had been effective as of these dates, or of future results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020		2021	2020
	(in thousands, except per share data)			
Total revenue	\$	79,492	\$	302,213
Net loss		(78,410)		(66,717)
Net loss per common share:				
Basic	\$	(2.56)	\$	(2.18)
Diluted	\$	(2.56)	\$	(2.18)

Extraction Merger

On May 9, 2021, Bonanza Creek, Raptor Eagle Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Bonanza Creek, and Extraction Oil & Gas, Inc., a Delaware corporation (“XOG”), entered into an Agreement and Plan of Merger (the “XOG Merger Agreement”), providing for a merger of equals between Bonanza Creek and XOG (the “XOG Merger”). The XOG Merger is expected to close in the fourth quarter of 2021, contingent upon a number of factors disclosed in the XOG Merger Agreement. Once closed, the Company intends to increase annual dividend payments to approximately \$1.60 per share.

Crestone Peak Merger

On June 6, 2021, Bonanza Creek, Raptor Condor Merger Sub 1, Inc., a Delaware corporation and a wholly owned subsidiary of Bonanza Creek (“Merger Sub 1”), Raptor Condor Merger Sub 2, LLC, a Delaware limited liability company and a wholly owned subsidiary of BCEI (“Merger Sub 2”), Crestone Peak Resources LP, a Delaware limited partnership (“CPR”), CPPIB Crestone Peak Resources America Inc., a Delaware corporation (“Crestone Peak”), Crestone Peak Resources Management LP, a Delaware limited partnership (“CPR Management LP”), and, Extraction Oil & Gas, Inc., a Delaware corporation, entered into an Agreement and Plan of Merger (the “Crestone Peak Merger Agreement”).

The Crestone Peak Merger Agreement, among other things, provides for the Company’s acquisition of Crestone Peak through (i) the merger of Merger Sub 1 with and into Crestone Peak (the “Merger Sub 1 Merger”), with Crestone Peak continuing its existence as the surviving corporation following the Merger Sub 1 Merger (the “Surviving Corporation”), and (ii) the subsequent merger of the Surviving Corporation with and into Merger Sub 2 (the “Merger Sub 2 Merger” and together with the Merger Sub 1 Merger, the “Crestone Peak Merger”), with Merger Sub 2 continuing as the surviving entity as a wholly owned subsidiary of Bonanza Creek.

The closing of the Crestone Peak Merger is expressly conditioned on the closing of the previously announced XOG Merger pursuant to the XOG Merger Agreement. The Crestone Peak Merger is expected to close in conjunction with the XOG merger in the fourth quarter of 2021, contingent upon a number of factors disclosed in the Crestone Peak Merger Agreement. Once closed, the Company intends to increase annual dividend payments to approximately \$1.85 per share.

Acquisition costs of \$18.2 million and \$21.5 million related to the aforementioned mergers and acquisitions were accounted for separately from the assets and liabilities assumed and are included in merger transaction costs in the Company’s statements of operations for the three and six months ended June 30, 2021, respectively.

NOTE 4 - LEASES

The Company's right-of-use assets and lease liabilities are recognized at their discounted present value on the balance sheet, which include leases related to the asset classes reflected as of the dates indicated in the table below (in thousands):

	June 30, 2021	December 31, 2020
Operating leases		
Field equipment ⁽¹⁾	\$ 23,606	\$ 27,537
Corporate leases	4,011	1,481
Vehicles	978	468
Total right-of-use asset	\$ 28,595	\$ 29,486
Lease liabilities		
Field equipment ⁽¹⁾	\$ 23,606	\$ 27,537
Corporate leases	4,272	1,900
Vehicles	978	468
Total lease liability	\$ 28,856	\$ 29,905
Finance leases		
Right-of-use asset - field equipment ⁽¹⁾	\$ —	\$ 219
Lease liability - field equipment ⁽¹⁾	\$ —	\$ 117

(1) Includes compressors, certain gas processing equipment, and other field equipment.

The lease amounts disclosed are presented on a gross basis. A portion of these costs may have been or will be billed to other working interest owners, and the Company's net share of these costs, once paid, are included in various line items on the statements of operations or capitalized to oil and gas properties or other property and equipment, as applicable.

The Company recognizes operating lease expense on a straight-line basis. Finance lease expense is recognized based on the effective interest method for the lease liability and straight-line amortization for the right-of-use asset, resulting in more cost being recognized in earlier lease periods. Short-term and variable lease payments are recognized as incurred. Short-term lease cost represents payments for leases with a lease term of one year or less, excluding leases with a term of one month or less. Short-term leases include drilling rigs and other equipment. Drilling rig contracts are structured based on an allotted number of wells to be drilled consecutively at a daily operating rate. Short-term drilling rig costs include a non-lease labor component, which is treated as a single lease component.

The following table summarizes the components of the Company's gross lease costs incurred during the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost ⁽¹⁾	\$ 3,557	\$ 3,607	\$ 6,894	\$ 7,098
Finance lease cost:				
Amortization of right-of-use assets	—	5	3	7
Interest on lease liabilities	—	1	1	2
Short-term lease cost	164	292	211	1,882
Variable lease cost ⁽²⁾	95	(135)	65	(44)
Sublease income ⁽³⁾	(91)	(89)	(183)	(178)
Total lease cost	\$ 3,725	\$ 3,681	\$ 6,991	\$ 8,767

(1) Includes office rent expense of \$0.5 million and \$0.3 million for the three months ended June 30, 2021 and 2020, respectively, and \$0.8 million and \$0.5 million for the six months ended June 30, 2021 and 2020, respectively.

(2) Variable lease cost represents differences between lease obligations and actual costs incurred for certain leases that do not have fixed payments related to both lease and non-lease components. Such incremental costs include lease payment increases or decreases driven by market price fluctuations and leased asset maintenance costs.

(3) The Company has subleased a portion of one of its office spaces for the remainder of the office lease term.

The Company does not have any leases with an implicit interest rate that can be readily determined. As a result, the Company used the incremental borrowing rate, based on the Credit Facility benchmark rate, adjusted for facility utilization and lease term, to calculate the respective discount rates. Please refer to *Note 5 - Long-term Debt* for additional information.

The Company has certain lease agreements that provide for the option to extend, purchase, or terminate early, which was evaluated on each lease to arrive at the proper lease term. There were some leases for which the option to extend or purchase was factored into the resulting lease term. There were no leases where early termination was factored into the resulting lease term. The Company's weighted-average remaining lease terms and discount rates for operating leases as of June 30, 2021 are as follows:

	Operating Leases
Weighted-average lease term (years)	2.9
Weighted-average discount rate	3.91%

Supplemental cash flow information related to leases for the three and six months ended June 30, 2021 and 2020 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 3,340	\$ 3,279	\$ 6,490	\$ 6,412
Operating cash flows from finance leases	—	1	1	2
Financing cash flows from finance leases	—	30	21	40
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 4,010	\$ 1,944	\$ 5,499	\$ 7,388
Right-of-use assets obtained in exchange for new finance lease obligations	—	—	—	219

As of June 30, 2021, future commitments by year for the Company's operating with a lease term of one year or more are presented in the table below. Such commitments are reflected at undiscounted values and are reconciled to the discounted present value recognized on the balance sheet as follows (in thousands):

	Operating Leases	
Remainder of 2021	\$	7,179
2022		11,306
2023		7,074
2024		2,995
2025		680
Thereafter		1,328
Total lease payments		30,562
Less: imputed interest		(1,706)
Total lease liability	\$	28,856

NOTE 5 - LONG-TERM DEBT

Senior Notes

In conjunction with the HighPoint Merger, Bonanza Creek issued \$100 million aggregate principal amount of 7.5% Senior Notes due 2026 pursuant to an indenture (the "Indenture"), dated April 1, 2021, by and among Bonanza Creek, U.S. Bank National Association, as trustee (the "Trustee"), and the subsidiary guarantors party thereto. The Bonanza Creek Senior Notes are the senior unsecured obligations of Bonanza Creek and the subsidiaries of Bonanza Creek that are guarantors of the Bonanza Creek Senior Notes. The Indenture contains restrictive covenants that, among other things, restrict the ability of Bonanza Creek and each of its restricted subsidiaries to: (i) incur additional indebtedness and issue preferred stock; (ii) pay dividends or make other distributions in respect of Bonanza Creek common stock; (iii) make other restricted payments and investments; (iv) create liens; (v) restrict distributions or other payments from Bonanza Creek's restricted subsidiaries; (v) sell assets, including capital stock of restricted subsidiaries; (vi) merge or consolidate with other entities; and (vi) enter into transactions with affiliates. These restrictive covenants are subject to a number of important qualifications and limitations. In addition, certain of these restrictive covenants will be suspended before the Bonanza Creek Senior Notes mature if at any time no default or event of default exists under the Indenture and the Bonanza Creek Senior Notes receive an investment grade rating from at least two ratings agencies. The Indenture also contains customary events of default.

The Bonanza Creek Senior Notes will be fully and unconditionally guaranteed, jointly and severally, on a senior basis by each restricted subsidiary that guarantees a credit facility (as defined in the Indenture) of Bonanza Creek.

Immediately after the Effective Time, HighPoint, HighPoint OpCo, and Fifth Pocket Production, LLC, a Colorado limited liability company (collectively, the "HighPoint guarantors"), Bonanza Creek, and the Trustee entered into a first supplemental indenture (the "First Supplemental Indenture"), dated April 1, 2021, to the Indenture, pursuant to which such HighPoint guarantors unconditionally guaranteed all of Bonanza Creek's obligations under the Bonanza Creek Senior Notes and the Indenture.

Credit Facility

In December 2018, the Company entered into a reserve-based revolving facility, as the borrower, with JPMorgan Chase Bank, N.A., as the administrative agent, and a syndicate of financial institutions, as lenders (the "Credit Facility"). The Credit Facility has a maturity date of December 7, 2023. The April 2021 redetermination as part of the Second Amendment (defined below) resulted in a borrowing base of \$500.0 million, with elected commitments set at \$400.0 million. The most recent redetermination was concluded on July 20, 2021, resulting in a reaffirmation of the borrowing base at \$500.0 million and aggregate elected commitments at \$400.0 million. The next redetermination is set to occur in November 2021, unless otherwise redetermined through the closing of the XOG and Crestone Peak mergers.

The Credit Facility is guaranteed by all wholly owned subsidiaries of the Company (each, a "Guarantor" and, together with the Company, the "Credit Parties"), and is secured by first priority security interests on substantially all assets of each Credit Party, subject to customary exceptions.

The Credit Facility contains customary representations and affirmative covenants. The Credit Facility also contains customary negative covenants, which, among other things, and subject to certain exceptions, include restrictions on (i) liens, (ii) indebtedness, guarantees and other obligations, (iii) restrictions in agreements on liens and distributions, (iv) mergers or consolidations, (v) asset sales, (vi) restricted payments, (vii) investments, (viii) affiliate transactions, (ix) change of business, (x) foreign operations or subsidiaries, (xi) name changes, (xii) use of proceeds, letters of credit, (xiii) gas imbalances, (xiv) hedging transactions, (xv) additional subsidiaries, (xvi) changes in fiscal year or fiscal quarter, (xvii) operating leases, (xviii) prepayments of certain debt and other obligations, (xix) sales or discounts of receivables, (xx) dividend payment thresholds, and (xi) cash balances. The Credit Parties are subject to certain financial covenants under the Credit Facility, as tested on the last day of each fiscal quarter, including, without limitation, (i) a maximum ratio of the Company's consolidated indebtedness (subject to certain exclusions) to earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash charges ("EBITDAX") and (ii) a current ratio, as defined in the agreement, inclusive of the unused commitments then available to be borrowed, to not be less than 1.00 to 1.00.

Under the terms of the Credit Facility, as amended in June 2020 (the "First Amendment"), borrowings bore interest at a per annum rate equal to, at the option of the Company, either (i) a LIBOR, subject to a 0% LIBOR floor plus a margin of 2.00% to 3.00%, based on the utilization of the Credit Facility (the "Eurodollar Rate") or (ii) a fluctuating interest rate per annum equal to the greatest of (a) the rate of interest publicly announced by JPMorgan Chase Bank, N.A. as its prime rate, (b) the rate of interest published by the Federal Reserve Bank of New York as the federal funds effective rate, (c) the rate of interest published by the Federal Reserve Bank of New York as the overnight bank funding rate, or (d) a LIBOR offered rate for a one-month interest period, subject to a 0% LIBOR floor plus a margin of 1.00% to 2.00%, based on the utilization of the Credit Facility (the "Reference Rate"). Interest on borrowings that bear interest at the Eurodollar Rate shall be payable on the last day of the applicable interest period selected by the Company, which shall be one, two, three, or six months, and interest on borrowings that bear interest at the Reference Rate shall be payable quarterly in arrears.

On April 1, 2021, in conjunction with the HighPoint Merger, the Company, together with certain of its subsidiaries, entered into the Second Amendment (the "Second Amendment") to the Credit Facility (as amended, restated, supplemented or otherwise modified) to, among other things: (i) increase the aggregate maximum commitment amount from \$750.0 million to \$1.0 billion; (ii) increase the available borrowing base from \$260.0 million to \$500.0 million; (iii) increase the Eurodollar Rate margin to 3.00% to 4.00%; (iv) increase the Reference Rate margin to 2.00% to 3.00%; (v) increase (A) the LIBOR floor from 0% to .50% and (B) the alternate base rate floor from 0% to 1.50%; (vi) decrease for any fiscal quarter ending on or after April 1, 2021, the maximum permitted net leverage ratio from 3.50 to 3.0; and (viii) amend certain other covenants and provisions.

The Company was in compliance with all covenants as of June 30, 2021, and through the filing date of this report.

As of June 30, 2021 and December 31, 2020, the Company had \$99.0 million and zero, respectively, outstanding on the Credit Facility. As of the date of this filing, the outstanding balance was \$85.0 million. The Company's Credit Facility approximates fair value as the applicable interest rates are floating.

In connection with the Second Amendment, the Company capitalized an incremental \$3.7 million in deferred financing costs. Of the total post-amortization net capitalized deferred financing costs, (i) \$2.5 million and \$0.7 million, as of June 30, 2021 and December 31, 2020, respectively, are presented within other noncurrent assets and (ii) \$1.7 million and \$0.4 million, as of June 30, 2021 and December 31, 2020, respectively, are presented within prepaid expenses and other line items in the accompanying balance sheets.

Interest Expense

For the three months ended June 30, 2021 and 2020, the Company incurred interest expense of \$3.8 million and \$1.4 million, respectively, and capitalized \$0.6 million and \$0.4 million during the three months ended June 30, 2021 and 2020, respectively. For the six months ended June 30, 2021 and 2020, the Company incurred interest expense of \$4.3 million and \$2.6 million, respectively, and capitalized \$0.6 million and \$1.4 million during the six months ended June 30, 2021 and 2020, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES*Legal Proceedings*

From time to time, the Company is involved in various commercial and regulatory claims, litigation, and other legal proceedings that arise in the ordinary course of its business. The Company assesses these claims in an effort to determine the degree of probability and range of possible loss for potential accrual in its condensed consolidated financial statements. In accordance with authoritative accounting guidance, an accrual is recorded for a loss contingency when its occurrence is probable and damages can be reasonably estimated based on the most likely anticipated outcome or the minimum amount within a range of possible outcomes. Because legal proceedings are inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about uncertain future events. When evaluating contingencies, the Company may be unable to provide a meaningful estimate due to a number of factors, including the procedural status of the matter in question, the presence of complex or novel legal theories, and/or the ongoing discovery and development of information important to the matters. The Company regularly reviews contingencies to determine the adequacy of its accruals and related disclosures. No claims have been made, nor is the Company aware of any material uninsured liability which the Company may have, as it relates to any environmental cleanup, restoration, or the violation of any rules or regulations. As of the filing date of this report, there were no probable, material pending, or overtly threatened legal actions against the Company of which it was aware.

Upon closing of the HighPoint Merger, the Company assumed all obligations, whether asserted or unasserted, of HighPoint Resources Corporation. As of the filing date of this report, there were no probable, material pending, or overtly threatened legal actions against the Company that were associated with HighPoint of which it was aware, other than the following:

On June 15, 2020, Sterling Energy Investments LLC (“Sterling”) filed a complaint against HighPoint OpCo, a subsidiary of HighPoint Resources Corporation, for breach of contract related to a Gas Purchase Agreement dated effective November 1, 2017. Sterling alleges that HighPoint OpCo breached the contract by failing to use reasonable commercial efforts to deliver to Sterling at Sterling’s receipt points all quantities of gas not otherwise dedicated to other gas purchase agreements. HighPoint Resources OpCo filed a counterclaim against Sterling for breach of Sterling’s obligations under the Gas Purchase Agreement. The possible damages range from zero to \$5.5 million. At this time, the Company is unable to determine whether any loss is probable and accordingly has not recognized any liability associated with this matter.

Disclosure of certain environmental matters is required when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that the Company believes could exceed \$300,000. HighPoint Resources Corporation received Notices of Alleged Violations (“NOAV”) from the Colorado Oil and Gas Conservation Commission (“COGCC”) alleging violations of various Colorado statutes and COGCC regulations governing oil and gas operations. The Company continues to engage in discussions regarding resolution of the alleged violations. As of June 30, 2021, the Company has recognized approximately \$1.8 million associated with the NOAVs, as they are probable and reasonably estimable.

Commitments

Firm Transportation Agreements. As part of the HighPoint Merger, the Company is now party to two firm transportation contracts to provide capacity on natural gas pipeline systems. The contracts require the Company to pay minimum volume transportation charges through July 2021 regardless of the amount of pipeline capacity utilized by the Company. These deficiency payments totaling \$4.3 million for the three months ended June 30, 2021 are included in unused commitments expense in the statements of operations. The Company will not utilize the firm capacity on the natural gas pipelines.

Additionally, the Company is party to one firm pipeline transportation contract to provide capacity on an oil pipeline system. The contract requires the Company to pay minimum volume transportation charges on 8,500 gross barrels per day through April 2022 and 12,500 barrels per day thereafter through April 2025, regardless of the amount of pipeline capacity utilized by the Company. The aggregate financial commitment fee over the remaining term was \$52.1 million as of June 30, 2021. The Company expects to utilize most, if not all, of the firm capacity on the oil pipeline system.

Minimum Volume Agreements. The Company is party to a purchase agreement to deliver fixed determinable quantities of crude oil to NGL Crude. The NGL Crude agreement includes defined volume commitments over a term ending in 2023. Under the terms of the NGL Crude agreement, the Company is required to make periodic deficiency payments for any shortfalls in delivering minimum gross volume commitments, which are set in six-month periods. The minimum gross volume commitment will increase approximately 3% each year for the remainder of the contract, to a maximum of approximately 16,000 gross barrels per day. The aggregate financial commitment fee over the remaining term was \$37.3 million as of June 30,

2021. Upon notifying NGL Crude at least twelve months prior to the expiration date of the NGL Crude agreement, the Company may elect to extend the term of the NGL Crude agreement for up to three additional years. Since the commencement of the NGL Crude agreement and through the remainder of the term of the agreement, the Company has not and does not expect to incur any deficiency payments.

The Company is also party to one minimum volume commitment for the delivery of natural gas volumes to a midstream entity for gathering and processing and minimum volume commitments to purchase fresh water from water suppliers. These commitments require the Company to pay a fee associated with the minimum volumes regardless of the amount delivered. The aggregate financial commitment fee over the remaining term for these contracts was \$4.2 million as of June 30, 2021.

The minimum annual payments under the these agreements for the next five years as of June 30, 2021 are presented below (in thousands):

	Firm Transportation	Minimum Volume ⁽¹⁾
Remainder of 2021	\$ 6,505	\$ 13,170
2022	13,064	24,322
2023	14,600	4,052
2024	14,640	—
2025	4,800	—
2026 and thereafter	—	—
Total	\$ 53,609	\$ 41,544

(1) The above calculation is based on the minimum volume commitment schedule (as defined in the relevant agreements) and applicable differential fees.

There have been no other material changes from the commitments disclosed in the notes to the Company's consolidated financial statements included in our 2020 Form 10-K. Refer to Note 4 - Leases, for lease commitments.

NOTE 7 - STOCK-BASED COMPENSATION

Long Term Incentive Plans

In 2017, the Company adopted a Long Term Incentive Plan ("2017 LTIP"), as established by the Board, which allows for the issuance of restricted stock units ("RSUs"), performance stock units ("PSUs"), and options, and reserved 2,467,430 shares of common stock. Additionally, in June 2021, the Company adopted the 2021 Long Term Incentive Plan ("2021 LTIP"), as established by the Board, which reserved an incremental 700,000 shares of common stock in addition to the 2017 LTIP. The 2017 LTIP and 2021 LTIP shall be collectively referred herein as the "LTIP". See below for further discussion of awards granted under the LTIP.

The Company recorded compensation expense related to the awards granted under the LTIP as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Restricted stock units	\$ 1,746	\$ 1,284	\$ 3,067	\$ 2,585
Performance stock units	449	195	740	2
Stock options	—	(5)	—	126
Total stock-based compensation	\$ 2,195	\$ 1,474	\$ 3,807	\$ 2,713

As of June 30, 2021, unrecognized compensation expense will be amortized through the relevant periods as follows (in thousands):

	Unrecognized Compensation Expense	Final Year of Recognition
Restricted stock units	\$ 10,411	2023
Performance stock units	5,639	2023
	\$ 16,050	

Restricted Stock Units

The LTIP allows for the issuance of RSUs to members of the Board of Directors (the “Board”) and employees of the Company at the discretion of the Board. Each RSU represents one share of the Company’s common stock to be released from restriction upon completion of the vesting period. The awards typically vest in one-third increments over three years. The RSUs are valued at the grant date share price and are recognized as general and administrative expense over the vesting period of the award.

During the six months ended June 30, 2021, the Company granted 175,549 RSUs with a fair value of \$6.0 million. A summary of the status and activity of non-vested restricted stock units for the six months ended June 30, 2021 is presented below:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value	
Non-vested, beginning of year	550,056	\$	20.30
Granted	175,549		34.21
Vested	(261,648)		20.97
Forfeited	(17,926)		17.55
Non-vested, end of quarter	446,031	\$	25.49

Cash flows resulting from excess tax benefits are to be classified as part of cash flows from operating activities. Excess tax benefits are realized tax benefits from tax deductions for vested restricted stock in excess of the deferred tax asset attributable to stock compensation costs for such restricted stock. The Company recorded no excess tax benefits for the periods presented.

Performance Stock Units

The LTIP allows for the issuance of PSUs to employees at the sole discretion of the Board. The number of shares of the Company’s common stock that may be issued to settle PSUs ranges from zero to two times the number of PSUs awarded. The PSUs vest in their entirety at the end of the three-year performance period. The first criterion is based on a comparison of the Company’s absolute and relative total shareholder return (“TSR”) for the performance period compared with the TSRs of a group of peer companies for the same performance period. The TSR for the Company and each of the peer companies is determined by dividing (A) (i) the volume-weighted average share price for the last 30 trading days of the performance period minus (ii) the volume-weighted average share price for the 30 trading days preceding the beginning of the performance period, by (B) the volume-weighted average share price for the 30 trading days preceding the beginning of the performance period. The second criterion, when applicable, is based on the Company’s annual return on average capital employed (“ROCE”) for each year during the three-year performance period. The total number of PSUs granted was split as follows for the relevant grant years:

	2021	2020	2019
TSR	100 %	67 %	50 %
ROCE	— %	33 %	50 %

Compensation expense associated with PSUs is recognized as general and administrative expense over the performance period. Because these awards depend on a combination of performance-based and market-based settlement criteria, compensation expense may be adjusted in future periods as the number of units expected to vest increases or decreases based on the Company’s expected ROCE performance. As of June 30, 2021, the Company does not expect any of the ROCE portion of the PSUs granted in 2019 to vest and has accordingly adjusted the related compensation expense.

