

---

---

**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 March 31, 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)

**61-1630631**

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

**410 17th Street, Suite 1400**

**Denver, Colorado**

(Address of principal executive offices)

**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 April 30, 2021, the registrant had 30,732,645 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 March 31, 2021 and December 31, 2020</u>
	<u>1</u>
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the Three Months Ended March 31, 2021 and 2020</u>
	<u>2</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended March 31, 2021 and 2020</u>
	<u>3</u>
	<u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2021 and 2020</u>
	<u>4</u>
	<u>Notes to the Condensed Consolidated Financial Statements</u>
	<u>5</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>22</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>31</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>
	<u>33</u>
<u>Part II.</u>	<u>OTHER INFORMATION</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>33</u>
<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>34</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>36</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	<u>36</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	<u>36</u>
<u>Item 5.</u>	<u>Other Information</u>
	<u>36</u>
<u>Item 6.</u>	<u>Exhibits</u>
	<u>37</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)

	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 38,695	\$ 24,743
Accounts receivable, net:		
Oil and gas sales	37,644	32,673
Joint interest and other	15,495	14,748
Prepaid expenses and other	3,468	3,574
Inventory of oilfield equipment	9,601	9,185
Derivative assets (note 10)	—	7,482
Total current assets	104,903	92,405
Property and equipment (successful efforts method):		
Proved properties	1,096,588	1,056,773
Less: accumulated depreciation, depletion, and amortization	(229,877)	(211,432)
Total proved properties, net	866,711	845,341
Unproved properties	98,194	98,122
Wells in progress	43,664	50,609
Other property and equipment, net of accumulated depreciation of \$3,871 in 2021 and \$3,737 in 2020	3,143	3,239
Total property and equipment, net	1,011,712	997,311
Long-term derivative assets (note 10)	92	—
Right-of-use assets (note 3)	28,127	29,705
Deferred income tax assets (Note 12)	60,564	60,520
Other noncurrent assets	2,888	2,871
<b>Total assets</b>	<b>\$ 1,208,286</b>	<b>\$ 1,182,812</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses (note 4)	\$ 39,607	\$ 37,425
Oil and gas revenue distribution payable	23,720	18,613
Lease liability (note 3)	12,400	12,044
Derivative liability (note 10)	18,549	6,402
Total current liabilities	94,276	74,484
Long-term liabilities:		
Credit facility (note 5)	—	—
Lease liability (note 3)	15,939	17,978
Ad valorem taxes	21,226	15,069
Derivative liability (note 10)	1,421	1,330
Asset retirement obligations for oil and gas properties (note 9)	28,664	28,699
<b>Total liabilities</b>	<b>161,526</b>	<b>137,560</b>
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, 20,839,727 and 20,839,227 issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	4,282	4,282
Additional paid-in capital	708,836	707,209
Retained earnings	333,642	333,761
Total stockholders' equity	1,046,760	1,045,252
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,208,286</b>	<b>\$ 1,182,812</b>

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 March 31,	
	2021	2020
Operating