The fair value of the PSUs was measured at the grant date. The portion of the PSUs tied to the TSR required a stochastic process method using a Brownian Motion simulation. A stochastic process is a mathematically defined equation that can create a series of outcomes over time. These outcomes are not deterministic in nature, which means that by iterating the equations multiple times, different results will be obtained for those iterations. In the case of the Company's TSRs, the Company could not predict with certainty the path its stock price or the stock prices of its peers would take over the performance period. By using a stochastic simulation, the Company created multiple prospective stock pathways, statistically analyzed these simulations, and ultimately made inferences regarding the most likely path the stock price would take. As such, because future stock prices are stochastic, or probabilistic with some direction in nature, the stochastic method, specifically the Brownian Motion Model, was deemed an appropriate method by which to determine the fair value of the portion of the PSUs tied to the TSR. Significant assumptions used in this simulation include the Company's expected volatility, risk-free interest rate based on U.S. Treasury yield curve rates with maturities consistent with the performance period, as well as the volatilities for each of the Company's peers.

During the six months ended June 30, 2021, the Company granted 64,258 PSUs with a fair value of \$4.4 million. The PSUs granted in 2018 expired as of December 31, 2020, with zero distribution of shares to the recipients, as neither the TSR nor the ROCE performance criteria were met. A summary of the status and activity of performance stock units for the six months ended June 30, 2021 is presented below:

	Performance Stock Units ⁽¹⁾	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	185,588	\$ 22.63
Granted	64,258	68.99
Vested	—	—
Forfeited	—	—
Non-vested, end of quarter	249,846	\$ 34.56

(1) The number of awards assumes that the associated performance condition is met at the target amount. The final number of shares of the Company's common stock issued may vary depending on the performance multiplier, which ranges from zero to two, depending on the level of satisfaction of the performance condition.

Stock Options

The LTIP allows for the issuance of stock options to the Company's employees at the sole discretion of the Board. Options expire ten years from the grant date unless otherwise determined by the Board. Compensation expense on the stock options is recognized as general and administrative expense over the vesting period of the award.

There were no stock options granted during the six months ended June 30, 2021. A summary of the status and activity of stock options for the six months ended June 30, 2021 is presented below:

	Stock Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of year	72,368	\$ 34.36		
Granted	—	—		
Exercised	(11,952)	34.36		
Forfeited	(399)	34.36		
Outstanding, end of quarter	60,017	\$ 34.36	5.5	\$ 763
Number of options outstanding and exercisable	60,017	\$ 34.36	5.5	\$ 763

The aggregate intrinsic value of options exercised during the six months ended June 30, 2021 was \$0.1 million.

NOTE 8 - FAIR VALUE MEASUREMENTS

The Company follows fair value measurement authoritative guidance, which defines fair value, establishes a framework for using fair value to measure assets and liabilities, and expands disclosures about fair value measurements. The authoritative accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities

Level 2: Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable

Level 3: Significant inputs to the valuation model are unobservable

Financial and non-financial assets and liabilities are to be classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Derivatives

Fair value of all derivative instruments are estimated with industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value of money, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. All valuations were compared against counterparty statements to verify the reasonableness of the estimate. The Company's commodity swaps, collars, and puts were validated by observable transactions for the same or similar commodity options using the NYMEX futures index and were designated as Level 2 within the valuation hierarchy. The following tables present the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis and their classification within the fair value hierarchy (in thousands):

	As of June 30, 2021		
	Level 1	Level 2	Level 3
Derivative assets	\$ —	\$ —	\$ —
Derivative liabilities	\$ —	\$ 92,151	\$ —

	As of December 31, 2020		
	Level 1	Level 2	Level 3
Derivative assets	\$ —	\$ 7,482	\$ —
Derivative liabilities	\$ —	\$ 7,732	\$ —

Senior Notes

The Bonanza Creek \$100.0 million Senior Notes, issued on April 1, 2021, are recorded at carrying value. There were no debt issuance costs, discounts or premiums associated with the Bonanza Creek Senior Notes. The estimated fair value of the 7.5% Bonanza Creek Senior Notes was \$100.7 million as of June 30, 2021. The fair value of the Bonanza Creek Senior Notes is based on quoted market prices, and as such, is designated as Level 1 within the valuation hierarchy.

Proved Oil and Gas Properties

Proved oil and gas property costs are evaluated for impairment on a nonrecurring basis and reduced to fair value when there is an indication that the carrying costs exceed the sum of the undiscounted cash flows of the underlying oil and gas reserves. Depending on the availability of data, the Company uses Level 3 inputs and either the income valuation technique, which converts future amounts to a single present value amount to measure the fair value of proved properties through an application of risk-adjusted discount rates and price forecasts selected by the Company's management, or the market valuation approach. The calculation of the risk-adjusted discount rate is a significant management estimate based on the best information available. Management believes that the risk-adjusted discount rate is representative of current market conditions and reflects the following factors: estimates of future cash payments, expectations of possible variations in the amount and/or timing of cash flows, the risk premium, and nonperformance risk. The price forecast is based on the Company's internal budgeting model derived from the NYMEX strip pricing, adjusted for management estimates and basis differentials. Future operating costs are also adjusted as deemed appropriate for these estimates. Proved properties classified as held for sale are valued using a market approach, based on an estimated selling price, as evidenced by the most current bid prices received from third parties. If a relevant estimated selling price is not available, the Company utilizes the income valuation technique discussed above. There were no proved oil and gas property impairments during the three and six months ended June 30, 2021 and 2020.

NOTE 9 - ASSET RETIREMENT OBLIGATIONS

The Company recognizes an estimated liability for future costs to abandon its oil and gas properties. The fair value of the asset retirement obligation is recorded as a liability when incurred, which is typically at the time the asset is acquired or placed in service. There is a corresponding increase to the carrying value of the asset, which is included in the proved properties line item in the accompanying balance sheets. The Company depletes the amount added to proved properties and recognizes expense in connection with accretion of the discounted liability over the remaining estimated economic lives of the properties.

The Company's estimated asset retirement obligation liability is based on historical experience in abandoning wells, estimated economic lives, estimated costs to abandon the wells, and regulatory requirements. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred.

A roll-forward of the Company's asset retirement obligation is as follows (in thousands):

	Amount	
Beginning balance as of December 31, 2020	\$	28,699
Liabilities settled		(2,902)
Additions		24,633
Accretion expense		764
Ending balance as of June 30, 2021	\$	51,194

NOTE 10 - DERIVATIVES

The Company enters into commodity derivative contracts to mitigate a portion of its exposure to potentially adverse market changes in commodity prices and the associated impact on cash flows. All contracts are entered into for other-than-trading purposes. The Company's derivatives include swaps, collars, and puts for oil and natural gas, and none of the derivative instruments qualify as having hedging relationships.

In a typical commodity fixed-price swap agreement, if the agreed upon published third-party index price is lower than the swap strike price, the Company receives the difference between the index price and the agreed upon swap strike price. If the index price is higher than the swap strike price, the Company pays the difference. A swaption allows the counterparty, on a specific date, to extend an existing fixed-price swap for a certain period of time or to increase the notional volumes of an existing fixed-price swap.

A basis swap arrangement guarantees a price differential from a specified delivery point to an agreed upon reference point. The Company receives the difference between the price differential and the stated terms, if the price differential is greater

than the stated terms. The Company pays the difference between the price differential and the stated terms, if the stated terms are greater than the price differential.

Certain NYMEX calendar month average (“CMA”) settlement contracts contain a “CMA Roll Adjustment,” the calculation of which includes futures prices for contracts deliverable in, at the time, two forward months. The physical trade month average is compared to the prompt month futures contracts and weighted to reflect the amount of time during the delivery month that the forward months traded as the prompt month. The weighted adjustment values are added to the basic calendar month average to arrive at the Roll Adjusted settlement price for the month. “Oil roll swaps” fix the value of the roll adjustment. If the futures curve becomes more backwardated after entering the oil roll swap, we will pay the difference between the CMA Roll Adjustment and the oil roll swap price. If the futures curve becomes more in contango, we will receive the difference between the CMA Roll Adjustment and the oil roll swap price.

A cashless collar arrangement establishes a floor and ceiling price on future oil and gas production. When the settlement price is above the ceiling price, the Company pays the difference between the settlement price and the ceiling price. When the settlement price is below the floor price, the Company receives the difference between the settlement price and floor price. In the event that the settlement price is between the ceiling and the floor, no payment or receipt occurs.

A put gives the owner the right to sell the underlying commodity at a set price over the term of the contract. If the index settlement price is higher than the put fixed price, the put will expire worthless. If the settlement price is lower than the put fixed price, the Company will exercise the put and receive the difference between the settlement price and the put fixed price.

As of June 30, 2021, the Company had entered into the following commodity derivative contracts:

	Crude Oil (NYMEX WTI)		Natural Gas (NYMEX Henry Hub)		Natural Gas (CIG Basis)		Natural Gas (CIG)		
	Bbls/day	Weighted Avg. Price per Bbl	MMBtu/day	Weighted Avg. Price per MMBtu	MMBtu/day	Weighted Avg. Basis Differential to CIG Price per MMBtu	MMBtu/day	Weighted Avg. Price per MMBtu	
3Q21									
Collar	Cashless	3,000	\$30.00/\$50.62	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
	Swap	9,500	\$54.41	—	—	20,000	\$0.43	20,000	\$2.12
	Oil Roll								
Swap ⁽¹⁾		4,500	\$0.16	—	—	—	—	—	—
4Q21									
Collar	Cashless	4,000	\$30.63/\$50.34	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
	Swap	8,000	\$54.49	—	—	20,000	\$0.43	13,370	\$2.13
	Oil Roll								
Swap ⁽¹⁾		4,500	\$0.16	—	—	—	—	—	—
1Q22									
Collar	Cashless	6,500	\$35.10/\$59.44	—	—	—	—	20,000	\$2.15/\$2.75
	Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
	Oil Roll								
Swap ⁽¹⁾		2,000	\$0.22	—	—	—	—	—	—
	Swaptions	4,000	\$55.06	—	—	—	—	—	—
2Q22									
Collar	Cashless	5,000	\$36.64/\$63.52	—	—	—	—	20,000	\$2.15/\$2.75
	Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
	Oil Roll								
Swap ⁽¹⁾		2,000	\$0.22	—	—	—	—	—	—
	Swaptions	4,000	\$55.06	—	—	—	—	—	—
3Q22									
Collar	Cashless	3,500	\$38.76/\$66.84	—	—	—	—	—	—
	Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
	Oil Roll								
Swap ⁽¹⁾		2,000	\$0.22	—	—	—	—	—	—
	Swaptions	2,000	\$55.13	—	—	—	—	—	—
4Q22									
Collar	Cashless	3,000	\$39.39/\$68.86	—	—	—	—	—	—
	Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
	Oil Roll								
Swap ⁽¹⁾		2,000	\$0.22	—	—	—	—	—	—
	Swaptions	2,000	\$55.13	—	—	—	—	—	—

(1) The weighted average differential represents the amount of reduction to NYMEX WTI prices for the notional volumes covered by the swap contracts.

As of the filing date of this report, the Company had entered into the following commodity derivative contracts:

	Crude Oil (NYMEX WTI)		Natural Gas (NYMEX Henry Hub)		Natural Gas (CIG Basis)		Natural Gas (CIG)	
	Bbls/day	Weighted Avg. Price per Bbl	MMBtu/day	Weighted Avg. Price per MMBtu	MMBtu/day	Weighted Avg. Basis Differential to CIG Price per MMBtu	MMBtu/day	Weighted Avg. Price per MMBtu
3Q21								
Cashless Collar	3,000	\$30.00/\$50.62	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
Swap	9,500	\$54.41	—	—	20,000	\$0.43	20,000	\$2.12
Oil Roll Swaps ⁽¹⁾	4,500	\$0.16	—	—	—	—	—	—
4Q21								
Cashless Collar	10,500	\$48.81/\$67.63	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
Swap	8,000	\$54.49	—	—	20,000	\$0.43	13,370	\$2.13
Oil Roll Swaps ⁽¹⁾	4,500	\$0.16	—	—	—	—	—	—
1Q22								
Cashless Collar	6,500	\$35.10/\$59.44	—	—	—	—	20,000	\$2.15/\$2.75
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps ⁽¹⁾	2,000	\$0.22	—	—	—	—	—	—
Swaptions	4,000	\$55.06	—	—	—	—	—	—
2Q22								
Cashless Collar	5,000	\$36.64/\$63.52	—	—	—	—	20,000	\$2.15/\$2.75
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps ⁽¹⁾	2,000	\$0.22	—	—	—	—	—	—
Swaptions	4,000	\$55.06	—	—	—	—	—	—
3Q22								
Cashless Collar	4,200	\$40.64/\$67.74	20,000	\$2.80/\$4.20	—	—	—	—
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps ⁽¹⁾	2,000	\$0.22	—	—	—	—	—	—
Swaptions	2,000	\$55.13	—	—	—	—	—	—
4Q22								
Cashless Collar	3,700	\$41.40/\$69.50	20,000	\$2.80/\$4.20	—	—	—	—
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps ⁽¹⁾	2,000	\$0.22	—	—	—	—	—	—
Swaptions	2,000	\$55.13	—	—	—	—	—	—

(1) The weighted average differential represents the amount of reduction to NYMEX WTI prices for the notional volumes covered by the swap contracts.

Derivative Assets and Liabilities Fair Value

The Company's commodity derivatives are measured at fair value and are included in the accompanying balance sheets as derivative assets and liabilities. The following table contains a summary of all the Company's derivative positions reported on the accompanying balance sheets as of the dates indicated in the table below (in thousands):

	June 30, 2021	December 31, 2020
<i>Derivative Assets:</i>		
Commodity contracts – current	\$ —	\$ 7,482
Commodity contracts – noncurrent	—	—
<i>Derivative Liabilities:</i>		
Commodity contracts – current	(80,866)	(6,402)
Commodity contracts – noncurrent	(11,285)	(1,330)
Total derivative assets (liabilities), net	\$ (92,151)	\$ (250)

The following table summarizes the components of the derivative gain (loss) presented on the accompanying statements of operations for the periods below (in thousands):

	Three Months Ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>Derivative cash settlement gain (loss):</i>				
Oil contracts	\$ (18,794)	\$ 22,485	\$ (21,616)	\$ 32,923
Gas contracts	(1,405)	128	(2,374)	944
(1) Total derivative cash settlement gain (loss)	(20,199)	22,613	(23,990)	33,867
Change in fair value gain (loss)	(53,771)	(47,759)	(73,399)	41,406
Total derivative gain (loss) ⁽¹⁾	\$ (73,970)	\$ (25,146)	\$ (97,389)	\$ 75,273

(1) Total derivative gain (loss) and total derivative cash settlement gain (loss) for the six months ended June 30, 2021 and 2020 are reported in the derivative (gain) loss line item and derivative cash settlement gain (loss) line item in the accompanying statements of cash flows, within the cash flows from operating activities.

NOTE 11 - EARNINGS PER SHARE

The Company issues RSUs, which represent the right to receive, upon vesting, one share of the Company's common stock. The number of potentially dilutive shares related to RSUs is based on the number of shares, if any, that would be issuable at the end of the respective reporting period, assuming that date was the end of the vesting period. The Company issues PSUs, which represent the right to receive, upon settlement of the PSUs, a number of shares of the Company's common stock that ranges from zero to two times the number of PSUs granted on the award date. The number of potentially dilutive shares related to PSUs is based on the number of shares, if any, that would be issuable at the end of the respective reporting period, assuming that date was the end of the performance period applicable to such PSUs. The Company issued stock options and warrants, which both represent the right to purchase the Company's common stock at a specified price. The number of potentially dilutive shares related to the stock options and warrants is based on the number of shares, if any, that would be exercisable at the end of the respective reporting period, assuming that date was the end of such stock options' or warrants' term.

Please refer to *Note 7 - Stock-Based Compensation* for additional discussion.

The Company uses the treasury stock method to calculate earnings per share as shown in the following table (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (25,319)	\$ (38,902)	\$ (25,438)	\$ 39,649
Basic net income (loss) per common share	\$ (0.83)	\$ (1.87)	\$ (0.99)	\$ 1.91
Diluted net income (loss) per common share	\$ (0.83)	\$ (1.87)	\$ (0.99)	\$ 1.91
Weighted-average shares outstanding - basic	30,655	20,776	25,774	20,713
Add: dilutive effect of contingent stock awards	—	—	—	46
Weighted-average shares outstanding - diluted	30,655	20,776	25,774	20,759

There were 747,678 and 715,639 shares that were anti-dilutive for the three months ended June 30, 2021 and 2020, respectively, and 777,564 and 407,996 that were anti-dilutive for the six months ended June 30, 2021 and 2020. The Company was in a net loss position for the three months ended June 30, 2021 and 2020 as well as the six months ended June 30, 2021, which made all potentially dilutive shares anti-dilutive.

The exercise price of the Company's stock warrants were in excess of the Company's stock price during the three and six months ended June 30, 2020; therefore, they were excluded from the earnings per share calculation. The Company's warrants expired on April 30, 2020.

NOTE 12 - INCOME TAXES

Deferred tax assets and liabilities are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable or refundable currently or in future years related to cumulative temporary differences between the tax basis of assets and liabilities and amounts reported in the Company's balance sheets. The tax effect of the net change in the cumulative temporary differences during each period in the deferred tax assets and liabilities determines the periodic provision for deferred taxes.

The Company assesses the recoverability of its deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will be realized. In making such determination, the Company considers all available (both positive and negative) evidence, including future reversals of temporary differences, tax-planning strategies, projected future taxable income, and results of operations. The Company has cumulative book income for the prior three years and is forecasting future book income, which resulted in the full valuation allowance being removed as of December 31, 2020.

Federal income tax expense differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income before income taxes primarily due to the effect of state income taxes, changes in valuation allowances, and other permanent differences. During the three and six months ended June 30, 2021, the Company recorded income tax benefit of \$10.4 million compared to zero income tax benefit during the three and six months ended June 30, 2020.

As of June 30, 2021 and December 31, 2020, the Company had no unrecognized tax benefits. The Company's management does not believe that there are any new items or changes in facts or judgments that would impact the Company's tax position taken thus far in 2021.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” contained in our Annual Report on Form 10-K for the year ended December 31, 2020, as well as the unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q.

Executive Summary

We are an independent Denver-based exploration and production company focused on the acquisition, development, and extraction of oil and associated liquids-rich natural gas in the United States. Our oil and liquids-weighted assets and operations are concentrated in the rural portions of the Wattenberg Field in Colorado. Our development and extraction activities are primarily directed at the horizontal development of the Niobrara and Codell formations in the Denver-Julesburg (“DJ”) Basin. The majority of our revenues are generated through the sale of oil, natural gas, and natural gas liquids production.

The Company’s primary objective is to maximize shareholder returns through dividends and debt reduction by responsibly developing our oil and gas resources. We seek to balance production and company growth with maintaining a conservative balance sheet. Key aspects of our strategy include well-balanced asset mergers and acquisitions, multi-well pad development across our leasehold, enhanced completions through continuous design evaluation, utilization of scaled infrastructure, continuous safety improvement, strict adherence to health and safety regulations, and environmental stewardship.

Financial and Operating Results

Our financial and operational results include:

- Crude oil equivalent sales volumes increased 70% for the three months ended June 30, 2021 when compared to the same period in 2020 due to the HighPoint Merger;
- Lease operating expense increased by 15% per Boe for the three months ended June 30, 2021 when compared to the same period in 2020;
- General and administrative expense decreased by 15% per Boe for the three months ended June 30, 2021 when compared to the same period in 2020;
- Borrowings under our Credit Facility were reduced by \$56.0 million to \$99.0 million during the three months ended June 30, 2021 from the \$155.0 million borrowed at the closing of the HighPoint Merger to pay down the HighPoint credit facility;
- Total liquidity of \$325.4 million at June 30, 2021, consisting of cash on hand plus funds available under our Credit Facility. Please refer to *Liquidity and Capital Resources* below for additional discussion;
- Cash dividend of \$10.8 million, or \$0.35 per share, declared and paid during the three months ended June 30, 2021;
- Cash flows provided by operating activities for the six months ended June 30, 2021 were \$79.6 million, as compared to cash flows provided by operating activities of \$68.2 million during the six months ended June 30, 2020. Please refer to *Liquidity and Capital Resources* below for additional discussion; and
- Capital expenditures, inclusive of accruals, of \$73.6 million during the six months ended June 30, 2021.

Rocky Mountain Infrastructure

The Company's gathering, treating, and production facilities, maintained under its Rocky Mountain Infrastructure, LLC ("RMI") subsidiary, provide many operational benefits to the Company and provide cost economies of a centralized system. The RMI facilities reduce gathering system pressures at the wellhead, thereby improving hydrocarbon recovery. Additionally, with eleven interconnects to four different natural gas processors, RMI helps ensure that the Company's production is not constrained by any single midstream service provider. Furthermore, in 2019, the Company installed a new oil gathering line to Riverside Terminal (on the Grand Mesa Pipeline), which resulted in a corresponding \$1.25 to \$1.50 per barrel reduction to our oil differentials for barrels transported on such gathering line. Additionally, the Company commenced construction of an additional oil interconnect in late June 2021, thus providing additional outlets to provide flow assurance and minimize differentials. The total value of reduced oil differentials during the six months ended June 30, 2021 and 2020 was approximately \$2.1 million and \$2.9 million, respectively. Finally, the RMI system reduces facility site footprints, leading to more cost-efficient operations and reduced emissions and surface disturbance. The net book value of the Company's RMI assets was \$196.1 million as of June 30, 2021.

Current Events and Outlook

The worldwide outbreak of COVID-19, the uncertainty regarding the impact of COVID-19, and various governmental actions taken to mitigate the impact of COVID-19, resulted in an unprecedented decline in demand for oil and natural gas. At the same time, the decision by Saudi Arabia in March 2020 to drastically reduce export prices and increase oil production further increased the excess supply of oil and natural gas throughout 2020. However, during the first quarter of 2021, expectations surrounding the demand for oil and natural gas stimulated a rise in oil and natural gas prices.

The COVID-19 outbreak and its development into a pandemic in March 2020 also required that we take precautionary measures intended to help minimize the risk to our business, employees, customers, suppliers, and the communities in which we operate. Our operational employees are currently still able to work on site. However, we have taken various precautionary measures with respect to our operational employees such as requiring them to verify they have not experienced any symptoms consistent with COVID-19, or been in close contact with someone showing such symptoms, before reporting to the work site, quarantining any operational employees who have shown signs of COVID-19 (regardless of whether such employee has been confirmed to be infected), and imposing social distancing requirements on work sites, all in accordance with the guidelines released by the Centers for Disease Control and Prevention. We have not yet experienced any material operational disruptions (including disruptions from our suppliers and service providers) as a result of a COVID-19 outbreak.

The Company's stand-alone first quarter 2021 capital budget of \$35 million to \$40 million and combined second through fourth quarter 2021 capital budget (reflecting the closing of the HighPoint Merger on April 1, 2021) of \$115 million to \$130 million includes completing 45 gross (39.9 net) drilled, uncompleted wells, and picking up a drilling rig in the fourth quarter of 2021, with completions of those newly drilled wells to begin in 2022. Actual capital expenditures could vary significantly based on, among other things, market conditions, commodity prices, drilling and completion costs, and well results.

On April 1, 2021, we completed the previously announced acquisition of HighPoint. While we have already achieved significant synergies across several areas of the Company, there is an expected delay in realizing certain synergies and benefits due to the time and effort required to renegotiate and wait out certain contracts and integrate the formerly stand-alone companies. Consequently, the financial and operating results of the combined companies for the three and six months ended June 30, 2021 reflect a slightly higher cost metric that we anticipate will decline during the latter half of 2021. Additionally, while the significant curtailment of the respective drilling and completion programs during 2020, in response to the drop in commodity prices, resulted in an overall decline in combined companies' sales volumes period over period, we expect sales volumes will recover considerably through 2021 completion activity as well as the return of a drilling rig in the fourth quarter of 2021.

The Company has successfully integrated the operations, production and accounting databases derived from the HighPoint Merger. We believe that the Company has the appropriate level of skills and personnel to successfully integrate the XOG and Crestone Peak mergers. The go-forward Company will incorporate the best practices and processes from each organization.

Results of Operations

The following table summarizes our product revenues, sales volumes, and average sales prices for the periods indicated:

	Three Months Ended June 30,		Change	Percent Change
	2021	2020		
Revenues (in thousands):				
Crude oil sales ⁽¹⁾	\$ 115,923	\$ 28,559	\$ 87,364	306 %
Natural gas sales ⁽²⁾	14,778	3,931	10,847	276 %
Natural gas liquids sales	24,777	2,545	22,232	874 %
Product revenue	<u>\$ 155,478</u>	<u>\$ 35,035</u>	<u>\$ 120,443</u>	<u>344 %</u>
Sales Volumes:				
Crude oil (MBbls)	1,905.2	1,274.1	631.1	50 %
Natural gas (MMcf)	6,405.6	3,298.7	3,106.9	94 %
Natural gas liquids (MBbls)	878.6	438.1	440.5	101 %
Crude oil equivalent (MBoe) ⁽³⁾	<u>3,851.4</u>	<u>2,262.0</u>	<u>1,589.4</u>	<u>70 %</u>
Average Sales Prices (before derivatives):				
Crude oil (per Bbl)	\$ 60.85	\$ 22.42	\$ 38.43	171 %
Natural gas (per Mcf)	\$ 2.31	\$ 1.19	\$ 1.12	94 %
Natural gas liquids (per Bbl)	\$ 28.20	\$ 5.81	\$ 22.39	385 %
Crude oil equivalent (per Boe) ⁽³⁾	\$ 40.37	\$ 15.49	\$ 24.88	161 %
Average Sales Prices (after derivatives)⁽⁴⁾:				
Crude oil (per Bbl)	\$ 50.98	\$ 40.06	\$ 10.92	27 %
Natural gas (per Mcf)	\$ 2.09	\$ 1.23	\$ 0.86	70 %
Natural gas liquids (per Bbl)	\$ 28.20	\$ 5.81	\$ 22.39	385 %
Crude oil equivalent (per Boe) ⁽³⁾	\$ 35.12	\$ 25.49	\$ 9.63	38 %

(1) Crude oil sales excludes \$0.2 million and \$0.4 million of oil transportation revenues from third parties, which do not have associated sales volumes, for the three months ended June 30, 2021 and 2020, respectively.

(2) Natural gas sales excludes \$0.4 million and \$0.8 million of gas gathering revenues from third parties, which do not have associated sales volumes, for the three months ended June 30, 2021 and 2020, respectively.

(3) Determined using the ratio of 6 Mcf of natural gas to 1 Bbl of crude oil.

(4) Derivatives economically hedge the price we receive for crude oil and natural gas. For the three months ended June 30, 2021, the derivative cash settlement loss for oil and natural gas contracts was \$18.8 million and \$1.4 million, respectively. For the three months ended June 30, 2020, the derivative cash settlement gain for oil and natural gas contracts was \$22.5 million and \$0.1 million, respectively. Please refer to *Note 10 - Derivatives* of Part I, Item 1 of this report for additional disclosures.

Product revenues increased by 344% to \$155.5 million for the three months ended June 30, 2021 compared to \$35.0 million for the three months ended June 30, 2020. The drivers of the increase in revenue are the 161%, or \$24.88 per Boe, increase in oil equivalent pricing and the 70% increase in sales volumes. The increase in sales volumes is primarily due to the HighPoint Merger that closed on April 1, 2021. Additionally, we turned 30 gross wells to sales during the twelve-month period ending June 30, 2021.

The following table summarizes our operating expenses for the periods indicated:

	Three Months Ended June 30,		Change	Percent Change
	2021	2020		
Expenses (in thousands):				
Lease operating expense	\$ 11,358	\$ 5,795	\$ 5,563	96 %
Midstream operating expense	4,246	3,354	892	27 %
Gathering, transportation, and processing	13,721	3,711	10,010	270 %
Severance and ad valorem taxes	9,813	3,478	6,335	182 %
Exploration	3,547	112	3,435	3,067 %
Depreciation, depletion, and amortization	35,006	22,283	12,723	57 %
Abandonment and impairment of unproved properties	2,215	309	1,906	617 %
Unused commitments	4,328	—	4,328	100 %
Merger transaction costs	18,246	21	18,225	86,786 %
General and administrative expense	12,144	8,385	3,759	45 %
Operating Expenses	\$ 114,624	\$ 47,448	\$ 67,176	142 %
Selected Costs (\$ per Boe):				
Lease operating expense	\$ 2.95	\$ 2.56	\$ 0.39	15 %
Midstream operating expense	1.10	1.48	(0.38)	(26) %
Gathering, transportation, and processing	3.56	1.64	1.92	117 %
Severance and ad valorem taxes	2.55	1.54	1.01	66 %
Exploration	0.92	0.05	0.87	1,740 %
Depreciation, depletion, and amortization	9.09	9.85	(0.76)	(8) %
Abandonment and impairment of unproved properties	0.58	0.14	0.44	314 %
Unused commitments	1.12	—	1.12	100 %
Merger transaction costs	4.74	0.01	4.73	100 %
General and administrative expense	3.15	3.71	(0.56)	(15) %
Operating Expenses	\$ 29.76	\$ 20.98	\$ 8.78	42 %

Lease operating expense. Our lease operating expense increased by \$5.6 million, or 96%, to \$11.4 million for the three months ended June 30, 2021 from \$5.8 million for the three months ended June 30, 2020, and 15% on an equivalent basis per Boe. Lease operating expense increased as a result of the HighPoint Merger, where there are synergies to still be realized within the vehicle and compression fleet rentals, contract automation, and water disposal costs.

Midstream operating expense. Our midstream operating expense increased to \$4.2 million for the three months ended June 30, 2021 compared to \$3.4 million for the three months ended June 30, 2020, and decreased 26% on a per Boe basis during the comparable periods. The overall increase is due to the acquisition of midstream assets as part of the HighPoint Merger. Additionally, while certain midstream operating expenses correlate to sales volumes, the majority of the costs, such as compression, are fixed and thereby result in a decrease in midstream operating expense per Boe period over period.

Gathering, transportation, and processing. Gathering, transportation, and processing expense increased by \$10.0 million to \$13.7 million for the three months ended June 30, 2021, from \$3.7 million for the three months ended June 30, 2020. Natural gas and NGLs sales volumes have a direct correlation to gathering, transportation, and processing expense, and natural gas and NGLs sales volumes increased 97% during the comparable periods. Additionally, our value-based percentage of proceeds sales contract is now our largest sales contract post the HighPoint Merger.

Severance and ad valorem taxes. Our severance and ad valorem taxes increased to \$9.8 million for the three months ended June 30, 2021, from \$3.5 million for the three months ended June 30, 2020. Severance and ad valorem taxes primarily correlate to revenues, and revenues increased by 344% during the three months ended June 30, 2021 compared to the three months ended June 30, 2020. The HighPoint Merger has decreased the Company's overall severance and ad valorem tax rates, due to HighPoint having a substantial amount of wells in lower taxing districts.

Exploration. Our exploration expense increased to \$3.5 million for the three months ended June 30, 2021, from \$0.1 million for the three months ended June 30, 2020 primarily due to a one-time purchase of seismic and core data.

Depreciation, depletion, and amortization. Our depreciation, depletion, and amortization expense increased 57% to \$35.0 million for the three months ended June 30, 2021, from \$22.3 million for the three months ended June 30, 2020, and decreased 8% on a per Boe basis during the comparable periods. The increase in depreciation, depletion, and amortization expense during the comparable periods is due to a \$629.2 million increase in the depletable property base primarily due to the HighPoint Merger. The decrease on a per Boe basis is due to a decrease in the depletion rate.

Abandonment and impairment of unproved properties. During the three months ended June 30, 2021 and 2020, the Company incurred \$2.2 million and \$0.3 million, respectively, in abandonment and impairment of unproved properties primarily due to the reassessment of estimated probable and possible reserve locations based primarily upon economic viability and the expiration of non-core leases.

Unused commitments. During the three months ended June 30, 2021 and 2020, we incurred \$4.3 million and zero, respectively, in unused commitments. As part of the HighPoint Merger, we assumed two firm natural gas pipeline transportation contracts to provide a guaranteed outlet for production from properties HighPoint had previously sold. Both firm transportation contracts require the pipeline to provide transportation capacity and require us to pay transportation charges regardless of the amount of pipeline capacity utilized. The agreements expire July 31, 2021.

Merger transaction costs. Our merger transaction costs increased by \$18.2 million for the three months ended June 30, 2021 compared to the three months ended June 30, 2020 largely due to the HighPoint Merger and, to a lesser degree, the anticipated XOG and Crestone mergers.

General and administrative. Our general and administrative expense for the three months ended June 30, 2021 increased to \$12.1 million compared to \$8.4 million for three months ended June 30, 2020, and decreased by 15% on a per Boe basis. The primary drivers of the increase relate to an increase in salaries, benefits, and stock compensation expense due to the HighPoint Merger. Additionally, certain one-time nonrecurring fees were incurred as it relates to the HighPoint Merger as further discussed in *Note 3 - Acquisitions & Divestitures* of Part I, Item 1 of this report. General and administrative expense per Boe decreased due to sales volumes being 70% higher during the three months ended June 30, 2021 as compared to the same period in 2020.

Derivative gain (loss). Our derivative loss for the three months ended June 30, 2021 was \$74.0 million is due to settlements and fair market value adjustments caused by market prices being higher than our contracted hedge prices. Our derivative loss of \$25.1 million for the three months ended June 30, 2020 is due to fair market value adjustments caused by market prices recovering from prior period levels, partially offset by settlement gains caused by market prices being lower than our contracted hedge prices. Please refer to *Note 10 - Derivatives* of Part I, Item 1 of this report for additional discussion.

Interest expense. Our interest expense for the three months ended June 30, 2021 and 2020 was \$3.2 million and \$1.0 million, respectively. Average debt outstanding for the three months ended June 30, 2021 and 2020 was \$123.2 million and \$63.7 million, respectively. The components of interest expense for the periods presented are as follows (in thousands):

	Three Months Ended June 30,	
	2021	2020
Senior Notes	\$ 1,875	\$ —
Credit Facility	1,160	557
Commitment fees on available borrowing base under the Credit Facility	329	270
Amortization of deferred financing costs	433	557
Capitalized interest	(556)	(400)
Total interest expense, net	\$ 3,241	\$ 984

The following table summarizes our product revenues, sales volumes, and average sales prices for the periods indicated:

	Six Months Ended June 30,		Change	Percent Change
	2021	2020		
Revenues (in thousands):				
Crude oil sales ⁽¹⁾	\$ 165,723	\$ 79,148	\$ 86,575	109 %
Natural gas sales ⁽²⁾	27,064	8,893	18,171	204 %
Natural gas liquids sales	35,740	5,786	29,954	518 %
Product revenue	\$ 228,527	\$ 93,827	\$ 134,700	144 %
Sales Volumes:				
Crude oil (MBbls)	2,847.9	2,503.6	344.3	14 %
Natural gas (MMcf)	9,619.5	6,861.3	2,758.2	40 %
Natural gas liquids (MBbls)	1,276.7	875.0	401.7	46 %
Crude oil equivalent (MBoe) ⁽³⁾	5,727.9	4,522.1	1,205.8	27 %
Average Sales Prices (before derivatives):				
Crude oil (per Bbl)	\$ 58.19	\$ 31.61	\$ 26.58	84 %
Natural gas (per Mcf)	\$ 2.81	\$ 1.30	\$ 1.51	116 %
Natural gas liquids (per Bbl)	\$ 27.99	\$ 6.61	\$ 21.38	323 %
Crude oil equivalent (per Boe) ⁽³⁾	\$ 39.90	\$ 20.75	\$ 19.15	92 %
Average Sales Prices (after derivatives)⁽⁴⁾:				
Crude oil (per Bbl)	\$ 50.60	\$ 44.76	\$ 5.84	13 %
Natural gas (per Mcf)	\$ 2.57	\$ 1.43	\$ 1.14	80 %
Natural gas liquids (per Bbl)	\$ 27.99	\$ 6.61	\$ 21.38	323 %
Crude oil equivalent (per Boe) ⁽³⁾	\$ 35.71	\$ 28.24	\$ 7.47	26 %

(1) Crude oil sales excludes \$0.5 million and \$1.0 million of oil transportation revenues from third parties, which do not have associated sales volumes, for the six months ended June 30, 2021 and 2020, respectively.

(2) Natural gas sales excludes \$1.2 million and \$1.8 million of gas gathering revenues from third parties, which do not have associated sales volumes, for the six months ended June 30, 2021 and 2020, respectively.

(3) Determined using the ratio of 6 Mcf of natural gas to 1 Bbl of crude oil.

(4) Derivatives economically hedge the price we receive for crude oil and natural gas. For the six months ended June 30, 2021, the derivative cash settlement loss for oil and natural gas contracts was \$21.6 million and \$2.4 million, respectively. For the six months ended June 30, 2020, the derivative cash settlement gain for oil and natural gas contracts was \$32.9 million and \$0.9 million, respectively. Please refer to *Note 10 - Derivatives* of Part I, Item 1 of this report for additional disclosures.

Product revenues increased by 144% to \$228.5 million for the six months ended June 30, 2021 compared to \$93.8 million for the six months ended June 30, 2020. The primary drivers of the increase in revenue are the 92%, or \$19.15 per Boe, increase in oil equivalent pricing and the 27% increase in sales volumes. The increase in sales volumes is due to turning 30 gross wells to sales during the twelve-month period ending June 30, 2021 as well as the HighPoint Merger that closed on April 1, 2021.

The following table summarizes our operating expenses for the periods indicated:

	Six Months Ended June 30,		Change	Percent Change	
	2021	2020			
Expenses (in thousands):					
Lease operating expense	\$ 17,089	\$ 11,494	\$ 5,595	49	%
Midstream operating expense	8,151	7,368	783	11	%
Gathering, transportation, and processing	18,688	7,192	11,496	160	%
Severance and ad valorem taxes	14,417	8,651	5,766	67	%
Exploration	3,643	485	3,158	651	%
Depreciation, depletion, and amortization	53,829	43,867	9,962	23	%
Abandonment and impairment of unproved properties	2,215	30,366	(28,151)	(93)	%
Unused commitments	4,328	—	4,328	100	%
Bad debt expense	—	576	(576)	(100)	%
Merger transaction costs	21,541	21	21,520	102,476	%
General and administrative expense	21,395	17,814	3,581	20	%
Operating Expenses	\$ 165,296	\$ 127,834	\$ 37,462	29	%
Selected Costs (\$ per Boe):					
Lease operating expense	\$ 2.98	\$ 2.54	\$ 0.44	17	%
Midstream operating expense	1.42	1.63	(0.21)	(13)	%
Gathering, transportation, and processing	3.26	1.59	1.67	105	%
Severance and ad valorem taxes	2.52	1.91	0.61	32	%
Exploration	0.64	0.11	0.53	482	%
Depreciation, depletion, and amortization	9.40	9.70	(0.30)	(3)	%
Abandonment and impairment of unproved properties	0.39	6.72	(6.33)	(94)	%
Unused commitments	0.76	—	0.76	100	%
Bad debt expense	—	0.13	(0.13)	(100)	%
Merger transaction costs	3.76	—	3.76	100	%
General and administrative expense	3.74	3.94	(0.20)	(5)	%
Operating Expenses	\$ 28.87	\$ 28.27	\$ 0.60	2	%

Lease operating expense. Our lease operating expense increased 49% to \$17.1 million for the six months ended June 30, 2021 and 2020 and increased 17% on an equivalent basis per Boe. Aggregate lease operating expense increased as a result of the HighPoint Merger. Lease operating expense increased as a result of the HighPoint Merger, where there are synergies to still be realized within the vehicle and compression fleet rentals, contract automation, and water disposal costs.

Midstream operating expense. Our midstream operating expense remained relatively consistent at \$8.2 million for the six months ended June 30, 2021 compared to \$7.4 million for the six months ended June 30, 2020, and decreased 13% on a per Boe basis during the comparable periods. The overall increase is due to the acquisition of midstream assets as part of the HighPoint Merger. Additionally, while certain midstream operating expenses correlate to sales volumes, the majority of the costs, such as compression, are fixed and result in a decrease in midstream operating expense per Boe period over period.

Gathering, transportation, and processing. Gathering, transportation, and processing expense increased by \$11.5 million, or 160%, to \$18.7 million for the six months ended June 30, 2021, from \$7.2 million for the six months ended June 30, 2020. Generally, natural gas and NGLs sales volumes have a direct correlation to gathering, transportation, and processing expense. Natural gas and NGLs sales volumes increased 43% during the comparable periods. Additionally, our value-based percentage of proceeds sales contract is now our largest sales contract post the HighPoint Merger.

Severance and ad valorem taxes. Our severance and ad valorem taxes increased 67% to \$14.4 million for the six months ended June 30, 2021, from \$8.7 million for the six months ended June 30, 2020. Severance and ad valorem taxes primarily correlate to revenues, and revenues increased by 144% during the six months ended June 30, 2021 compared to the six months ended June 30, 2020. The HighPoint Merger has decreased the Company's overall severance and ad valorem tax rates due to HighPoint having a substantial amount of wells in lower taxing districts.

Exploration. Our exploration expense increased to \$3.6 million for the six months ended June 30, 2021, from \$0.5 million for the six months ended June 30, 2020 primarily due to a one-time purchase of seismic and core data.

Depreciation, depletion, and amortization. Our depreciation, depletion, and amortization expense increased 23% to \$53.8 million for the six months ended June 30, 2021, from \$43.9 million for the six months ended June 30, 2020, and decreased 3% on a per Boe basis during the comparable periods. The increase in depreciation, depletion, and amortization expense during the comparable periods is due to a \$629.2 million increase in the depletable property base primarily due to the HighPoint Merger. The decrease on a per Boe basis is due to a decrease in the depletion rate.

Abandonment and impairment of unproved properties. During the six months ended June 30, 2021 and 2020, the Company incurred \$2.2 million and \$30.4 million, respectively, in abandonment and impairment of unproved properties primarily due to the reassessment of estimated probable and possible reserve locations based primarily upon economic viability and the expiration of non-core leases.

Unused commitments. During the six months ended June 30, 2021 and 2020, we incurred \$4.3 million and zero, respectively, in unused commitments. As part of the HighPoint Merger, we assumed two firm natural gas pipeline transportation contracts to provide a guaranteed outlet for production from properties HighPoint had previously sold. Both firm transportation contracts require the pipeline to provide transportation capacity and require us to pay transportation charges regardless of the amount of pipeline capacity utilized. The agreements expire July 31, 2021.

Merger transaction costs. Our merger transaction costs increased by \$21.5 million for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 largely due to the HighPoint Merger and, to a lesser degree, due to the anticipated XOG and Crestone mergers.

General and administrative. Our general and administrative expense for the six months ended June 30, 2021 increased to \$21.4 million, from \$17.8 million for the six months ended June 30, 2020, and decreased 5% on a per Boe basis. The primary drivers of the increase relate to an increase in salaries, benefits, and stock compensation expense due to the HighPoint Merger. Additionally, certain one-time nonrecurring fees were incurred as it relates to the HighPoint Merger as further discussed in *Note 3 - Acquisitions & Divestitures of Part I, Item 1* of this report. General and administrative expense per Boe decreased due to sales volumes being 27% higher in the later period as a result of the HighPoint Merger.

Derivative gain (loss). Our derivative loss for the six months ended June 30, 2021 was \$97.4 million due to settlements and fair market value adjustments caused by market prices being higher than our contracted hedge prices. Our derivative gain of \$75.3 million for the six months ended June 30, 2020 is due to settlements and fair market value adjustments caused by market prices being lower than our contracted hedge prices. Please refer to *Note 10 - Derivatives of Part I, Item 1* of this report for additional discussion.

Interest expense. Our interest expense for the six months ended June 30, 2021 and 2020 was \$3.7 million and \$1.2 million, respectively. Average debt outstanding for the six months ended June 30, 2021 and 2020 was \$61.9 million and \$74.3 million, respectively. The components of interest expense for the periods presented are as follows (in thousands):

	Six Months Ended June 30,	
	2021	2020
Senior Notes	\$ 1,875	\$ —
Credit Facility	1,160	1,367
Commitment fees on available borrowing base under the Credit Facility	655	521
Amortization of deferred financing costs	526	680
Capitalized interest	(556)	(1,367)
Total interest expense, net	<u>\$ 3,660</u>	<u>\$ 1,201</u>

Liquidity and Capital Resources

The Company's anticipated sources of liquidity include cash from operating activities, borrowings under the Credit Facility, proceeds from sales of assets, and potential proceeds from capital and/or debt markets. Our cash flows from operating activities are subject to significant volatility due to changes in commodity prices, as well as variations in our production. The prices for these commodities are driven by a number of factors beyond our control, including global and regional product supply and demand, weather, product distribution, refining and processing capacity, regulatory constraints, and other supply chain dynamics, among other factors. To mitigate some of the pricing risk, as of June 30, 2021, we have hedged approximately 12,250 Bbls per day for the remainder of 2021, representing almost 60% of our oil sales volume during the three months ended June 30, 2021.

As of June 30, 2021, our liquidity was \$325.4 million, consisting of \$24.4 million of cash on hand and \$301.0 million of available borrowing capacity on the Credit Facility.

Our weighted-average interest rate on borrowings from the Credit Facility was 3.6% for the three months ended June 30, 2021. As of June 30, 2021 and the date of this filing, we had \$99.0 million and \$85.0 million, respectively, outstanding on our Credit Facility.

On April 1, 2021, in conjunction with the HighPoint Merger, the Company, together with certain of its subsidiaries, entered into the Second Amendment to the Credit Facility. Please refer to *Note 3 - Acquisitions and Divestitures* under Part I, Item 1 for additional information.

The following table summarizes our cash flows and other financial measures for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 79,559	\$ 68,229
Net cash used in investing activities	(8,029)	(52,019)
Net cash used in financing activities	(71,870)	(23,067)
Cash, cash equivalents, and restricted cash	24,505	4,238
Acquisition of oil and gas properties	(549)	(549)
Exploration and development of oil and gas properties	(57,269)	(51,054)

Cash flows provided by operating activities

Our cash flows for the six months ended June 30, 2021 and 2020 include cash receipts and disbursements attributable to our normal operating cycle. See *Results of Operations* above for more information on the factors driving these changes.

Cash flows used in investing activities

Expenditures for development of oil and natural gas properties are the primary use of our capital resources. The Company spent \$57.3 million and \$51.1 million on the exploration and development of oil and gas properties during the six months ended June 30, 2021 and 2020, respectively. Partially offsetting these cash outflows for the six months ended June 30, 2021 is the \$49.8 million of cash acquired through the HPR Merger.

Cash flows provided by financing activities

Net cash used in financing activities for the six months ended June 30, 2021 and 2020 was \$71.9 million and \$23.1 million, respectively. The change was primarily due to a \$33.0 million increase in net payments on our Credit Facility between the comparable periods as well as the \$10.8 million dividend that was declared and paid in June 2021.

Non-GAAP Financial Measures

Adjusted EBITDAX represents earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash and non-recurring charges. Adjusted EBITDAX excludes certain items that we believe affect the comparability of operating results and can exclude items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. Adjusted EBITDAX is a non-GAAP measure that we present because we believe it provides useful additional information to investors and analysts, as a performance measure, for analysis of our ability to internally generate funds for exploration, development, and acquisitions and to service debt. We are also subject to financial covenants under our Credit Facility based on adjusted EBITDAX ratios as further described *Note 5 - Long-Term Debt* in Part I, Item I of this document. In addition, adjusted EBITDAX is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the oil and gas exploration and production industry. Adjusted EBITDAX should not be considered in isolation or as a substitute for net income, income from operations, net cash provided by operating activities, or other profitability or liquidity measures prepared under GAAP. Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss) and may vary among companies, the adjusted EBITDAX amounts presented may not be comparable to similar metrics of other companies.

The following table presents a reconciliation of the GAAP financial measure of net income to the non-GAAP financial measure of Adjusted EBITDAX (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income (loss)	\$ (25,319)	\$ (38,902)	\$ (25,438)	\$ 39,649
Exploration	3,547	112	3,643	485
Depreciation, depletion, and amortization	35,006	22,283	53,829	43,867
Abandonment and impairment of unproved properties	2,215	309	2,215	30,366
Unused commitments	4,328	—	4,328	—
Stock-based compensation ⁽¹⁾	2,195	1,474	3,807	2,713
Non-recurring general and administrative expense ⁽¹⁾	1,294	784	1,294	1,197
Merger transaction costs	18,246	21	21,541	21
Loss on property transactions, net	—	1,398	—	1,398
Interest expense, net	3,241	984	3,660	1,201
Derivative (gain) loss	73,970	25,146	97,389	(75,273)
Derivative cash settlements gain (loss)	(20,199)	22,613	(23,990)	33,867
Income tax benefit	(10,392)	—	(10,436)	—
Adjusted EBITDAX	\$ 88,132	\$ 36,222	\$ 131,842	\$ 79,491

⁽¹⁾ Included as a portion of general and administrative expense in the accompanying statements of operations.

⁽²⁾ Included as a portion of severance and ad valorem taxes in the accompanying statements of operations.

New Accounting Pronouncements

Please refer to *Note 2 — Basis of Presentation* under Part I, Item 1 of this report for any recently issued or adopted accounting standards.

Critical Accounting Policies and Estimates

Information regarding our critical accounting policies and estimates is contained in Part II, Item 7 of our 2020 Form 10-K.

Material Commitments

There have been no significant changes from our 2020 Form 10-K in our obligations and commitments, other than what is disclosed within *Note 4 - Leases* and *Note 6 - Commitments and Contingencies* under Part I, Item 1 of this report.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains various statements, including those that express belief, expectation, or intention, as well as those that are not statements of historic fact, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Quarterly Report on Form 10-Q, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "predict," "potential," "project," "plan," "will," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements include statements related to, among other things:

- the Company's business strategies;
- reserves estimates;
- estimated sales volumes;
- amount and allocation of forecasted capital expenditures and plans for funding capital expenditures and operating expenses;
- ability to modify future capital expenditures;
- anticipated costs;
- compliance with debt covenants;
- ability to fund and satisfy obligations related to ongoing operations;
- compliance with government regulations, including environmental, health, and safety regulations and liabilities thereunder;
- adequacy of gathering systems and continuous improvement of such gathering systems;
- impact from the lack of available gathering systems and processing facilities in certain areas;
- impact of any pandemic or other public health epidemic, including the ongoing COVID-19 pandemic;
- natural gas, oil, and natural gas liquid prices and factors affecting the volatility of such prices;
- impact of lower commodity prices;
- sufficiency of impairments;
- the ability to use derivative instruments to manage commodity price risk and ability to use such instruments in the future;
- our drilling inventory and drilling intentions;
- impact of potentially disruptive technologies;
- our estimated revenue gains and losses;
- the timing and success of specific projects;
- our implementation of standard and long reach laterals;
- our use of multi-well pads to develop the Niobrara and Codell formations;
- intention to continue to optimize enhanced completion techniques and well design changes;
- stated working interest percentages;
- management and technical team;

- outcomes and effects of litigation, claims, and disputes;
- primary sources of future production growth;
- full delineation of the Niobrara B, C, and Codell benches in our legacy, French Lake, and northern acreage;
- our ability to replace oil and natural gas reserves;
- our ability to convert proved undeveloped reserves to producing properties within five years of their initial proved booking;
- impact of recently issued accounting pronouncements;
- impact of the loss a single customer or any purchaser of our products;
- timing and ability to meet certain volume commitments related to purchase and transportation agreements;
- the impact of customary royalty interests, overriding royalty interests, obligations incident to operating agreements, liens for current taxes, and other industry-related constraints;
- our financial position;
- our cash flow and liquidity;
- the adequacy of our insurance;
- the expected timetable for completing the XOG Merger and the Crestone Peak Merger, the results, effects, benefits and synergies of the mergers, future opportunities for the combined company, other plans and expectations with respect to the mergers, and the anticipated impact of the mergers on the combined company's results of operations, financial position, growth opportunities and competitive position; and
- other statements concerning our operations, economic performance, and financial condition.

We have based these forward-looking statements on certain assumptions and analyses we have made in light of our experience and our perception of historical trends, current conditions, and expected future developments as well as other factors we believe are appropriate under the circumstances. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining actual future results. The actual results or developments anticipated by these forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, and may not be realized or, even if substantially realized, may not have the expected consequences. Actual results could differ materially from those expressed or implied in the forward-looking statements.

Factors that could cause actual results to differ materially include, but are not limited to, the following:

- the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and in Part II, Item 1A of this report;
- further declines or volatility in the prices we receive for our oil, natural gas liquids, and natural gas;
- general economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business;
- the effects of disruption of our operations or excess supply of oil and natural gas due to the COVID-19 pandemic and the actions by certain oil and natural gas producing countries;
- the scope, duration and severity of the COVID-19 pandemic, including any recurrence, as well as the timing of the economic recovery following the pandemic;
- ability of our customers to meet their obligations to us;
- our access to capital;
- our ability to generate sufficient cash flow from operations, borrowings, or other sources to enable us to fully develop our undeveloped acreage positions;

- the presence or recoverability of estimated oil and natural gas reserves and the actual future sales volume rates and associated costs;
- uncertainties associated with estimates of proved oil and gas reserves;
- the possibility that the industry may be subject to future local, state, and federal regulatory or legislative actions (including additional taxes and changes in environmental regulation);
- environmental risks;
- seasonal weather conditions;
- lease stipulations;
- drilling and operating risks, including the risks associated with the employment of horizontal drilling and completion techniques;
- our ability to acquire adequate supplies of water for drilling and completion operations;
- availability of oilfield equipment, services, and personnel;
- exploration and development risks;
- operational interruption of centralized gas and oil processing facilities;
- competition in the oil and natural gas industry;
- management's ability to execute our plans to meet our goals;
- our ability to attract and retain key members of our senior management and key technical employees;
- our ability to maintain effective internal controls;
- access to adequate gathering systems and pipeline take-away capacity;
- our ability to secure adequate processing capacity for natural gas we produce, to secure adequate transportation for oil, natural gas, and natural gas liquids we produce, and to sell the oil, natural gas, and natural gas liquids at market prices;
- costs and other risks associated with perfecting title for mineral rights in some of our properties;
- continued hostilities in the Middle East, South America, and other sustained military campaigns or acts of terrorism or sabotage; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical, and technological factors that may negatively impact our businesses, operations, or pricing.

All forward-looking statements speak only as of the date of this report. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions, or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under Part II, Item 1A. *Risk Factors* and Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Oil and Natural Gas Price Risk

Our financial condition, results of operations, and capital resources are highly dependent upon the prevailing market prices of oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. Factors influencing oil and natural gas prices include the level of global demand for oil and natural gas, the global supply of oil and natural gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions which determine the demand for natural gas, the price and availability of alternative fuels, local and global politics, and overall economic conditions. It is impossible to predict future oil and natural gas prices with any degree of certainty. Sustained weakness in oil and natural gas prices may adversely affect our financial condition and results of operations, and may also reduce the amount of oil and natural gas reserves that we can produce economically. Any reduction in our oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development activities.

Commodity Derivative Contracts

Our primary commodity risk management objective is to protect the Company's balance sheet via the reduction in cash flow volatility. We enter into derivative contracts for oil, natural gas, and natural gas liquids using NYMEX futures or over-the-counter derivative financial instruments. The types of derivative instruments that we use include swaps, collars, and puts.

Upon settlement of the contract(s), if the relevant market commodity price exceeds our contracted swap price, or the collar's ceiling strike price, we are required to pay our counterparty the difference for the volume of production associated with the contract. Generally, this payment is made up to 15 business days prior to the receipt of cash payments from our customers. This could have an adverse impact on our cash flows for the period between derivative settlements and payments for revenue earned.

While we may reduce the potential negative impact of lower commodity prices, we may also be prevented from realizing the benefits of favorable commodity price changes.

Presently, our derivative contracts have been executed with eight counterparties, all of which are members of our Credit Facility syndicate. We enter into contracts with counterparties whom we believe are well capitalized. However, if our counterparties fail to perform their obligations under the contracts, we could suffer financial loss.

Please refer to the *Note 10 - Derivatives* in Part I, Item 1 of this report for summary derivative activity tables.

Interest Rates

As of both June 30, 2021 and the filing date of this report, we had \$99.0 million and \$85.0 million, respectively, outstanding under our Credit Facility. Borrowings under our Credit Facility bear interest at a fluctuating rate that is tied to an adjusted Base Rate or LIBOR, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flow. As of June 30, 2021, and through the filing date of this report, the Company was in compliance with all financial and non-financial covenants in the Credit Facility.

Counterparty and Customer Credit Risk

In connection with our derivatives activity, we have exposure to financial institutions in the form of derivative transactions. Eight members of our Credit Facility syndicate are counterparties on our derivative instruments currently in place and currently have investment grade credit ratings.

We are also subject to credit risk due to concentration of our oil and natural gas receivables with certain significant customers. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. We review the credit rating, payment history, and financial resources of our customers, but we do not require our customers to post collateral.

Marketability of Our Production

The marketability of our production depends in part upon the availability, proximity, and capacity of third-party refineries, access to regional trucking, pipeline, and rail infrastructure, natural gas gathering systems, and processing facilities. We deliver crude oil and natural gas produced through trucking services, pipelines, and rail facilities that we do not own. The lack of availability or capacity on these systems and facilities could reduce the price offered for our production or result in the shut-in of producing wells or the delay or discontinuance of development plans for properties.

A portion of our production may also be interrupted, or shut in, from time to time for numerous other reasons, including as a result of accidents, weather, or field labor issues or strikes, or we might voluntarily curtail production in response to market conditions. If a substantial amount of our production is interrupted at the same time, it could adversely affect our cash flow.

Currently, there are no pipeline systems that service wells in our French Lake area of the Wattenberg Field. If neither we nor a third-party constructs the required pipeline system, we may not be able to fully test or develop our resources in French Lake.

There have not been material changes to the interest rate risk analysis or oil and gas price sensitivity analysis disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers and internal audit function, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2021, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. To assist management, we have established an internal audit function to verify and monitor our internal controls and procedures. The Company’s internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended June 30, 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Information regarding our legal proceedings can be found in *Note 6 - Commitments and Contingencies* of Part I, Item 1 of this report

Item 1A. Risk Factors.

Our business faces many risks. Any of the risk factors discussed in this report or our other SEC filings could have a material impact on our business, financial position, or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operation. For a discussion of our potential risks and uncertainties, see the risk factors in Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2020, together with other information in this report and other reports and materials we file with the SEC. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

Risks Relating to the XOG Merger and the Crestone Peak Merger

The XOG Merger and the Crestone Peak Merger are subject to a number of regulatory approvals and conditions to the obligations of the parties, which may delay the XOG Merger, the Crestone Peak Merger or both, result in additional expenditures of money and resources, or reduce the anticipated benefits or result in termination of the XOG Merger Agreement, the Crestone Peak Merger Agreement, or both.

The completion of the XOG Merger and the Crestone Peak Merger are subject to antitrust review in the United States. The waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, expired for the XOG Merger on June 21, 2021 and for the Crestone Peak Merger on July 26, 2021. Nevertheless, the DOJ or the FTC, or any state, could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the XOG Merger, the Crestone Peak Merger or both. Private parties may also seek to take legal action under the antitrust laws under certain circumstances.

Our obligations and the obligations of XOG and Crestone Peak to consummate the XOG Merger and the Crestone Peak Merger, respectively, are subject to the satisfaction (or waiver by all parties, to the extent permissible under applicable laws) of a number of conditions described in the XOG Merger Agreement and the Crestone Peak Merger Agreement, including the approval of the XOG Merger by our and the XOG stockholders and the approval of the Crestone Peak Merger by our stockholders. Many of the conditions to completion of the XOG Merger and the Crestone Peak Merger are not within our control and we cannot predict when, or if, these conditions will be satisfied. If any of these conditions are not satisfied or waived prior to the outside date, as such term is defined in the XOG and Crestone Peak Merger Agreements, it is possible that the XOG Merger Agreement, the Crestone Peak Merger Agreement or both may be terminated.

Although the parties have agreed to use reasonable best efforts, subject to certain limitations, to complete the XOG Merger and the Crestone Peak Merger as promptly as practicable, these and other conditions may fail to be satisfied. In addition, completion of each merger may take longer, and could cost more, than we expect. The requirements for obtaining the required clearances and approvals could delay the completion of the XOG Merger, the Crestone Peak Merger or both for a significant period of time or prevent them from occurring. Any delay in completing the XOG Merger or the Crestone Peak Merger may adversely affect the cost savings and other benefits that we expect to achieve if the XOG Merger and the Crestone Peak Merger and the integration of businesses are completed within the expected timeframe.

Each of the XOG Merger Agreement and the Crestone Peak Merger Agreement subject us to restrictions on our business activities prior to closing the XOG Merger and the Crestone Peak Merger, respectively.

Each of the XOG Merger Agreement and the Crestone Peak Merger Agreement subject us to restrictions on our business activities prior to closing the XOG Merger and the Crestone Peak Merger, respectively. Each of the XOG Merger Agreement and the Crestone Peak Merger Agreement obligate us to generally conduct our businesses in the ordinary course until the closing and to use our reasonable best efforts to (i) preserve substantially intact our present business organization, goodwill and assets, (ii) keep available the services of our current officers and employees and (iii) preserve our existing relationships with governmental entities and significant customers, suppliers, licensors, licensees, distributors, lessors and others having significant business dealings with us. These restrictions could prevent us from pursuing certain business opportunities that arise prior to the closing and are outside the ordinary course of business.

We may not realize anticipated benefits and synergies expected from acquisitions, including the XOG Merger and the Crestone Peak Merger.

We seek to complete acquisitions in order to strengthen our position and to create the opportunity to realize certain benefits, including, among other things, potential cost savings. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as being able to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations. We may fail to realize the anticipated benefits and synergies expected from acquisitions, which could adversely affect our business, financial condition and operating results. Acquisitions could also result in difficulties in being able to hire, train or retain qualified personnel to manage and operate such properties.

With respect to the XOG Merger and the Crestone Peak Merger, we believe that the addition of XOG and Crestone Peak will complement our strategy by providing operational and financial scale, increasing free cash flow, and enhancing our corporate rate of return. However, achieving these goals requires, among other things, realization of the targeted cost synergies expected from the merger, and there can be no assurance that we will be able to successfully integrate XOG's and Crestone Peak's assets or otherwise realize the expected benefits of the transaction. This growth and the anticipated benefits of the XOG Merger and the Crestone Peak Merger may not be realized fully or at all, or may take longer to realize than expected. Difficulties in integrating XOG and Crestone Peak may result in the combined company performing differently than expected, or in operational challenges or failures to realize anticipated efficiencies. Potential difficulties in realizing the anticipated benefits of the XOG Merger and the Crestone Peak Merger include:

- disruptions of relationships with customers, distributors, suppliers, vendors, landlords, joint venture partners and other business partners as a result of uncertainty associated with the XOG Merger and the Crestone Peak Merger;
- difficulties integrating our business with the business of XOG and Crestone Peak in a manner that permits us to achieve the full revenue and cost savings anticipated from the transaction;
- complexities associated with managing a larger and more complex business, including difficulty addressing possible inconsistencies in, standards, controls or operational philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- difficulties realizing anticipated operating synergies;
- difficulties integrating personnel, vendors and business partners;
- loss of key employees of XOG or Crestone Peak who are critical to our future operations due to uncertainty about their roles within our company following the XOG Merger and the Crestone Peak Merger or other concerns regarding the XOG Merger and the Crestone Peak Merger;
- potential unknown liabilities and unforeseen expenses;
- performance shortfalls at one or more of the companies as a result of the diversion of management's attention to integration efforts; and
- disruption of, or the loss of momentum in, each company's ongoing business.

We have also incurred, and expect to continue to incur, a number of costs associated with completing the XOG Merger and the Crestone Peak Merger and combining the businesses of XOG, Crestone Peak and Bonanza Creek. The elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the two companies, may not initially offset integration-related costs or achieve a net benefit in the near term, or at all. Matters relating to the mergers (including integration planning) require substantial commitments of time and resources by our management, which may result in the distraction of management from ongoing business operations and pursuing other opportunities that could have been beneficial to us.

Our future success will depend, in part, on our ability to manage our expanded business by, among other things, integrating the assets, operations and personnel of XOG, Crestone Peak and Bonanza Creek in an efficient and timely manner; consolidating systems and management controls; and successfully integrating relationships with customers, vendors and business partners. Failure to successfully manage the combined company may have an adverse effect on our business, reputation, financial condition and results of operations.

The XOG Merger and the Crestone Peak Merger will trigger a limitation on the utilization of our historic U.S. net operating loss carryforwards (“NOLs”), XOG’s NOLs and Crestone Peak’s NOLs.

Our ability to utilize NOLs (including NOLs of XOG and Crestone Peak) to reduce future taxable income following the XOG Merger and the Crestone Peak Merger depends on many factors, including our future income, which cannot be assured. Section 382 of the Code generally imposes an annual limitation upon the occurrence of an “ownership change” resulting from issuances of a company’s stock or the sale or exchange of such company’s stock by certain stockholders if, as a result, there is an aggregate change of more than 50% in the beneficial ownership of such company’s stock by such stockholders within a rolling three-year period. The limitation with respect to such loss carryforwards generally would be equal to (i) the fair market value of the company’s equity immediately prior to the ownership change multiplied by (ii) a percentage approximately equivalent to the yield on long-term tax-exempt bonds during the month in which the ownership change occurs. Based on the information currently available, we believe that the transactions in connection with the XOG Merger and the Crestone Peak Merger, if consummated, will result in an ownership change with respect to us, XOG, and Crestone Peak, which would trigger a limitation (calculated as described above) on our ability to utilize any historic NOLs following the XOG Merger and the Crestone Peak Merger. XOG’s NOLs are already limited under Section 382 of the Code as a result of an ownership change that occurred in connection with XOG’s Chapter 11 cases.

The market price for our common stock following the XOG Merger and the Crestone Peak Merger may be affected by factors different from those that historically have affected or currently affect our common stock.

Our financial position following the XOG Merger and the Crestone Peak Merger may differ from our financial position before the XOG Merger and the Crestone Peak Merger, and the results of operations of the combined company may be affected by factors that are different from those currently affecting the results of our operations. Accordingly, the market price and performance of our common stock is likely to be different from the performance of our common stock in the absence of the XOG Merger and the Crestone Peak Merger.

Our stockholders, XOG stockholders and Crestone Peak stockholders, in each case as of immediately prior to the mergers, will have reduced ownership in the combined company.

We anticipate issuing 30,936,254 shares of Common Stock to XOG stockholders pursuant to the XOG Merger Agreement and 22,500,000 shares of Common Stock to Crestone Peak stockholders pursuant to the Crestone Peak Merger Agreement. The issuance of these new shares could have the effect of depressing the market price of our Common Stock, through dilution of earnings per share or otherwise. Any dilution of, or delay of any accretion to, our earnings per share could cause the price of our Common Stock to decline or increase at a reduced rate.

Following the completion of the XOG Merger, assuming the Crestone Peak Merger is not consummated, it is anticipated that persons who were stockholders of Bonanza Creek and XOG immediately prior to the XOG Merger will own approximately 50% and 50% of the combined company, respectively. Following the completion of the Crestone Peak Merger, it is anticipated that persons who were stockholders of Bonanza Creek, XOG and Crestone Peak immediately prior to the Crestone Peak Merger will own approximately 37%, 37% and 26% of the combined company, respectively. As a result, our current stockholders, XOG’s current stockholders and Crestone Peak’s stockholders will have less influence on the policies of the combined company than they currently have on our policies and the policies of Extraction and Crestone Peak, respectively.

The Kimmeridge Fund will become a significant holder of our Common Stock following completion of the XOG Merger.

Upon completion of the XOG Merger, assuming there is no decrease in the Kimmeridge Fund’s holdings of XOG common stock prior to completion of the XOG Merger, the Kimmeridge Fund would be expected to own approximately 19% of our Common Stock, representing approximately 19% of our combined voting power (That percentage would be reduced to approximately 14% if the Crestone Peak Merger closes.). In addition, upon completion of the XOG Merger, Mr. Benjamin Dell, independent chairman of the XOG board and a Managing Director of the Kimmeridge Fund, will serve as chairman of the board of directors of the combined company. As a result, we believe that the Kimmeridge Fund may or will have some ability to influence our management and affairs. Further, the existence of a new significant stockholder may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may view as being in their best interests or in our best interests.

In the event that the Kimmeridge Fund becomes and continues to be the owner of a significant amount of our Common Stock, the prospect that it may be able to influence matters requiring stockholder approval may continue. In any of these matters, the interests of the Kimmeridge Fund and of our other stockholders may differ or conflict. Moreover, in the event that the Kimmeridge Fund becomes and continues to be the owner of a significant concentration of our Common Stock, such an ownership stake may also adversely affect the trading price of our Common Stock to the extent investors perceive a disadvantage in owning stock of a company with a significant stockholder.

CPPIB Crestone Peak Resources Canada Inc., a Canadian corporation (the “Crestone Peak Stockholder”) will become a significant holder of our Common Stock following completion of the Crestone Peak Merger.

Upon completion of the Crestone Peak Merger, assuming there is no decrease in the Crestone Peak Stockholder’s holdings of Crestone Peak common stock prior to completion of the Crestone Peak Merger, the Crestone Peak Stockholder would be expected to own approximately 25% of our Common Stock, representing approximately 25% of our combined voting power. As a result, we believe that the Crestone Peak Stockholder may have some ability to influence our management and affairs. Further, the existence of a new significant stockholder may have the effect of deterring hostile takeovers, delaying or preventing changes in control or changes in management, or limiting the ability of our other stockholders to approve transactions that they may view as being in their best interests or in our best interests.

In the event that the Crestone Peak Stockholder becomes and continues to be the owner of a significant amount of our Common Stock, the prospect that it may be able to influence matters requiring stockholder approval may continue. In any of these matters, the interests of the Crestone Peak Stockholder may differ or conflict from those of our other stockholders. Moreover, in the event that the Crestone Peak Stockholder becomes and continues to be the owner of a significant concentration of our Common Stock, such an ownership stake may also adversely affect the trading price of our Common Stock to the extent investors perceive a disadvantage in owning stock of a company with a significant stockholder.

Risks Relating to the HighPoint Merger

We may not achieve the anticipated benefits of the HighPoint Merger.

The success of the HighPoint Merger will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining our and HighPoint's businesses, and there can be no assurance that we will be able to realize the anticipated benefits of the HighPoint Merger. The combined company may perform differently than expected, face operational challenges, or fail to realize anticipated expense-related efficiencies. Potential difficulties that may be encountered in the integration process include, among others:

- complexities associated with managing a larger, more complex, integrated business;
- not realizing anticipated operating synergies;
- potential unknown liabilities and unforeseen expenses associated with the HighPoint Merger; and
- managing expanded environmental and other regulatory compliance obligations related to HighPoint's facilities and operations.

Our results may suffer if we do not effectively manage our expanded operations following the HighPoint Merger.

Following completion of the HighPoint Merger, the size of our business has increased significantly. Our future success will depend, in part, on our ability to manage this expanded business, which poses numerous risks and uncertainties, including the need to integrate the operations and business of HighPoint into our existing business in an efficient and timely manner, to combine systems and management controls and to integrate relationships with various business partners. Failure to successfully manage the combined company may have an adverse effect on our financial condition, results of operations or cash flows.

Following the HighPoint Merger, we are proportionately more exposed to regulatory and operational risks associated with oil and gas operations in Colorado and other risks associated with a more geographically-concentrated asset base.

Substantially all of HighPoint's properties, production and reserves immediately prior to the HighPoint Merger were located in Colorado. As a result of the HighPoint Merger, the amount of our properties, production and reserves that are located in Colorado have increased and our exposure to the risk of unfavorable regulatory developments in the state have therefore increased as well. The increase of our combined production located in the Wattenberg Field following the HighPoint Merger has proportionately increased our exposure to this risk, as well as other risks associated with operating in a more concentrated geographic area.

The market price of our common stock will continue to fluctuate, and may decline if the benefits of the HighPoint Merger do not meet the expectations of financial analysts.

The market price of our common stock may fluctuate significantly, including if we do not achieve the anticipated benefits of the HighPoint Merger as rapidly, or to the extent anticipated by, financial analysts or if the effect of the HighPoint Merger on our financial results is not consistent with the expectations of financial analysts.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered sales of securities. There were no sales of unregistered equity securities during the three month period ended June 30, 2021.

Issuer purchases of equity securities. The following table contains information about acquisitions of our equity securities during the three month period ended June 30, 2021:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Be Purchased Under Plans or Programs
April 1, 2021 - April 30, 2021	38,556	\$ 34.53	—	—
May 1, 2021 - May 31, 2021	22,673	\$ 38.26	—	—
June 1, 2021 - June 30, 2021	9,101	\$ 46.87	—	—
Total	70,330	\$ 36.32	—	—

(1) Represents shares that employees surrendered back to us that equaled in value the amount of taxes required for payroll tax withholding obligations upon the vesting of equity awards under the LTIP. These repurchases were not part of a publicly announced plan or program to repurchase shares of our common stock, nor do we have a publicly announced plan or program to repurchase shares of our common stock.

Our Credit Facility contains restrictive thresholds on the payment of dividends.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit No.	Description of Exhibit
<u>2.1</u>	<u>Agreement and Plan of Merger, dated as of November 9, 2020, by and among Bonanza Creek Energy, Inc., HighPoint Resources Corporation and Boron Merger Sub, Inc. (incorporated by reference to Exhibit 2.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on November 9, 2020).</u>
<u>2.2</u>	<u>Agreement and Plan of Merger, dated as of May 9, 2021, by and among Bonanza Creek Energy, Inc., Raptor Eagle Merger Sub, Inc. and Extraction Oil & Gas, Inc (incorporated by reference to Exhibit 2.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on May 10, 2021).</u>
<u>2.3</u>	<u>Agreement and Plan of Merger, dated as of June 6, 2021, by and among Bonanza Creek Energy, Inc., Raptor Condor Merger Sub 1, Inc., Raptor Condor Merger Sub 2, LLC, Crestone Peak Resources LP, CPPIB Crestone Peak Resources America Inc., Crestone Peak Resources Management LP and Extraction Oil & Gas, Inc. (incorporated by reference to Exhibit 2.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on June 8, 2021).</u>
<u>2.4</u>	<u>Amendment No.1 to Agreement and Plan of Merger, dated as of June 6, 2021, by and among Bonanza Creek Energy, Inc., Raptor Eagle Merger Sub, Inc. and Extraction Oil & Gas, Inc. (incorporated by reference to Exhibit 2.2 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on June 8, 2021).</u>
<u>3.1</u>	<u>Third Amended and Restated Certificate of Incorporation of Bonanza Creek Energy, Inc. (incorporated by reference to Exhibit 3.1 to Bonanza Creek Energy, Inc.'s Registration Statement on Form 8-A filed on April 28, 2017).</u>
<u>3.2</u>	<u>Fourth Amended and Restated Bylaws of Bonanza Creek Energy, Inc. (incorporated by reference to Exhibit 3.2 to Bonanza Creek Energy, Inc.'s Registration Statement on Form 8-A filed on April 28, 2017).</u>
<u>4.1</u>	<u>Indenture, dated as of April 1, 2021, by and among Bonanza Creek Energy, Inc., U.S. Bank National Association, as trustee, and the subsidiary guarantors party thereto (incorporated by reference to Exhibit 4.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on April 1, 2021).</u>
<u>4.2</u>	<u>First Supplemental Indenture, dated as of April 1, 2021, by and among Bonanza Creek Energy, Inc., U.S. Bank National Association, as trustee, HighPoint Resources Corporation, HighPoint Operating Corporation and Fifth Pocket Productions, LLC (incorporated by reference to Exhibit 4.2 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on April 1, 2021).</u>
<u>4.3</u>	<u>Confirmation Order, filed March 18, 2021 (incorporated by reference to Exhibit 99.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on March 22, 2021).</u>
<u>10.1</u>	<u>Second Amendment to Credit Agreement, dated as of April 1, 2021, between Bonanza Creek Energy, Inc., JPMorgan Chase Bank, N.A., as the administrative agent, and a syndicate of financial institutions, as lenders (incorporated by reference to Exhibit 10.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on April 1, 2021).</u>
<u>10.2</u>	<u>Registration Rights Agreement, dated April 1, 2021, between Bonanza Creek Energy, Inc., and Franklin Advisers, Inc. (incorporated by reference to Exhibit 10.2 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on April 1, 2021).</u>
<u>10.3</u>	<u>Support Agreement, dated as of June 6, 2021, by and among Bonanza Creek Energy, Inc., CPPIB Crestone Peak Resources Canada Inc., and CPPIB Crestone Peak Resources America Inc. (incorporated by reference to Exhibit 10.1 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on June 8, 2021).</u>
<u>10.4</u>	<u>Amended and Restated Voting Agreement, dated as of June 6, 2021 and effective as of May 9, 2021, by and among Bonanza Creek Energy, Inc., Extraction Oil & Gas, Inc. and Kimmeridge Energy Management Company, LLC (incorporated by reference to Exhibit 10.2 to Bonanza Creek Energy, Inc.'s Current Report on Form 8-K filed on June 8, 2021).</u>
<u>10.5+*</u>	<u>Form of Officer Performance Stock Unit Agreement under the Bonanza Creek Energy, Inc. 2017 Long Term Incentive Plan.</u>
<u>10.6+*</u>	<u>Bonanza Creek Energy, Inc. 2021 Long Term Incentive Plan.</u>
<u>10.7+*</u>	<u>Form of Independent Director Restricted Stock Unit Agreement under the Bonanza Creek Energy, Inc. 2017 Long Term Incentive Plan.</u>
<u>31.1*</u>	<u>Certification of the Principal Executive Officer pursuant to Rule 13a-14(a).</u>
<u>31.2*</u>	<u>Certification of the Principal Financial Officer pursuant to Rule 13a-14(a).</u>

32.1**	Certification of the Principal Executive Officer pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
32.2**	Certification of the Principal Financial Officer pursuant to 18.U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL)

* Filed with this report

** Furnished with this report

† Management Contract or Compensatory Plan or Agreement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BONANZA CREEK ENERGY, INC.

Date: August 9, 2021

By: /s/ Eric T. Greager
Eric T. Greager
President and Chief Executive Officer
(principal executive officer)

By: /s/ Brant DeMuth
Brant DeMuth
Executive Vice President and Chief Financial
Officer
(principal financial officer)

By: /s/ Sandi K. Garbiso
Sandi K. Garbiso
Vice President and Chief Accounting Officer
(chief accounting officer)

PERFORMANCE STOCK UNIT AGREEMENT

THIS PERFORMANCE STOCK UNIT AGREEMENT (this “**Agreement**”) is entered into as of the Grant Date (as defined below), by and between Grantee (as defined below) and Bonanza Creek Energy, Inc., a Delaware corporation (the “**Company**”).

WHEREAS, the Company maintains the Bonanza Creek Energy, Inc. 2017 Long Term Incentive Plan (the “**Plan**”), which is incorporated into and forms a part of this Agreement, and Grantee has been selected by the board of directors of the Company (the “**Board**”) or the compensation committee of the Board (the “**Committee**”) or any authorized delegate to receive an Award of Stock Units (the “**Award**”) under the Plan and as set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED, by and between the Company and Grantee, as follows:

1. **Definitions.** The following terms used in this Agreement shall have the meanings set forth in this Section 1:
 - a) “**Beginning Stock Price**” means the volume-weighted average price of a share of stock, as reported in transactions on the applicable stock exchange or market, during the 30 trading days immediately prior to the first trading day of the Performance Period.
 - b) “**Cause**” has the meaning set forth in the CIC Severance Plan.
 - c) “**Change in Stock Price**” means the difference of the Ending Stock Price minus the Beginning Stock Price.
 - d) “**CIC Effective Date**” has the meaning set forth in the CIC Severance Plan.
 - e) “**CIC Severance Plan**” means the Bonanza Creek Energy, Inc. Fifth Amended and Restated Executive Change in Control and Severance Plan, as the same may be amended from time to time.
 - f) “**Date of Termination**” has the meaning set forth in the CIC Severance Plan.
 - g) “**Designated Beneficiary**” means the beneficiary or beneficiaries designated by Grantee in a writing filed with the Company in the form attached hereto as **Exhibit A**.
 - h) “**Disability**” or “**Disabled**” has the meaning set forth in the CIC Severance Plan.
 - i) “**Dividends Paid**” means the total of all dividends paid on one share of stock during the Performance Period, provided that dividends shall be treated as though they are reinvested.
 - j) “**Eligible Individual**” has the meaning set forth in the CIC Severance Plan.
 - k) “**Ending Stock Price**” means the volume-weighted average price of a share of stock, as reported in transactions on the applicable stock exchange or market, during the last 30 trading days of the Performance Period.
 - l) “**Good Reason**” has the meaning set forth in the CIC Severance Plan.

- m) **“Grant Date”** means the date on which this Award was granted, as set forth in the Grant Notice.
- n) **“Grantee”** means the employee of the Company specified in the grant notice issued by the Company on or about the Grant Date (the **“Grant Notice”**).
- o) **“Performance Period”** means the period beginning January 1, 2021 and ending December 31, 2023.
- p) **“Performance Stock Units”** means performance-based Stock Units (as defined in the Plan) granted under this Agreement and subject to the terms of this Agreement and the Plan.
- q) **“Release”** has the meaning set forth in the CIC Severance Plan.
- r) **“Service Agreement”** means any applicable agreement between the Company and Grantee regarding Grantee’s Service with the Company.
- s) **“Total Shareholder Return”** or **“TSR”** shall be calculated as set forth in Section 3(b)(ii).

Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

2. **Award.** Grantee is hereby granted a Performance Stock Unit award covering the number of Performance Stock Units set forth in the Grant Notice.

3. **Vesting.** Except as set forth in Sections 4 and 5, the Performance Stock Units shall vest in accordance with the vesting schedule set forth in subsection (a) and (b) of this Section 3. A Performance Stock Unit will vest only to the extent it time vests pursuant to Section 3(a) and performance vests pursuant to Section 3(b). Any Performance Stock Units that do not time vest will be forfeited for no consideration upon a Participant’s termination of employment, and any Performance Stock Units that do not performance vest as of the conclusion of the Performance Period in accordance with Section 3(b) will be forfeited for no consideration at the conclusion of the Performance Period.

- a) Time Vesting Requirement. Except as otherwise provided herein, 100% of the Performance Stock Unit award granted hereunder shall time vest only if Grantee remains in continuous employment with the Company or any Subsidiary through the end of the Performance Period.
- b) TSR Performance Vesting Requirement. The Performance Stock Units subject to this Award (the **“PSUs”**) shall performance vest based on the Company’s **“Relative TSR Performance”** during the Performance Period and the Company’s **“Absolute TSR Performance”** during the Performance Period (calculated below).

- i. Calculation of Company's Relative TSR Performance. The Company shall determine (1) the Company's TSR for the Performance Period and (2) the TSR for the Performance Period of each of the Company's forty (40) peer companies as listed on **Exhibit B** (the "**Peer Group**"). The Company's Relative TSR Performance is the percentile ranking of the Company determined by comparing the TSR of the Company to the TSRs of the companies in the Peer Group.
- ii. Calculation of Company's Absolute TSR Performance. The Company's Absolute TSR Performance is the Company's TSR for the Performance Period. Total Shareholder Return (or TSR) is calculated as follows:

$$\frac{\text{Change in Stock Price} + \text{Dividends Paid}}{\text{Beginning Stock Price}}$$

In all events, TSR shall be adjusted to give effect to any stock dividends, stock splits, reverse stock splits and similar transactions.

- iii. PSU Vesting. Subject to Section 3(a), the PSUs shall vest in accordance with the following table:

		Absolute TSR Performance			
		<0%	0%	10%	≥25%
Relative TSR Performance	<25th Percentile	0%	0%	0%	0%
	≥25th Percentile	37.5%	45%	50%	62.5%
	≥50th Percentile	75%	90%	100%	125%
	≥75th Percentile	99.75%	119.7%	133%	166.25%
	≥90th Percentile	120%	144%	160%	200%

Relative TSR Performance between the 25th and 90th percentile and Absolute TSR Performance between 0% and 25% will be adjusted through linear interpolation.

- iv. Changes in Peer Group. When calculating TSR for the Performance Period for the Company and the Peer Group, the following guidelines apply:
- A. In the event there is a merger or acquisition involving any of the Peer Group companies during the Performance Period, only the performance of a Peer Group company that is the surviving entity in such merger or acquisition (based on the determination that such company's pre-transaction shareholders receive the majority of the equity of the post-transaction entity) will continue to be considered as part of the Peer Group on a go-forward basis;

- B. In the event there is a merger or acquisition involving any of the Peer Group companies during the Performance Period, with respect to a Peer Group company that does not survive such merger or acquisition, an interim TSR for such Peer Group company shall be computed using an ending stock price equal to its last closing price prior to the closing of the merger or acquisition, such interim TSR shall be compared to the Company's interim TSR during the same time period, and such Peer Group company's TSR for the Performance Period shall be permanently deemed either above or below the Company's TSR for the Performance Period, in a manner consistent with such interim TSR comparison;
- C. No new companies will be added to the Peer Group during the Performance Period (including a company that is not a Peer Group member which acquires a member of the Peer Group); and
- D. A Peer Group company which files for bankruptcy or is delisted from its stock exchange during the Performance Period will remain in the Peer Group, but its TSR for the Performance Period shall be deemed to be equal to negative 100%.

Notwithstanding the foregoing provisions of this subsection (iv), the Committee may disregard any of these guidelines when evaluating changes in the membership of the Peer Group during the Performance Period in any particular situation, as it deems reasonable in the exercise of its discretion.

4. **Termination of Services.**

- a) Termination by Company for any reason other than Cause or by Grantee for Good Reason. Except as may otherwise be provided in any applicable Service Agreement, if the Grantee's employment is terminated by the Company for any reason other than Cause or by Grantee for Good Reason, a pro-rata portion of the Performance Stock Units shall vest as of such Date of Termination, subject to Grantee's execution and non-revocation of a Release within 60 days of Grantee's Date of Termination. Such pro rata portion shall be equal to (i) the number of Performance Stock Units set forth in the Grant Notice (i.e., the number of Performance Stock Units that would be paid out at the target performance level) multiplied by (ii) a fraction, the numerator of which is the number of days of the Performance Period the Grantee remained an employee with the Company and the denominator of which is the number of days in the Performance Period. The performance vesting requirements set forth in Section 3(b) shall not apply. All Performance Stock Units that remain unvested following the pro-rata vesting in accordance with this Section 4(a) will be automatically forfeited upon such Date of Termination.

- b) Termination by the Company for Cause; resignation by the Grantee not for Good Reason. Except as may otherwise be provided in any applicable Service Agreement, if the Grantee's employment is terminated by the Company for Cause or due to a resignation by the Grantee for any reason other than Good Reason, Grantee shall forfeit any Performance Stock Units that have not fully vested in accordance with Section 3 as of the Date of Termination. All Performance Stock Units that are not earned based on performance during the Performance Period will be automatically forfeited as of the end of such Performance Period.

5. **Change in Control.** In the event of a Change in Control, if the Award is (a) continued or assumed or (b) substituted or replaced with an award with respect to cash or shares of the acquirer in such Change in Control, in each case, with substantially equivalent terms and value as the Award; provided that the Committee, in its discretion, may choose to revise or eliminate any performance-based vesting conditions as it deems appropriate (as applicable, "**Assumed**"), on the CIC Effective Date, and Grantee subsequently incurs a termination of employment covered by Section 5(d) of the CIC Severance Plan (without regard to whether Grantee is an Eligible Individual under the CIC Severance Plan), any unvested Performance Stock Units shall vest in full at the target performance level as of Grantee's Date of Termination, subject to Grantee's execution and non-revocation of a Release within 60 days of Grantee's Date of Termination. If the Award is not assumed on the CIC Effective Date, any unvested Performance Stock Units shall vest in full at the target performance level on the CIC Effective Date and no further benefit or payment shall be provided in respect thereof.

6. **Payment.** Payment in respect of vested Performance Stock Units shall be made by the Company as soon as administratively practicable (and in no event later than 74 days) after the applicable vesting date. The Company shall settle vested Performance Stock Units by issuing Grantee a number of shares of Stock equal to the number of vested Performance Stock Units.

7. **Withholding.**

- a) Any income taxes, FICA, state disability insurance or other similar payroll and withholding taxes ("**Withholding Obligation**") arising with respect to the Performance Stock Units are the sole responsibility of Grantee. Any Withholding Obligation that arises as a result of the payment of cash amounts pursuant to the Dividend Equivalent Right set forth in Section 9 below shall be withheld by the Company in cash from the amounts paid. Any Withholding Obligation that arises as a result of the settlement of vested Performance Stock Units through granting of Stock pursuant to Section 6 above shall be settled pursuant to Sections 7(b) or 7(c) below.
- b) By accepting this Agreement, Grantee hereby elects, effective on the Grant Date, to sell shares of Stock held by Grantee in an amount and at such time as is determined in accordance with this Section 7(b), and to allow the Agent, as defined below, to remit the cash proceeds of such sales to the Company as more specifically set forth below (a "**Sell to Cover**") to permit Grantee to satisfy the Withholding Obligation to the extent the Withholding Obligation is not otherwise satisfied pursuant to the provisions of Section 7(c) below and further acknowledges and agrees to the following provisions:

- i. Grantee hereby irrevocably appoints the Company's designated broker E*TRADE Securities LLC, or such other broker as the Company may select, as Grantee's agent (the "**Agent**"), and authorizes and directs the Agent to:
 1. Sell on the open market at the then prevailing market price(s), on Grantee's behalf, as soon as practicable on or after the delivery of Stock in settlement of vested Performance Stock Units, the number (rounded up to the next whole number) of shares of Stock sufficient to generate proceeds to cover the satisfaction of the Withholding Obligation arising from the settlement of the vested Performance Stock Units to the extent not otherwise satisfied pursuant to Section 7(c) and all applicable fees and commissions due to, or required to be collected by, the Agent with respect thereto;
 2. Remit directly to the Company the proceeds necessary to satisfy the Withholding Obligation;
 3. Retain the amount required to cover all applicable fees and commissions due to, or required to be collected by, the Agent, relating directly to the sale; and
 4. Deposit any remaining funds in Grantee's account.
- ii. Grantee acknowledges that Grantee's election to Sell to Cover and the corresponding authorization and instruction to the Agent set forth in Section 7(b) is intended to comply with the requirements of Rule 10b5-1(c)(1) under the Exchange Act, and to be interpreted to comply with the requirements of Rule 10b5-1(c) under the Exchange Act (Grantee's election to Sell to Cover and the provisions of Section 7(b), collectively, the "**10b5-1 Plan**"). Grantee acknowledges that by accepting this Award, he or she is adopting the 10b5-1 Plan to permit Grantee to satisfy the Withholding Obligation. Grantee hereby authorizes the Company and the Agent to cooperate and communicate with one another to determine the number of shares of Stock that must be sold pursuant to Section 7(b) to satisfy the Withholding Obligation.
- iii. Grantee acknowledges that the Agent is under no obligation to arrange for the sale of Stock at any particular price under this 10b5-1 Plan and that the Agent may effect sales as provided in this 10b5-1 Plan in one or more sales and that the average price for executions resulting from bunched orders may be assigned to Grantee's account. In addition, Grantee acknowledges that it may not be possible to sell shares of Stock as provided for in this 10b5-1 Plan and in the event of the Agent's inability to sell shares of Stock, Grantee will continue to be responsible for the Withholding Obligation.

- iv. Grantee hereby agrees to execute and deliver to the Agent any other agreements or documents as the Agent reasonably deems necessary or appropriate to carry out the purposes and intent of this 10b5-1 Plan. The Agent is a third-party beneficiary of Section 7(b) and the terms of this 10b5-1 Plan.
 - v. Grantee's election to Sell to Cover and to enter into this 10b5-1 Plan is irrevocable. This 10b5-1 Plan shall terminate not later than the date on which the Withholding Obligation arising from the payment of the vested Performance Stock Units is satisfied.
- c) Alternatively, or in addition to or in combination with the Sell to Cover provided for under Section 7(b), if authorized by the Committee, Grantee may satisfy the Withholding Obligation through Grantee surrendering shares of Stock to which Grantee is otherwise entitled to under the Plan with an aggregate fair market value that is not more than the maximum statutory withholding rates for federal and state tax purposes, including payroll taxes, that are applicable to such taxable income).

8. **No Stockholder Rights.** Grantee shall have no voting, dividend, or other stockholder rights in respect of the Performance Stock Units granted hereunder. Upon the issuance of shares of Stock as payment under this Agreement, Grantee shall have all of the rights of a stockholder with respect to such shares of Stock as of the date Grantee becomes the record owner of such shares.

9. **Dividend Equivalent Right.** Grantee shall be entitled to a Dividend Equivalent Right entitling Grantee, with respect to each Performance Stock Unit, to receive a cash payment based on the regular cash dividends that would have been paid on a share of Stock during the period commencing on the Grant Date of the Performance Stock Units and ending on the date the Performance Stock Units are paid pursuant to Section 6. All amounts payable as a result of such Dividend Equivalent Right shall be accumulated and paid to Grantee in cash on the date that payment is made in respect of the related Performance Stock Units in accordance with Section 6, above. For the sake of clarity, no Dividend Equivalent Rights shall be paid in respect of PSUs that are forfeited.

10. **Heirs and Successors.** This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of Grantee or benefits distributable to Grantee under this Agreement have not been exercised or distributed, respectively, at the time of Grantee's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. If a deceased Grantee fails to designate a beneficiary, or if the Designated Beneficiary does not survive Grantee, any rights that would have been exercisable by Grantee and any benefits distributable to Grantee shall be exercised by or distributed to the legal representative of the estate of Grantee. If a deceased Grantee designates a beneficiary and the Designated Beneficiary survives Grantee but dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

11. **Administration.** The authority to manage and control the operation and administration of this Agreement shall be vested in the Board or the Committee, and the Board or the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Board or the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

12. **Plan Governs.** Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by Grantee from the office of the Secretary of the Company, and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Board or the Committee from time to time pursuant to the Plan. For clarity, if Grantee participates in the CIC Severance Plan, nothing in this Agreement is intended to supersede any provisions of the CIC Severance Plan, including without limitation the definitions of "Cause," "Disability" and "Good Reason" therein, and in the event of any conflict between this Agreement and the CIC Severance Plan, the provisions of the CIC Severance Plan shall control.

13. **Fractional Shares.** In lieu of issuing a fraction of a share of Stock resulting from an adjustment of the Award pursuant to Section 17.4 of the Plan or otherwise, the Company will be entitled to pay to Grantee an amount in cash equal to the fair market value of such fractional share.

14. **Not An Employment Contract.** The Award will not confer on Grantee any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate or modify the terms of such Grantee's Service at any time.

15. **Notices.** Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Grantee, at Grantee's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

16. **Amendment.** This Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended by written agreement of Grantee and the Company without the consent of any other person.

17. **409A Savings Clause.** All amounts payable hereunder are intended to comply with the requirements of Section 409A, and this Agreement shall be interpreted accordingly.

18. **Electronic Acceptance.** By logging into and accepting this Agreement through Grantee's account with the Agent, Grantee (a) understands, represents, acknowledges and agrees to be bound by this Agreement as if Grantee had manually signed this Agreement, (b) agrees that Agent or its designee shall obtain and retain custody of the shares of Stock issuable upon settlement of vested Performance Stock Units until such time as all withholding obligations have been satisfied, (c) elects to conduct a Sell to Cover to satisfy the Withholding Obligation in accordance with Section 7(b) of the Agreement, (d) represents and warrants that (i) Grantee has carefully reviewed Section 7(b) of this Agreement, (ii) Grantee is not subject to any legal, regulatory or contractual restriction that would prevent the Agent from conducting sales and does not have, and will not attempt to exercise, authority, influence or control over any sales of Stock effected by the Agent and (iii) as of the date Grantee accepts this Agreement, Grantee is not aware or in possession of any material, nonpublic information with respect to the Company or its affiliates or any of their respective securities. In the event that Grantee does not accept this Agreement through the Agent's online grant acceptance system within 90 days of the Grant Date, the Company shall have the option, but not the obligation, to cancel and revoke the Award represented by this Agreement, and the Award shall be forfeited by Grantee without any further consideration.



Bonanza Creek Energy, Inc. 2017 Long Term Incentive Plan Beneficiary Designation

Primary Beneficiary

I hereby designate the following person or persons as primary Beneficiaries of my Account under the Plan payable in the event of my death.

Name:	Name:
Social Security Number:	Social Security Number:
Address:	Address:
Date of Birth:	Date of Birth:
Relationship to Participant:	Relationship to Participant:
Percentage:	Percentage:

The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.

Contingent Beneficiary

In the event that there is no living primary Beneficiary at my death, I hereby designate the following person or persons as contingent Beneficiaries of my Account:

Name:	Name:
Social Security Number:	Social Security Number:
Address:	Address:
Date of Birth:	Date of Birth:
Relationship to Participant:	Relationship to Participant:
Percentage:	Percentage:

The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.

Participant Signature

I reserve the right to revoke or change any Beneficiary designation. I hereby revoke all my prior designations (if any) of primary and contingent Beneficiaries.

Signature	DATE
Print Name	

Please return this form to Human Resources when you have completed it.

Exhibit B

Peer Group

1. Abraxas Petroleum Corporation
2. Amplify Energy Corp.
3. Battalion Oil Corporation
4. Berry Corporation
5. California Resources Corporation
6. Callon Petroleum Company
7. Centennial Resource Development, Inc.
8. Cimarex Energy Co.
9. Contango Oil & Gas Company
10. Continental Resources, Inc.
11. Denbury Inc.
12. Devon Energy Corporation
13. Diamondback Energy, Inc.
14. Earthstone Energy, Inc.
15. EOG Resources, Inc.
16. Evolution Petroleum Corporation
17. Hess Corporation
18. HighPeak Energy, Inc.
19. Laredo Petroleum, Inc.
20. Magnolia Oil & Gas Corporation
21. Marathon Oil Corporation
22. Matador Resources Company
23. Murphy Oil Corporation
24. Northern Oil and Gas, Inc.

25. Oasis Petroleum Inc.
26. PDC Energy, Inc.
27. Penn Virginia Corporation
28. Pioneer Natural Resources Company
29. Ring Energy, Inc.
30. SandRidge Energy, Inc.
31. SM Energy Company
32. SilverBow Resources, Inc.
33. Talos Energy Inc.
34. W&T Offshore, Inc.
35. Whiting Petroleum Corporation

**BONANZA CREEK ENERGY, INC.
2021 LONG TERM INCENTIVE PLAN**

(Effective June 2, 2021)

TABLE OF CONTENTS

	<u>Page</u>
1. PURPOSE.	1
2. DEFINITIONS.	1
2.1 "Affiliate"	1
2.2 "Award"	1
2.3 "Award Document"	1
2.4 "Board"	1
2.5 "Change in Control" means	1
2.6 "Code"	3
2.7 "Committee"	3
2.8 "Company"	3
2.9 "Dividend Equivalent Right"	3
2.10 "Effective Date"	3
2.11 "Exchange Act"	3
2.12 "Fair Market Value"	3
2.13 "Family Member"	3
2.14 "GAAP"	4
2.15 "Grant Date"	4
2.16 "Grantee"	4
2.17 "Incentive Stock Option"	4
2.18 "Intrinsic Value"	4
2.19 "Non-qualified Stock Option"	4
2.20 "Option"	4
2.21 "Option Price"	4
2.22 "Other Stock Award"	4
2.23 "Outside Director"	4
2.24 "Performance Award"	4
2.25 "Plan"	4
2.26 "Purchase Price"	4
2.27 "Restricted Period"	5
2.28 "Restricted Stock"	5
2.29 "SAR Exercise Price"	5
2.30 "Securities Act"	5
2.31 "Service"	5
2.32 "Service Provider"	5
2.33 "Stock"	5
2.34 "Stock Appreciation Right" or "SAR"	5
2.35 "Stock Unit"	5

2.36	“Subsidiary”	<u>5</u>
2.37	“Substitute Awards”	<u>5</u>
2.38	“Ten Percent Stockholder”	<u>5</u>
2.39	“Total Shares”	<u>5</u>
2.40	“Unrestricted Stock”	<u>6</u>
3.	ADMINISTRATION OF THE PLAN.	<u>6</u>
3.1	Board	<u>6</u>
3.2	Delegation of Authority	<u>6</u>
3.3	Terms of Awards	<u>7</u>
3.4	Deferral Arrangement	<u>8</u>
3.5	No Liability.	<u>8</u>
3.6	Book Entry.	<u>8</u>
4.	STOCK SUBJECT TO THE PLAN.	<u>8</u>
4.1	Share Reserve	<u>8</u>
4.2	Prohibition on Liberal Share Recycling	<u>9</u>
4.3	Assumption or Substitution of Awards	<u>9</u>
5.	EFFECTIVE DATE, DURATION AND AMENDMENTS.	<u>9</u>
5.1	Effective Date	<u>9</u>
5.2	Term	<u>9</u>
5.3	Amendment and Termination of the Plan	<u>10</u>
6.	AWARD ELIGIBILITY AND LIMITATIONS.	<u>10</u>
6.1	Service Providers and Other Persons	<u>10</u>
6.2	Successive Awards and Substitute Awards	<u>10</u>
6.3	Director Award Limitations	<u>10</u>
6.4	Minimum Vesting Schedule	<u>10</u>
7.	AWARD AGREEMENT.	<u>10</u>
8.	TERMS AND CONDITIONS OF OPTIONS.	<u>11</u>
8.1	Option Price	<u>11</u>
8.2	Vesting	<u>11</u>
8.3	Term	<u>11</u>
8.4	Termination of Service	<u>11</u>
8.5	Limitations on Exercise of Option	<u>11</u>
8.6	Method of Exercise	<u>12</u>
8.7	Rights of Holders of Options	<u>12</u>
8.8	Delivery of Stock Certificates	<u>12</u>
8.9	Transferability of Options	<u>12</u>
8.10	Family Transfers	<u>12</u>
8.11	Limitations on Incentive Stock Options	<u>13</u>
9.	TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.	<u>13</u>
9.1	Right to Payment and Grant Price	<u>13</u>
9.2	Other Terms	<u>13</u>

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND STOCK UNITS.	<u>13</u>
10.1 Grant of Restricted Stock or Stock Units	<u>13</u>
10.2 Restrictions	<u>14</u>
10.3 Restricted Stock Certificates	<u>14</u>
10.4 Rights of Holders of Restricted Stock	<u>14</u>
10.5 Rights of Holders of Stock Units	<u>15</u>
10.6 Termination of Service	<u>15</u>
10.7 Purchase of Restricted Stock	<u>15</u>
10.8 Delivery of Stock	<u>15</u>
11. TERMS AND CONDITIONS OF OTHER STOCK AWARDS.	<u>16</u>
12. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK.	<u>16</u>
12.1 General Rule	<u>16</u>
12.2 Surrender of Stock.	<u>16</u>
12.3 Cashless Exercise	<u>16</u>
12.4 Other Forms of Payment	<u>17</u>
13. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS.	<u>17</u>
13.1 Dividend Equivalent Rights	<u>17</u>
13.2 Termination of Service	<u>17</u>
14. TERMS AND CONDITIONS OF PERFORMANCE AWARDS.	<u>17</u>
15. PARACHUTE LIMITATIONS.	<u>17</u>
16. REQUIREMENTS OF LAW.	<u>18</u>
16.1 General	<u>18</u>
16.2 Rule 16b-3	<u>19</u>
17. EFFECT OF CHANGES IN CAPITALIZATION.	<u>19</u>
17.1 Changes in Stock	<u>19</u>
17.2 Reorganization in Which the Company Is the Surviving Entity Which does not Constitute a Change in Control	<u>20</u>
17.3 Change in Control	<u>20</u>
17.4 Adjustments	<u>21</u>
17.5 No Limitations on Company	<u>21</u>
18. GENERAL PROVISIONS.	<u>21</u>
18.1 Disclaimer of Rights	<u>21</u>
18.2 Nonexclusivity of the Plan	<u>21</u>
18.3 Withholding Taxes	<u>21</u>
18.4 Captions	<u>22</u>
18.5 Other Provisions	<u>22</u>
18.6 Number and Gender	<u>22</u>
18.7 Severability	<u>22</u>
18.8 Governing Law	<u>22</u>
18.9 Section 409A of the Code	<u>23</u>

BONANZA CREEK ENERGY, INC.
2021 LONG TERM INCENTIVE PLAN

Bonanza Creek Energy, Inc., a Delaware corporation (the “**Company**”), sets forth herein the terms of its 2021 Long Term Incentive Plan (the “**Plan**”), as follows:

1. PURPOSE.

The Plan is intended to enhance the Company’s and its Affiliates’ (as defined herein) ability to attract and retain highly qualified officers, directors, key employees, and other persons, and to motivate such persons to serve the Company and its Affiliates and to expend maximum effort to improve the business results and earnings of the Company, by providing to such persons an opportunity to acquire or increase a direct proprietary interest in the operations and future success of the Company. To this end, the Plan provides for the grant of stock options, stock appreciation rights, restricted stock, stock units, other stock awards (including unrestricted stock), dividend equivalent rights and cash awards. Any of these awards may, but need not, be made as performance incentives to reward attainment of annual or long-term performance goals in accordance with the terms hereof. Stock options granted under the Plan may be non-qualified stock options or incentive stock options, as provided herein.

2. DEFINITIONS.

For purposes of interpreting the Plan and related documents (including Award Documents), the following definitions shall apply:

2.1. “Affiliate” means, with respect to the Company, any company or other trade or business that controls, is controlled by or is under common control with the Company within the meaning of Rule 405 of Regulation C under the Securities Act, including, without limitation, any Subsidiary.

2.2. “Award” means a grant of an Option, Stock Appreciation Right, Restricted Stock, Other Stock Award, Unrestricted Stock, Stock Unit, Dividend Equivalent Rights, or cash award under the Plan.

2.3. “Award Document” means any written or electronic agreement, contract or other instrument or document that evidences and sets out the terms and conditions of an Award, which may, but need not, be executed or acknowledged by a Grantee.

2.4. “Board” means the Board of Directors of the Company.

2.5. “Change in Control” means

(i) the acquisition after the Effective Date by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) (a “**Person**”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (a) the then outstanding shares of common stock of the Company (the “**Outstanding Company Common Stock**”) or (b) the combined voting power of the then outstanding voting securities of the Company entitled to

vote generally in the election of directors (the “**Outstanding Company Voting Securities**”). For purposes of this Section 2.6, the following acquisitions by a Person will not constitute a Change in Control: (I) any acquisition directly from the Company; (II) any acquisition by the Company; (III) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; (IV) any acquisition by any corporation pursuant to a transaction which complies with clauses (a), (b) and (c) of Section 2.6(iii) below; or (V) any acquisition, within 18 months following the Effective Date, by any Person who, as of the Effective Date, holds 5% or more of the Outstanding Common Stock or the Outstanding Company Voting Securities;

(ii) the individuals who, as of the later of the date hereof or the last amendment to this Plan approved by the Board, constitute the board of directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the board of directors. Any individual becoming a director subsequent to the later of the date hereof or the last amendment to this Plan approved by the Board whose election, or nomination for election by the Company’s stockholders, is approved by a vote of at least a majority of the directors then comprising the Incumbent Board will be considered a member of the Incumbent Board as of the later of the date hereof or the last amendment to this Plan approved by the Board, but any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board of Directors will not be deemed a member of the Incumbent Board as of the later of the date hereof or the last amendment to this Plan approved by the Board;

(iii) the consummation of a reorganization, merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company after the Effective Date (a “Business Combination”), unless following such Business Combination: (a) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (b) no Person (excluding any corporation resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination

and (c) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

Notwithstanding the foregoing, with respect to any Award that is characterized as “nonqualified deferred compensation” within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a “change in ownership,” a “change in effective control” or a “change in the ownership of a substantial portion of the assets” of the Company within the meaning of Section 409A of the Code.

2.6. **“Code”** means the Internal Revenue Code of 1986, as now in effect or as hereafter amended.

2.7. **“Committee”** means the Company’s Compensation Committee.

2.8. **“Company”** has the meaning set forth in the preamble.

2.9. **“Dividend Equivalent Right”** means a right, granted to a Grantee under Section 13 hereof, to receive cash, Stock, other Awards or other property equal in value to dividends paid with respect to a specified number of shares of Stock, or other periodic payments.

2.10. **“Effective Date”** means June 2, 2021, the date the Plan is approved by the Company’s stockholders in accordance with the requirements of the laws of the State of Delaware.

2.11. **“Exchange Act”** means the Securities Exchange Act of 1934, as now in effect or as hereafter amended.

2.12. **“Fair Market Value”** means the value of a share of Stock, determined as follows: if on the Grant Date or other determination date the Stock is listed on an established national or regional stock exchange, is admitted to quotation on The Nasdaq Stock Market, Inc. or is publicly traded on an established securities market, the Fair Market Value of a share of Stock shall be the closing price of the Stock on such exchange or in such market (if there is more than one such exchange or market the Board shall determine the appropriate exchange or market) on the Grant Date or such other determination date (or if there is no such reported closing price, the Fair Market Value shall be the mean between the highest bid and lowest asked prices or between the high and low sale prices on such trading day) or, if no sale of Stock is reported for such trading day, on the next preceding day on which any sale shall have been reported. If the Stock is not listed on such an exchange, quoted on such system or traded on such a market, Fair Market Value shall be the value of the Stock as determined by the Board in good faith. Notwithstanding the foregoing, for purposes of reporting and calculating taxable income and applicable tax withholdings, the Company may use any reasonable method to determine the Fair Market Value, including (i) using the closing price of the Stock on the applicable exchange or

in the applicable market on the date immediately prior to the determination date, and (ii) in the event the Grantee makes arrangements with the Company to satisfy the tax withholdings required by Section 18.3 pursuant to a same day “sell-to-cover” or similar transaction, treating Fair Market Value as the amount received upon sale of the Stock in such same day “sell-to-cover” or similar transaction.

2.13. “Family Member” means a person who is a spouse, former spouse, child, stepchild, grandchild, parent, stepparent, grandparent, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother, sister, brother-in-law, or sister-in-law, including adoptive relationships, of the Grantee, any person sharing the Grantee’s household (other than a tenant or employee), a trust in which any one or more of these persons have more than fifty percent of the beneficial interest, a foundation in which any one or more of these persons (or the Grantee) control the management of assets, and any other entity in which one or more of these persons (or the Grantee) own more than fifty percent of the voting interests.

2.14. “GAAP” means U.S. generally accepted accounting principles.

2.15. “Grant Date” means, as determined by the Board, the latest to occur of (i) the date as of which the Board approves an Award, (ii) the date on which the recipient of an Award first becomes eligible to receive an Award under Section 6 hereof, or (iii) such other date as may be specified by the Board.

2.16. “Grantee” means a person who receives or holds an Award under the Plan.

2.17. “Incentive Stock Option” means an “incentive stock option” within the meaning of Section 422 of the Code, or the corresponding provision of any subsequently enacted tax statute, as amended from time to time.

2.18. “Intrinsic Value” means, (i) with respect to an Option or SAR, the product of (x) the excess, if any, of (A) the price or implied price per share of Stock in a Change in Control over (B) the exercise or grant price of such Option or SAR multiplied by (y) the number of shares of Stock covered by such Option or SAR, and (ii) with respect to any other Stock-based Award, the product of (A) the price or implied price per share of Stock in a Change of Control multiplied by (B) the number of shares of Stock covered by such other Stock-based Award.

2.19. “Non-qualified Stock Option” means an Option that is not an Incentive Stock Option.

2.20. “Option” means an option to purchase one or more shares of Stock pursuant to the Plan.

2.21. “Option Price” means the exercise price for each share of Stock subject to an Option.

2.22. “Other Stock Award” means an Award pursuant to Section 11 hereof

2.23. “Outside Director” means a member of the Board who is not an officer or employee of the Company.

- 2.24. **“Performance Award”** means an Award made subject to the attainment of performance goals (as described in Section 14) over a performance period of up to ten (10) years.
- 2.25. **“Plan”** has the meaning set forth in the preamble.
- 2.26. **“Prior Plan”** means the Bonanza Creek Energy, Inc. 2017 Long Term Incentive Plan.
- 2.27. **“Purchase Price”** means the purchase price for each share of Stock pursuant to a grant of Restricted Stock or Unrestricted Stock.
- 2.28. **“Restricted Period”** has the meaning set forth in Section 10.2.
- 2.29. **“Restricted Stock”** means shares of Stock, awarded to a Grantee pursuant to Section 10 hereof.
- 2.30. **“SAR Exercise Price”** means the per share exercise price of an SAR granted to a Grantee under Section 9 hereof.
- 2.31. **“Securities Act”** means the Securities Act of 1933, as now in effect or as hereafter amended.
- 2.32. **“Service”** means service as a Service Provider to the Company or an Affiliate. Unless otherwise stated in the applicable Award Document, a Grantee’s change in position or duties shall not result in interrupted or terminated Service, so long as such Grantee continues to be a Service Provider to the Company or an Affiliate. Subject to the preceding sentence, whether a termination of Service shall have occurred for purposes of the Plan shall be determined by the Board, which determination shall be final, binding and conclusive.
- 2.33. **“Service Provider”** means an employee, officer or director of the Company or an Affiliate, or any natural person who is a consultant or advisor currently providing services to the Company or an Affiliate.
- 2.34. **“Stock”** means the common stock, par value \$0.001 per share, of the Company, or any security into which such common stock may be changed, reclassified or converted pursuant to any transaction or event of the type described in Section 17.
- 2.35. **“Stock Appreciation Right” or “SAR”** means a right granted to a Grantee under Section 9 hereof.
- 2.36. **“Stock Unit”** means a bookkeeping entry representing the equivalent of one or more shares of Stock as indicated in the Award Document awarded to a Grantee pursuant to Section 10 hereof.
- 2.37. **“Subsidiary”** means any “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code.

2.38. “Substitute Awards” means Awards granted upon assumption of, or in substitution for, outstanding awards previously granted by a company or other entity acquired by the Company or any Affiliate or with which the Company or any Affiliate combines.

2.39. “Ten Percent Stockholder” means an individual who owns more than ten percent (10%) of the total combined voting power of all classes of outstanding stock of the Company, its parent or any of its Subsidiaries. In determining stock ownership, the attribution rules of Section 424(d) of the Code shall be applied.

2.40. “Total Shares” has the meaning set forth in Section 4 hereof.

2.41. “Unrestricted Stock” means an Award granted pursuant to Section 11 hereof pursuant to which the Grantee may receive shares of Stock free of any restrictions under the Plan.

3. ADMINISTRATION OF THE PLAN.

3.1. Board.

The Board shall have such powers and authorities related to the administration of the Plan as are consistent with the Company’s certificate of incorporation and by-laws and applicable law. The Board shall have full power and authority to take all actions and to make all determinations required or provided for under the Plan, any Award or any Award Document, and shall have full power and authority to take all such other actions and make all such other determinations not inconsistent with the specific terms and provisions of the Plan that the Board deems to be necessary or appropriate to the administration of the Plan, any Award or any Award Document. All such actions and determinations shall be by the affirmative vote of a majority of the members of the Board present at a meeting or by unanimous consent of the Board executed in writing in accordance with the Company’s certificate of incorporation and by-laws and applicable law. The interpretation and construction by the Board of any provision of the Plan, any Award or any Award Document shall be final, binding and conclusive.

3.2. Delegation of Authority.

The Board from time to time may delegate to the Committee, any other separate committees of the Board, or to one or more officers of the Company, such powers and authorities related to the administration and implementation of the Plan, as set forth in Section 3.1 above and other applicable provisions, as the Board shall determine, consistent with the certificate of incorporation and by-laws of the Company and applicable law.

(i) Except as provided in subsection 3.2(ii) of this Section 3.2 and except as the Board may otherwise determine, the Committee, if any, appointed by the Board to administer the Plan shall consist of two (2) or more Outside Directors of the Company who meet such requirements as may be established from time to time by the Securities and Exchange Commission for plans intended to qualify for exemption under Rule 16b-3 (or its successor) under the Exchange Act.

(ii) The Board may also appoint one or more separate committees of the Board, each composed of one or more directors of the Company who need not be Outside Directors, who may administer the Plan with respect to employees or other Service Providers who are not officers or directors of the Company, may grant Awards under the Plan to such employees or other Service Providers, and may determine all terms of such Awards.

(iii) The Board may also appoint one or more officers of the Company, who may administer the Plan with respect to employees or other Service Providers who are not officers or directors of the Company, may grant Awards under the Plan to such employees or other Service Providers, and may determine all terms of such Awards.

In the event that the Plan, any Award or any Award Document entered into hereunder provides for any action to be taken by or determination to be made by the Board, such action may be taken or such determination may be made by the Committee or such other delegate if the power and authority to do so has been delegated to the Committee or such other delegate by the Board as provided for in this Section 3.2. Unless otherwise expressly determined by the Board, any such action or determination by the Committee or such other delegate shall be final, binding and conclusive. To the extent permitted by applicable law, the Committee may delegate its authority under the Plan to a member of the Board; but no other delegate hereunder may further delegate its authority.

3.3. Terms of Awards.

Subject to the other terms and conditions of the Plan, the Board shall have full and final authority to:

- (i) designate Grantees,
- (ii) determine the type or types of Awards to be made to a Grantee,
- (iii) determine the number of shares of Stock to be subject to an Award,
- (iv) establish the terms and conditions of each Award (including, but not limited to, the exercise price of any Option, the nature and duration of any restriction or condition (or provision for lapse thereof) relating to the vesting, exercise, transfer, or forfeiture of an Award or the shares of Stock subject thereto, and any terms or conditions that may be necessary to qualify Options as Incentive Stock Options),
- (v) prescribe the form of each Award Document evidencing an Award,
- (vi) make Awards to Grantees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to employees employed in the United States as may, in the judgment of the Board, be necessary or desirable in order to recognize differences in local law or tax policy. The Board also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for employees on assignments outside their home country; and

(vii) amend, modify, or supplement the terms of any outstanding Award.

Notwithstanding the foregoing, no amendment, modification or supplement of any Award shall, without the consent of the Grantee, materially impair the Grantee's rights under such Award.

The Company may retain the right in an Award Document to cause a forfeiture of the gain realized by a Grantee on account of actions taken by the Grantee in violation or breach of or in conflict with any employment agreement, non-competition agreement, any agreement prohibiting solicitation of employees or clients of the Company or any Affiliate thereof or any confidentiality obligation with respect to the Company or any Affiliate thereof or otherwise in competition with the Company or any Affiliate thereof, to the extent specified in such Award Document applicable to the Grantee. The Company may annul an Award if the Grantee is an employee of the Company or an Affiliate thereof and is terminated for cause as defined in the applicable Award Document.

The grant of any Award shall be contingent upon the Grantee executing (in writing or electronically) the appropriate Award Document.

Notwithstanding the foregoing, no amendment or modification may be made to an outstanding Option or SAR without the approval of the stockholders of the Company to (i) reduce the Option Price or SAR Exercise Price, either by lowering the Option Price or SAR Exercise Price or by canceling the outstanding Option or SAR in exchange for cash, other Awards or an Option or SAR with a lower Option Price or SAR Exercise Price (as applicable) or (ii) take any other action that would be considered a "repricing" of an Option or SAR under the applicable listing standards of the national securities exchange on which the Stock is listed (if any); provided, that, appropriate adjustments may be made to outstanding Options and SARs pursuant to Section 17.

3.4. Deferral Arrangement.

The Board may permit or require the deferral of any award payment into a deferred compensation arrangement, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest or dividend equivalents, including converting such credits into deferred Stock equivalents. Any such deferrals shall be made in a manner that complies with Section 409A.

3.5. No Liability.

No member of the Board or of the Committee, nor any other delegate hereunder, shall be liable for any action or determination made in good faith with respect to the Plan or any Award or Award Document.

3.6. Book Entry.

Notwithstanding any other provision of this Plan to the contrary, the Company may elect to satisfy any requirement under this Plan for the delivery of stock certificates through the use of book-entry.

4. STOCK SUBJECT TO THE PLAN.

4.1. Share Reserve.

Subject to adjustment as provided in Section 17 hereof, the number of shares of Stock available for issuance under the Plan shall be the sum of (a) 700,000 plus (b) the number of shares of Stock available for issuance under the Prior Plan and which, as of the Effective Date, are not subject to outstanding awards granted under the Prior Plan (the “**Total Shares**”). The maximum number of shares of Stock that may be delivered to Grantees and their beneficiaries with respect to Incentive Stock Options granted under the Plan is equal to the Total Shares. Stock issued or to be issued under the Plan shall be authorized but unissued shares; or, to the extent permitted by applicable law, issued shares that have been reacquired by the Company. If any Award granted under the Plan or the Prior Plan expires or is canceled or forfeited, or if an Award granted under the Plan or the Prior Plan is settled in cash or otherwise terminates without delivery of any Stock subject thereto, then the number of shares of Stock counted against the aggregate number of shares available under the Plan with respect to such Award shall again be available for issuance under the Plan.

4.2. Prohibition on Liberal Share Recycling.

If any Award of SARs is settled in shares of Stock, then the number of SARs subject to the Award shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan, regardless of the number of shares of Stock that are issued upon the settlement of such SARs. In addition, if the Option Price of any Option granted under the Plan, or if pursuant to Section 18.3 the withholding obligation of any Grantee with respect to an Option or other Award, is satisfied by tendering shares of Stock to the Company (by either actual delivery or by attestation) or by withholding shares of Stock, the number of shares of Stock issued including the shares of Stock tendered or withheld shall be deemed delivered for purposes of determining the maximum number of shares of Stock available for delivery under the Plan.

4.3. Assumption or Substitution of Awards.

The Board shall have the right to substitute or assume Awards in connection with mergers, reorganizations, separations, or other transactions to which Section 424(a) of the Code applies. The number of Total Shares reserved shall be increased by the corresponding number of Awards assumed and, in the case of a substitution, by the net increase in the number of shares of Stock subject to Awards before and after the substitution.

5. EFFECTIVE DATE, DURATION AND AMENDMENTS.

5.1. Effective Date.

The Plan shall be effective as of the Effective Date. On and after the Effective Date, no grants will be made under the Prior Plan, provided that outstanding awards granted under the Prior Plan will continue unaffected following the Effective Date.

5.2. Term.

The Plan may be terminated by the Board as provided in Section 5.3; provided, however, that no Awards may be granted under the Plan after the ten-year anniversary of the Effective Date.

5.3. Amendment and Termination of the Plan.

The Board may, at any time and from time to time, amend, suspend, or terminate the Plan as to any shares of Stock as to which Awards have not been made. An amendment shall be contingent on approval of the Company's stockholders to the extent stated by the Board, required by applicable law or required by applicable stock exchange listing requirements. In addition, an amendment will be contingent on approval of the Company's stockholders if the amendment would: (i) materially increase the benefits accruing to participants under the Plan, (ii) materially increase the aggregate number of shares of Stock that may be issued under the Plan or (iii) materially modify the requirements as to eligibility for participation in the Plan. No Awards shall be made after termination of the Plan. No amendment, suspension, or termination of the Plan shall, without the consent of the Grantee, impair rights or obligations under any Award theretofore awarded under the Plan.

6. AWARD ELIGIBILITY AND LIMITATIONS.

6.1. Service Providers and Other Persons.

Subject to this Section 6, Awards may be made under the Plan to: (i) any Service Provider to the Company or of any Affiliate, including any Service Provider who is an officer or director of the Company, or of any Affiliate, as the Board shall determine and designate from time to time, and (ii) any Outside Director.

6.2. Successive Awards and Substitute Awards.

An eligible person may receive more than one (1) Award, subject to such restrictions as are provided herein. Notwithstanding 8.1 and 9.1 the Option Price of an Option or the grant price of an SAR that is a Substitute Award may be less than one hundred percent (100%) of the Fair Market Value of a share of Stock on the original date of grant provided that the Option Price or grant price is determined in accordance with the principles of Code Section 424 and the regulations thereunder.

6.3. Director Award Limitations .

In any calendar year, no Outside Director shall be granted Awards under the Plan for Service on the Board that, together with any cash retainers or fees earned by such Outside Director for such year, have an aggregate fair value as of the grant date (as determined in accordance with applicable accounting standards) in excess of \$750,000.

6.4. Minimum Vesting Schedule.

Except as set forth below, a vesting period of at least one (1) year shall apply to all Awards issued under the Plan. Up to 5% of the shares of Stock reserved for issuance under the Plan as of the Effective Date may be issued pursuant to Awards that do not comply with such minimum one (1) year vesting period.

7. AWARD AGREEMENT.

Each Award granted pursuant to the Plan shall be evidenced by an Award Document, in such written or electronic form or forms as the Board shall from time to time determine. Award Documents granted from time to time or at the same time need not contain similar provisions but shall be consistent with the terms of the Plan. Each Award Document evidencing an Award of Options shall specify whether such Options are intended to be Non-qualified Stock Options or Incentive Stock Options, and in the absence of such specification such options shall be deemed Non-qualified Stock Options.

8. TERMS AND CONDITIONS OF OPTIONS.

8.1. Option Price.

The Option Price of each Option shall be fixed by the Board and stated in the Award Document evidencing such Option. The Option Price of each Option shall be at least the Fair Market Value on the Grant Date of a share of Stock; provided, however, that in the event that a Grantee is a Ten Percent Stockholder, the Option Price of an Option granted to such Grantee that is intended to be an Incentive Stock Option shall be not less than one hundred ten percent (110%) of the Fair Market Value of a share of Stock on the Grant Date. In no case shall the Option Price of any Option be less than the par value of a share of Stock.

8.2. Vesting.

Subject to 8.3 and 17.3 hereof, each Option granted under the Plan shall become exercisable at such times and under such conditions as shall be determined by the Board and stated in the Award Document. For purposes of this Section 8.2, fractional numbers of shares of Stock subject to an Option shall be rounded down to the next nearest whole number.

8.3. Term.

Each Option granted under the Plan shall terminate, and all rights to purchase shares of Stock thereunder shall cease, upon the expiration of ten (10) years from the date such Option is granted, or under such circumstances and on such date prior thereto as is set forth in the Plan or as may be fixed by the Board and stated in the Award Document relating to such Option; provided, however, that in the event that the Grantee is a Ten Percent Stockholder, an Option granted to such Grantee that is intended to be an Incentive Stock Option shall not be exercisable after the expiration of five (5) years from its Grant Date.

8.4. Termination of Service.

Each Award Document shall set forth the extent to which the Grantee shall have the right to exercise the Option following termination of the Grantee's Service. Such provisions shall be determined in the sole discretion of the Board, need not be uniform among all Options issued pursuant to the Plan, and may reflect distinctions based on the reasons for termination of Service.

8.5. Limitations on Exercise of Option.

Notwithstanding any other provision of the Plan, in no event may any Option be exercised, in whole or in part, after the occurrence of an event referred to in Section 17 hereof which results in termination of the Option.

8.6. Method of Exercise.

An Option that is exercisable may be exercised by the Grantee's delivery to the Company of written notice of exercise on any business day, at the Company's principal office, on the form specified by the Company. Such notice shall specify the number of shares of Stock with respect to which the Option is being exercised and shall be accompanied by payment in full, in a form of payment as provided in Section 12 hereof, of the Option Price of the shares for which the Option is being exercised plus the amount (if any) of federal and/or other taxes which the Company may, in its judgment, be required to withhold with respect to an Award.

8.7. Rights of Holders of Options.

Unless otherwise stated in the applicable Award Document, an individual holding or exercising an Option shall have none of the rights of a stockholder (for example, the right to receive cash or dividend payments or distributions attributable to the subject shares of Stock or to direct the voting of the subject shares of Stock) until the shares of Stock covered thereby are issued to such individual. Except as provided in Section 17 hereof, no adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such issuance.

8.8. Delivery of Stock Certificates.

Subject to Section 3.6, promptly after the exercise of an Option by a Grantee and the payment in full of the Option Price, such Grantee shall be entitled to the issuance of a stock certificate or certificates evidencing such Grantee's ownership of the shares of Stock subject to the Option.

8.9. Transferability of Options.

Except as provided in Section 8.10, during the lifetime of a Grantee, only the Grantee (or, in the event of legal incapacity or incompetency, the Grantee's guardian or legal representative) may exercise an Option. Except as provided in Section 8.10, no Option shall be assignable or transferable by the Grantee to whom it is granted, other than by will or the laws of descent and distribution.

8.10. Family Transfers.

If authorized in the applicable Award Document, a Grantee may transfer, not for value, all or part of an Option which is not an Incentive Stock Option to any Family Member. For the purpose of this Section 8.10, a "not for value" transfer is a transfer which is (i) a gift, (ii) a transfer under a domestic relations order in settlement of marital property rights; or (iii) a transfer to an entity in which more than fifty percent of the voting interests are owned by Family Members (or the Grantee) in exchange for an interest in that entity. Following a transfer under this Section 8.10, any such Option shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. Subsequent transfers of transferred Options are prohibited except to Family Members of the

original Grantee in accordance with this Section 8.10 or by will or the laws of descent and distribution. The events of termination of Service of Section 8.4 hereof shall continue to be applied with respect to the original Grantee, following which the Option shall be exercisable by the transferee only to the extent, and for the periods specified, in Section 8.4.

8.11. Limitations on Incentive Stock Options.

An Option shall constitute an Incentive Stock Option only (i) if the Grantee of such Option is an employee of the Company or any Subsidiary of the Company; (ii) if and to the extent specifically provided in the related Award Document; and (iii) to the extent that the aggregate Fair Market Value (determined at the time the Option is granted) of the shares of Stock with respect to which all Incentive Stock Options held by such Grantee become exercisable for the first time during any calendar year (under the Plan and all other plans of the Grantee's employer and its Affiliates) does not exceed \$100,000. This limitation shall be applied by taking Options into account in the order in which they were granted.

9. TERMS AND CONDITIONS OF STOCK APPRECIATION RIGHTS.

9.1. Right to Payment and Grant Price.

An SAR shall confer on the Grantee to whom such SAR is granted a right to receive, upon exercise thereof, the excess of (i) the Fair Market Value of one share of Stock on the date of exercise over (ii) the grant price of such SAR as determined by the Board. The Award Document for an SAR shall specify the grant price of the SAR, which shall be at least the Fair Market Value of a share of Stock on the date of grant. SARs may be granted in conjunction with all or part of an Option granted under the Plan or at any subsequent time during the term of such Option, in conjunction with all or part of any other Award or without regard to any Option or other Award. An SAR granted in tandem with an outstanding Option following the Grant Date of such Option may have a grant price that is equal to the Option Price, even if such grant price is less than the Fair Market Value of a share of Stock on the grant date of the SAR.

9.2. Other Terms.

The Board shall determine at the date of grant or thereafter, the time or times at which and the circumstances under which an SAR may be exercised in whole or in part (including based on achievement of performance goals and/or future service requirements), the time or times at which SARs shall cease to be or become exercisable following termination of Service or upon other conditions, the method of exercise, method of settlement, form of consideration payable in settlement, method by or forms in which Stock will be delivered or deemed to be delivered to Grantees, whether or not an SAR shall be in tandem or in combination with any other Award, and any other terms and conditions of any SAR.

10. TERMS AND CONDITIONS OF RESTRICTED STOCK AND STOCK UNITS.

10.1. Grant of Restricted Stock or Stock Units.

Awards of Restricted Stock or Stock Units may be made for no consideration (other than par value of the shares which is deemed paid by Services already rendered). Stock Units may be used to grant awards commonly known as “restricted stock units” or “performance shares,” and all references in an Award Document to such types of awards shall be deemed to refer to Stock Units as authorized by this Plan.

10.2. Restrictions.

At the time a grant of Restricted Stock or Stock Units is made, the Board may, in its sole discretion, establish a period of time (a “Restricted Period”) applicable to such Restricted Stock or Stock Units. Each Award of Restricted Stock or Stock Units may be subject to a different Restricted Period. The Board may, in its sole discretion, at the time a grant of Restricted Stock or Stock Units is made, prescribe restrictions in addition to or other than the expiration of the Restricted Period, including the satisfaction of corporate or individual performance objectives, which may be applicable to all or any portion of the Restricted Stock or Stock Units in accordance with Section 14. Neither Restricted Stock nor Stock Units may be sold, transferred, assigned, pledged or otherwise encumbered or disposed of during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Board with respect to such Restricted Stock or Stock Units.

10.3. Restricted Stock Certificates.

Subject to Section 3.6, the Company shall issue, in the name of each Grantee to whom Restricted Stock has been granted, stock certificates representing the total number of shares of Restricted Stock granted to the Grantee, as soon as reasonably practicable after the Grant Date. The Board may provide in an Award Document that either (i) the Secretary of the Company or its designee shall hold such certificates for the Grantee’s benefit until such time as the Restricted Stock is forfeited to the Company or the restrictions lapse, or (ii) such certificates shall be delivered to the Grantee, provided, however, that such certificates shall bear a legend or legends that comply with the applicable securities laws and regulations and makes appropriate reference to the restrictions imposed under the Plan and the Award Document.

10.4. Rights of Holders of Restricted Stock.

Unless the Board otherwise provides in an Award Document, holders of Restricted Stock shall have the right to vote such Stock and the right to receive any dividends declared or paid with respect to such Stock. Any dividends payable with respect to Restricted Stock shall be distributed to the Grantee only if, when and to the extent such Restricted Stock vests. The value of dividends and other distributions payable with respect to Restricted Stock that does not vest shall be forfeited. The Board may provide that any dividends paid on Restricted Stock must be reinvested in shares of Stock. All distributions, if any, received by a Grantee with respect to Restricted Stock as a result of any stock split, stock dividend, combination of shares, or other similar transaction shall be subject to the restrictions applicable to the original grant.

10.5. Rights of Holders of Stock Units.

10.5.1. Voting and Dividend Rights.

Unless the Board otherwise provides in an Award Document, holders of Stock Units shall have no rights as stockholders of the Company. The Board may provide in an Award Document evidencing a grant of Stock Units that the holder of such Stock Units shall be entitled to receive Dividend Equivalent Rights. Any Dividend Equivalent Rights granted with respect to Stock Units shall be payable to the Grantee only if, when and to the extent such underlying Stock Unit vests. The Dividend Equivalent Rights granted with respect to Stock Units that do not vest shall be forfeited. Such Award Document may also provide that such cash payment will be deemed reinvested in additional Stock Units at a price per unit equal to the Fair Market Value of a share of Stock on the date that such dividend is paid.

10.5.2. Creditor's Rights.

A holder of Stock Units shall have no rights other than those of a general creditor of the Company. Stock Units represent an unfunded and unsecured obligation of the Company, subject to the terms and conditions of the applicable Award Document.

10.6. Termination of Service.

Unless the Board otherwise provides in an Award Document or in writing after the Award Document is issued, upon the termination of a Grantee's Service, any Restricted Stock or Stock Units held by such Grantee that have not vested, or with respect to which all applicable restrictions and conditions have not lapsed, shall immediately be deemed forfeited. Upon forfeiture of Restricted Stock or Stock Units, the Grantee shall have no further rights with respect to such Award, including but not limited to any right to vote Restricted Stock or any right to receive dividends with respect to shares of Restricted Stock or Stock Units.

10.7. Purchase of Restricted Stock.

The Grantee shall be required, to the extent required by applicable law, to purchase the Restricted Stock from the Company at a Purchase Price equal to the greater of (i) the aggregate par value of the shares of Stock represented by such Restricted Stock or (ii) the Purchase Price, if any, specified in the Award Document relating to such Restricted Stock. The Purchase Price shall be payable in a form described in Section 12 or, in the discretion of the Board, in consideration for past Services rendered to the Company or an Affiliate.

10.8. Delivery of Stock.

Subject to Section 3.6, upon the expiration or termination of any Restricted Period and the satisfaction of any other conditions prescribed by the Board, the restrictions applicable to shares of Restricted Stock or Stock Units settled in Stock shall lapse, and, unless otherwise provided in the Award Document, a stock certificate for such shares shall be delivered, free of all such restrictions, to the Grantee or the Grantee's beneficiary or estate, as the case may be.

11. TERMS AND CONDITIONS OF OTHER STOCK AWARDS AND CASH AWARDS.

11.1. Other Stock Awards.

The Board may, in its sole discretion, grant (or sell at par value or such other higher purchase price per share of Stock determined by the Board) to any Grantee: (a) Unrestricted Stock Awards or rights to purchase or acquire shares, whether at a fixed or variable price or ratio related to the Common Stock (subject to compliance with applicable laws), upon the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions, or any combination thereof; or (b) any other securities with a value derived from the value of or related to the Common Stock and/or returns thereon (“**Other Stock Awards**”). Other Stock Awards may be granted or sold as described in the preceding sentence in respect of past services and other valid consideration, or in lieu of, or in addition to, any cash compensation due to such Grantee.

11.2. Cash Awards.

The Board is authorized to grant cash awards, on a free-standing basis or as an element of, a supplement to, or in lieu of any other Award under the Plan to any Grantee in such amounts and subject to such other terms as the Board in its discretion determines to be appropriate.

12. FORM OF PAYMENT FOR OPTIONS AND RESTRICTED STOCK.

12.1. General Rule.

Payment of the Option Price for the shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock shall be made in cash or in cash equivalents acceptable to the Company.

12.2. Surrender of Stock.

To the extent the Award Document so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option or the Purchase Price for Restricted Stock may be made all or in part through the tender to the Company of shares of Stock, which shares, if acquired from the Company and if so required by the Company, shall have been held for at least six months at the time of tender and which shall be valued, for purposes of determining the extent to which the Option Price or Purchase Price has been paid thereby, at their Fair Market Value on the date of exercise or surrender.

12.3. Cashless Exercise.

With respect to an Option only (and not with respect to Restricted Stock), to the extent permitted by law and to the extent the Award Document so provides, payment of the Option Price for shares purchased pursuant to the exercise of an Option may be made all or in part by (i) delivery (on a form acceptable to the Board) of an irrevocable direction to a licensed securities broker acceptable to the Company to sell shares of Stock and to deliver all or part of the sales proceeds to the Company in payment of the Option Price and any withholding taxes described in Section 18.3 or (ii) instructing the Company withhold a number of shares of Stock that otherwise would be issued to the Grantee in connection with the exercise of the Option having a Fair Market Value on the date of exercise equal to the Option Price and any withholding taxes described in Section 18.3.

12.4. Other Forms of Payment.

To the extent the Award Document so provides, payment of the Option Price for shares purchased pursuant to exercise of an Option or the Purchase Price for Restricted Stock may be made in any other form that is consistent with applicable laws, regulations and rules.

13. TERMS AND CONDITIONS OF DIVIDEND EQUIVALENT RIGHTS.

13.1. Dividend Equivalent Rights.

A Dividend Equivalent Right is an Award entitling the recipient to receive credits based on cash distributions that would have been paid on the shares of Stock specified in the Dividend Equivalent Right (or other award to which it relates) if such shares had been issued to and held by the recipient. A Dividend Equivalent Right may be granted hereunder to any Grantee as a component of another Award or as a freestanding award. The terms and conditions of Dividend Equivalent Rights shall be specified in the grant. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in additional shares of Stock, which may thereafter accrue additional equivalents. Any such reinvestment shall be at Fair Market Value on the date of reinvestment. Dividend Equivalent Rights may be settled in cash or Stock or a combination thereof, in a single installment or installments, all determined in the sole discretion of the Board. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon payment of, or lapse of restrictions on, but not exercise of (directly or indirectly), such other Award, and that such Dividend Equivalent Right shall expire or be forfeited or annulled under the same conditions as such other Award. Any Dividend Equivalent Rights granted with respect to an Award shall be payable to the Grantee only if, when and to the extent such underlying Award vests. The Dividend Equivalent Rights granted with respect to Awards that do not vest shall be forfeited.

13.2. Termination of Service.

Except as may otherwise be provided by the Board either in the Award Document or in writing after the Award Document is issued, a Grantee's rights in all Dividend Equivalent Rights or interest equivalents shall automatically terminate upon the Grantee's termination of Service for any reason.

14. TERMS AND CONDITIONS OF PERFORMANCE AWARDS.

The right of a Grantee to exercise or receive a grant or settlement of any Award, and the timing thereof, may be subject to such performance conditions as may be specified by the Board. The Board may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce the amounts payable under any Award subject to performance conditions. The performance conditions for grant or vesting and the other provisions of an Award need not be the same with respect to each Grantee. Performance Awards may be paid in cash, shares of Stock, other property, or any combination thereof, in the sole discretion of the Committee as set forth in the applicable Award Document.

15. PARACHUTE LIMITATIONS.

Notwithstanding any contrary provision in this Plan, if a Grantee is a “disqualified individual” (as defined in Section 280G of the Code), and any Award under this Plan together with any other payments or benefits that such Grantee has a right to receive from the Company (and affiliated entities required to be aggregated in accordance with Q/A-10 and Q/A-46 of Treas. Reg. §1.280G-1) (collectively, the “**Payments**”) would constitute a “**parachute payment**” (as defined in Section 280G of the Code), the Payments shall be either (a) reduced (but not below zero) so that the aggregate present value of such Payments and benefits received by the Grantee from the Company and its Affiliates shall be \$1.00 less than three times such Grantee’s “**base amount**” (as defined in Section 280G of the Code) (the “**Safe Harbor Amount**”) and so that no portion of such Payments received by such Grantee shall be subject to the excise tax imposed by Section 4999; or (b) paid in full, whichever produces the better net after-tax result for such Grantee (taking into account any applicable excise tax under Section 4999 and any applicable federal, state and local income and employment taxes). The determination as to whether any such reduction in the amount of the Payments is necessary shall be made by the Company in good faith and such determination shall be conclusive and binding on such Grantee. If reduced Payments are made to the Grantee pursuant to this Section 15 and through error or otherwise those Payments exceed the Safe Harbor Amount, the Grantee shall immediately repay such excess to the Company or its applicable Affiliate upon notification that an overpayment has been made.

The reduction of Payments, if applicable, shall be made by reducing, first, severance payments to be paid in cash in the order in which such payments would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and second, by reducing any other cash payments that would be payable to the Grantee which are valued in full for purposes of Code Section 280G in a similar order (last to first), and third, by reducing any equity acceleration of awards which are valued in full for purposes of Section 280G of the Code in a similar order (last to first), and finally, by reducing any other payments or benefit in a similar order (last to first).

Notwithstanding anything above to the contrary, this Section 15 shall not apply to any Grantee who is subject to a specific provision under any separate employment contract or severance plan maintained by the Company or any of its Affiliates regarding the application of the golden parachute rules of Code Sections 280G and 4999.

16. REQUIREMENTS OF LAW.

16.1. General.

The Company shall not be required to sell or issue any shares of Stock under any Award if the sale or issuance of such shares would constitute a violation by the Grantee, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulations. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any shares subject to an Award upon any securities exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Stock may be issued or sold to the Grantee or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent or approval

shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way affect the date of termination of the Award. Specifically, in connection with the Securities Act, upon the exercise of any Option or the delivery of any shares of Stock underlying an Award, unless a registration statement under such Act is in effect with respect to the shares of Stock covered by such Award, the Company shall not be required to sell or issue such shares unless the Board has received evidence satisfactory to it that the Grantee or any other individual exercising an Option may acquire such shares pursuant to an exemption from registration under the Securities Act. Any determination in this connection by the Board shall be final, binding, and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes the requirement that an Option shall not be exercisable until the shares of Stock covered by such Option are registered or are exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned upon the effectiveness of such registration or the availability of such an exemption.

16.2. Rule 16b-3.

During any time when the Company has a class of equity security registered under Section 12 of the Exchange Act, it is the intent of the Company that Awards pursuant to the Plan and the exercise of Options granted hereunder will qualify for the exemption provided by Rule 16b-3 under the Exchange Act. To the extent that any provision of the Plan or action by the Board does not comply with the requirements of Rule 16b-3, it shall be deemed inoperative to the extent permitted by law and deemed advisable by the Board, and shall not affect the validity of the Plan. In the event that Rule 16b-3 is revised or replaced, the Board may exercise its discretion to modify this Plan in any respect necessary to satisfy the requirements of, or to take advantage of any features of, the revised exemption or its replacement.

17. EFFECT OF CHANGES IN CAPITALIZATION.

17.1. Changes in Stock.

If the number of outstanding shares of Stock is increased or decreased or the shares of Stock are changed into or exchanged for a different number or kind of shares or other securities of the Company on account of any conversion, recapitalization, reclassification, stock split, reverse split, combination of shares, exchange of shares, stock dividend or other distribution payable in capital stock, or other increase or decrease in such shares effected without receipt of consideration by the Company occurring after the Effective Date, the number and kinds of shares for which grants of Options and other Awards may be made under the Plan shall be adjusted proportionately and accordingly by the Company. In addition, the number and kind of shares for which Awards are outstanding shall be adjusted proportionately and accordingly so that the proportionate interest of the Grantee immediately following such event shall, to the extent practicable, be the same as immediately before such event. Any such adjustment in outstanding Options or SARs shall not change the aggregate Option Price or SAR Exercise Price payable with respect to shares that are subject to the unexercised portion of an outstanding Option or SAR, as applicable, but shall include a corresponding proportionate adjustment

in the Option Price or SAR Exercise Price per share. The conversion of any convertible securities of the Company shall not be treated as an increase in shares effected without receipt of consideration. Notwithstanding the foregoing, in the event of any distribution to the Company's stockholders of securities of any other entity or other assets (including an extraordinary cash dividend but excluding a non-extraordinary dividend payable in cash or in stock of the Company) without receipt of consideration by the Company, the Company may, in such manner as the Company deems appropriate, adjust (i) the number and kind of shares subject to outstanding Awards and/or (ii) the exercise price of outstanding Options and Stock Appreciation Rights to reflect such distribution.

17.2. Reorganization in Which the Company Is the Surviving Entity Which does not Constitute a Change in Control.

Subject to Section 17.3 hereof, if the Company shall be the surviving entity in any reorganization, merger, or consolidation of the Company with one or more other entities which does not constitute a Change in Control, any Option or SAR theretofore granted pursuant to the Plan shall pertain to and apply to the securities to which a holder of the number of shares of Stock subject to such Option or SAR would have been entitled immediately following such reorganization, merger, or consolidation, with a corresponding proportionate adjustment of the Option Price or SAR Exercise Price per share so that the aggregate Option Price or SAR Exercise Price thereafter shall be the same as the aggregate Option Price or SAR Exercise Price of the shares remaining subject to the Option or SAR immediately prior to such reorganization, merger, or consolidation. Subject to any contrary language in an Award Document evidencing an Award, any restrictions applicable to such Award shall apply as well to any replacement shares received by the Grantee as a result of the reorganization, merger or consolidation. In the event of a transaction described in this Section 17.2, Stock Units shall be adjusted so as to apply to the securities that a holder of the number of shares of Stock subject to the Stock Units would have been entitled to receive immediately following such transaction.

17.3. Change in Control.

The provisions of this Section 17.3 shall apply in the case of a Change in Control, unless otherwise provided in the Award Document, the operative transaction agreements related to the Change in Control, or any separate agreement with a Grantee governing an Award.

(i) *Awards Assumed or Substituted by Surviving Entity.* With respect to Awards assumed by the surviving entity of the Change in Control (the "**Surviving Entity**") or otherwise equitably converted or substituted in connection with a Change in Control, such Awards shall have "double trigger" treatment (i.e., full accelerated vesting upon a qualifying termination following a Change in Control) as determined by the Committee or as set forth in an Award Document with Performance Awards vesting based on target level achievement.

(ii) *Awards not Assumed or Substituted by Surviving Entity.* Upon the occurrence of a Change in Control, and except with respect to any Awards assumed by the Surviving Entity or otherwise equitably converted or substituted in connection with the Change in Control in a manner approved by the Committee or the Board:

(A) all outstanding Options, Stock Appreciation Rights and other outstanding Awards pursuant to which Grantees may have exercise rights shall become fully exercisable as of the time of the Change in Control, and shall thereafter remain exercisable for a period of ninety (90) days or until the earlier expiration of the original term of the Award;

(B) all time-based vesting restrictions on outstanding Awards shall lapse as of the time of the Change in Control, and such Awards shall be settled or paid at the time of the Change in Control; and

(C) all performance criteria and other conditions to payment of outstanding Performance Awards shall be deemed to be achieved or fulfilled, measured at based on target level achievement.

(iii) For the purposes of this Plan, an Award shall be considered assumed by the Surviving Entity or otherwise equitably converted or substituted if following the applicable transaction the Award confers the right to purchase or receive, for each share of Stock subject to the Award immediately prior to the applicable transaction, on substantially the same vesting and other terms and conditions as were applicable to the Award immediately prior to the applicable transaction, the consideration (whether stock, cash or other securities or property) received in the applicable transaction by holders of shares of Stock for each share of Stock held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Stock); provided, however, that if such consideration received in the applicable transaction is not solely common stock of the successor company or its parent or subsidiary, the Committee may, with the consent of the successor company or its parent or subsidiary, provide that the consideration to be received upon the exercise or vesting of an Award, for each share of Stock subject thereto, will be solely common stock of the successor company or its parent or subsidiary substantially equal in fair market value to the per share consideration received by holders of shares of Stock in the applicable transaction. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding.

17.4. Adjustments.

Adjustments under this Section 17 related to shares of Stock or securities of the Company shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. No fractional shares or other securities shall be issued pursuant to any such adjustment, and any fractions resulting from any such adjustment shall be eliminated in each case by rounding downward to the nearest whole share. The Board shall determine the effect of a Change in Control upon Awards other than Options, SARs, Stock Units and Restricted Stock, and such effect shall be set forth in the appropriate Award Document. The Board may provide in the Award Documents at the time of grant, or any time thereafter with the consent of the Grantee, for different provisions to apply to an Award in place of those described in 17.1 and 17.2.

17.5. No Limitations on Company.

The making of Awards pursuant to the Plan shall not affect or limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations, or changes of its capital

or business structure or to merge, consolidate, dissolve, or liquidate, or to sell or transfer all or any part of its business or assets.

18. GENERAL PROVISIONS.

18.1. Disclaimer of Rights.

No provision in the Plan or in any Award or Award Document shall be construed to confer upon any individual the right to remain in the employ or service of the Company or any Affiliate, or to interfere in any way with any contractual or other right or authority of the Company either to increase or decrease the compensation or other payments to any individual at any time, or to terminate any employment or other relationship between any individual and the Company. In addition, notwithstanding anything contained in the Plan to the contrary, unless otherwise stated in the applicable Award Document, no Award granted under the Plan shall be affected by any change of duties or position of the Grantee, so long as such Grantee continues to be a director, officer, consultant or employee of the Company or an Affiliate. The obligation of the Company to pay any benefits pursuant to this Plan shall be interpreted as a contractual obligation to pay only those amounts described herein, in the manner and under the conditions prescribed herein. The Plan shall in no way be interpreted to require the Company to transfer any amounts to a third party trustee or otherwise hold any amounts in trust or escrow for payment to any Grantee or beneficiary under the terms of the Plan.

18.2. Nonexclusivity of the Plan.

Neither the adoption of the Plan nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations upon the right and authority of the Board to adopt such other incentive compensation arrangements (which arrangements may be applicable either generally to a class or classes of individuals or specifically to a particular individual or particular individuals) as the Board in its discretion determines desirable, including, without limitation, the granting of stock options otherwise than under the Plan.

18.3. Withholding Taxes.

The Company or an Affiliate, as the case may be, shall have the right to deduct from payments of any kind otherwise due to a Grantee any federal, state, or local taxes of any kind required by law to be withheld with respect to the vesting of or other lapse of restrictions applicable to an Award or upon the issuance of any shares of Stock upon the exercise of an Option or pursuant to an Award. At the time of such vesting, lapse, or exercise, the Grantee shall pay to the Company or the Affiliate, as the case may be, any amount that the Company or the Affiliate may reasonably determine to be necessary to satisfy such withholding obligation, or shall otherwise make arrangements satisfactory to the Company or the Affiliate, as the case may be, to provide for the timely payment of such withholding obligation. Subject to the prior approval of the Company or the Affiliate, which may be withheld by the Company or the Affiliate, as the case may be, in its sole discretion, the Grantee may elect to satisfy such obligations, in whole or in part, (i) by causing the Company or the Affiliate to withhold shares of Stock otherwise issuable to the Grantee or (ii) by delivering to the Company or the Affiliate shares of Stock already owned by the Grantee. The shares of Stock so delivered or withheld shall have an aggregate Fair Market Value equal to such withholding obligations. The Fair Market Value of the

shares of Stock used to satisfy such withholding obligation shall be determined by the Company or the Affiliate as of the date that the amount of tax to be withheld is to be determined. A Grantee who has made an election pursuant to this Section 18.3 may satisfy his or her withholding obligation only with shares of Stock that are not subject to any repurchase, forfeiture, unfulfilled vesting, or other similar requirements.

18.4. Captions.

The use of captions in this Plan or any Award Document is for the convenience of reference only and shall not affect the meaning of any provision of the Plan or such Award Document.

18.5. Clawback Provisions.

All Awards (including any proceeds, gains, or other economic benefit the Grantee actually or constructively receives upon receipt or exercise of any Award or the receipt or resale of any shares of Stock underlying the Award) will be subject to any Company clawback policy, including any clawback policy adopted to comply with applicable law (including the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules or regulations promulgated thereunder) as set forth in such clawback policy or the Award Document.

18.6. Other Provisions.

Each Award granted under the Plan may contain such other terms and conditions not inconsistent with the Plan as may be determined by the Board, in its sole discretion.

18.7. Number and Gender.

With respect to words used in this Plan, the singular form shall include the plural form, the masculine gender shall include the feminine gender, etc., as the context requires.

18.8. Severability.

If any provision of the Plan or any Award Document shall be determined to be illegal or unenforceable by any court of law in any jurisdiction, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms, and all provisions shall remain enforceable in any other jurisdiction.

18.9. Governing Law.

The validity and construction of this Plan and the instruments evidencing the Awards hereunder shall be governed by the laws of the State of Delaware, other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards granted hereunder to the substantive laws of any other jurisdiction.

18.10. Section 409A of the Code.

Awards under the Plan are intended to be exempt from or satisfy the requirements of Section 409A of the Code and related regulations and Treasury pronouncements (“**Section 409A**”), and this Plan and all Award Documents shall be interpreted accordingly. In the event it is determined that any Award or Award Document would violate the requirements of Section 409A, the Board shall have the authority, but not the obligation, to amend the terms and conditions of the Award or the Award Document without the consent of the Participant to the minimum extent necessary to bring the Award or Award Document into compliance with Section 409A. However, neither the Company nor the Board shall have any obligation to take any action to prevent the assessment of any excise tax or penalty on any Grantee under Section 409A, and neither the Company nor the Board will have any liability to any Grantee for such tax or penalty.

* * *

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this “**Agreement**”), is entered into as of the Grant Date (as defined below), by and between Grantee (as defined below) and Bonanza Creek Energy, Inc., a Delaware corporation (the “**Company**”).

WHEREAS, the Company maintains the Bonanza Creek Energy, Inc. 2021 Long Term Incentive Plan (the “**Plan**”), which is incorporated into and forms a part of this Agreement, and Grantee has been selected by the board of directors of the Company (the “**Board**”) or the compensation committee of the Board (the “**Committee**”) or any authorized delegate to receive an Award of Stock Units (the “**Award**”) under the Plan and as set forth in this Agreement;

NOW, THEREFORE, IT IS AGREED, by and between the Company and Grantee, as follows:

1. **Definitions.** The following terms used in this Agreement shall have the meanings set forth in this Section 1:
 - (a) “**Cause**” shall mean any of the following: (1) Grantee has failed or refused to substantially perform Grantee’s duties, responsibilities, or authorities (other than any such refusal or failure resulting from Grantee’s Disability); (2) any commission by or indictment of Grantee of a felony or other crime of moral turpitude; (3) Grantee has engaged in material misconduct in the course and scope of Grantee’s Service with the Company, including, but not limited to, gross incompetence, disloyalty, disorderly conduct, insubordination, harassment of employees, other members of the Board or third parties, chronic abuse of alcohol or unprescribed controlled substances, improper disclosure of confidential information, chronic and unexcused absenteeism, improper appropriation of a corporate opportunity or any other material violation of the Company’s personnel policies, rules or codes of conduct or any fiduciary duty owed to the Company or its Affiliates, or any applicable law or regulation to which the Company or its Affiliates are subject; (4) Grantee has committed any act of fraud, embezzlement, theft, dishonesty, misrepresentation or falsification of records; (5) Grantee has engaged in any act or omission that is likely to materially damage the Company’s business, including, without limitation, damages to the Company’s reputation; or (6) any conflict of interest that renders Grantee unable to fulfill his duties as a member of the Board.
 - (b) “**Designated Beneficiary**” means the beneficiary or beneficiaries designated by Grantee in a writing filed with the Company in the form attached hereto as **Exhibit A**.
 - (c) “**Disability**” means that the Grantee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.
 - (d) “**Grantee**” means the member of the Board specified in the grant notice issued by the Company on or about the Grant Date (the “**Grant Notice**”).

- (e) **“Grant Date”** means the date on which this Award was granted, as set forth in the Grant Notice.
- (f) **“Restricted Stock Units”** means time-based Stock Units (as defined in the Plan) granted under this Agreement and subject to the terms of this Agreement and the Plan.

Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

- 2. **Award.** Grantee is hereby granted a Restricted Stock Unit award covering the number of Restricted Stock Units set forth in the Grant Notice.
- 3. **Vesting.** Except as set forth in Sections 4 and 5, the Restricted Stock Units shall vest in accordance with the vesting schedule set forth in the Grant Notice.
- 4. **Termination of Services.**
 - (a) **Termination without Cause; Disability; Death.** If Grantee’s Service on the Board terminates due to (i) removal from the Board without Cause or (ii) death or Disability, all unvested Restricted Stock Units shall vest in full upon such termination.
 - (b) **Termination for Cause; Resignation.** If Grantee’s Service on the Board terminates due to (i) removal from the Board for Cause or (ii) Grantee’s resignation from the Board, all unvested Restricted Stock Units shall be forfeited upon such termination.
- 5. **Change in Control.** In the event of a Change in Control, all unvested Restricted Stock Units shall vest in full upon such Change in Control. If Grantee resigns from the Board in connection with a Change in Control at the request or direction of a Person (or its Affiliate) that is party to the agreement pursuant to which such Change in Control is consummated, all unvested Restricted Stock Units shall vest in full upon such Change in Control pursuant to this Section 5 (i.e., such Restricted Stock Units shall not be forfeited pursuant to Section 4(b)(ii)).
- 6. **Payment.** Payment in respect of vested Restricted Stock Units shall be made by the Company as soon as administratively practicable (and in no event later than 30 days) after the earliest to occur of (a) the vesting date set forth in the Grant Notice, (b) termination of Grantee’s Service on the Board or (c) a Change in Control. The Company shall settle vested Restricted Stock Units by issuing Grantee a number of shares of Stock equal to the number of vested Restricted Stock Units.
- 7. **No Stockholder Rights.** Grantee shall have no voting, dividend, or other stockholder rights in respect of the Restricted Stock Units granted hereunder. Upon the issuance of shares of Stock as payment under this Agreement, Grantee shall have all of the rights of a stockholder with respect to such shares of Stock as of the date Grantee becomes the record owner of such shares.

8. **Dividend Equivalent Right.** Grantee shall be entitled to a Dividend Equivalent Right entitling Grantee, with respect to each Restricted Stock Unit, to receive a cash payment based on the regular cash dividends that would have been paid on a share of Stock during the period between the Grant Date of the Restricted Stock Units and the date the Restricted Stock Units are paid pursuant to Section 6. All amounts payable as a result of such Dividend Equivalent Right shall be accumulated and paid to Grantee in cash on the date that payment is made in respect of the related Restricted Stock Units in accordance with Section 6, above.

9. **Heirs and Successors.** This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of Grantee or benefits distributable to Grantee under this Agreement have not been exercised or distributed, respectively, at the time of Grantee's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. If a deceased Grantee fails to designate a beneficiary, or if the Designated Beneficiary does not survive Grantee, any rights that would have been exercisable by Grantee and any benefits distributable to Grantee shall be exercised by or distributed to the legal representative of the estate of Grantee. If a deceased Grantee designates a beneficiary and the Designated Beneficiary survives Grantee but dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

10. **Administration.** The authority to manage and control the operation and administration of this Agreement shall be vested in the Board or the Committee, and the Board or the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of the Agreement by the Board or the Committee and any decision made by it with respect to the Agreement is final and binding on all persons.

11. **Plan Governs.** Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan, a copy of which may be obtained by Grantee from the office of the Secretary of the Company; and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Board or the Committee from time to time pursuant to the Plan.

12. **Fractional Shares.** In lieu of issuing a fraction of a share of Stock resulting from an adjustment of the Award pursuant to Section 17.4 of the Plan or otherwise, the Company will be entitled to pay to Grantee an amount equal to the fair market value of such fractional share.

13. **Not An Employment Contract.** The Award will not confer on Grantee any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate or modify the terms of such Grantee's Service at any time.

14. **Notices.** Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Grantee, at Grantee's address indicated by the Company's records, or if to the Company, at the Company's principal executive office.

15. **Amendment.** This Agreement may be amended in accordance with the provisions of the Plan, and may otherwise be amended by written agreement of Grantee and the Company without the consent of any other person.

16. **Section 409A.** All amounts payable hereunder are intended to be exempt from or comply with the requirements of Section 409A, and this Agreement shall be interpreted accordingly. Notwithstanding anything else in this Agreement, if the Board considers Grantee to be a "specified employee" under Section 409A at the time of Grantee's "separation from service" (as defined in Section 409A), and any amount payable hereunder as a result of such "separation from service" is "deferred compensation" subject to Section 409A, payment of such amount shall not be made until the date that is six months after such "separation from service," except to the extent that earlier payment would not result in Grantee's incurring interest or additional tax under Section 409A. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), Grantee's right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment, and if the Award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), Grantee's Dividend Equivalent Rights shall be treated separately from the right to other amounts under the Award.

17. **Electronic Acceptance.** By logging into and accepting this Agreement through Grantee's account with the Company's designated broker E*TRADE Securities LLC, or such other broker as the Company may select, that is irrevocably appointed as Grantee's agent (the "**Agent**"), Grantee (a) understands, represents, acknowledges and agrees to be bound by this Agreement as if Grantee had manually signed this Agreement, (b) agrees that the Agent or its designee shall obtain and retain custody of the shares of Stock issuable upon settlement of vested Restricted Stock Units until such time as all withholding obligations have been satisfied, and (c) represents and warrants that (i) Grantee has carefully reviewed this Agreement and the Plan, (ii) Grantee is not subject to any legal, regulatory or contractual restriction that would prevent the Agent from conducting sales and does not have, and will not attempt to exercise, authority, influence or control over any sales of Stock effected by the Agent and (iii) as of the date Grantee accepts this Agreement, Grantee is not aware or in possession of any material, nonpublic information with respect to the Company or its affiliates or any of their respective securities. In the event that Grantee does not accept this Agreement through the Agent's online grant acceptance system within 90 days of the Grant Date, the Company shall have the option, but not the obligation, to cancel and revoke the Award represented by this Agreement, and the Award shall be forfeited by Grantee without any further consideration.



Bonanza Creek Energy, Inc. 2021 Long Term Incentive Plan Beneficiary Designation

Primary Beneficiary

I hereby designate the following person or persons as primary Beneficiaries of my Account under the Plan payable in the event of my death.

Name:	Name:
Social Security Number:	Social Security Number:
Address:	Address:
Date of Birth:	Date of Birth:
Relationship to Participant:	Relationship to Participant:
Percentage:	Percentage:

The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.

Contingent Beneficiary

In the event that there is no living primary Beneficiary at my death, I hereby designate the following person or persons as contingent Beneficiaries of my Account:

Name:	Name:
Social Security Number:	Social Security Number:
Address:	Address:
Date of Birth:	Date of Birth:
Relationship to Participant:	Relationship to Participant:
Percentage:	Percentage:

The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.

Participant Signature

I reserve the right to revoke or change any Beneficiary designation. I hereby revoke all my prior designations (if any) of primary and contingent Beneficiaries.

Signature	DATE
Print Name	

Please return this form to Human Resources when you have completed it.

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a)

I, Eric T. Greager, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2021 of Bonanza Creek Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2021

/s/ Eric T. Greager

Eric T. Greager

President and Chief Executive Officer

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a)

I, Brant DeMuth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2021 of Bonanza Creek Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2021

/s/ Brant DeMuth

Brant DeMuth

Executive Vice President and Chief Financial Officer (principal financial officer)

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Bonanza Creek Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric T. Greager, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2021

/s/ Eric T. Greager
Eric T. Greager
President and Chief Executive Officer

**Certification of the Principal Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Bonanza Creek Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brant DeMuth, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2021

/s/ Brant DeMuth

Brant DeMuth

Executive Vice President and Chief Financial Officer (principal financial officer)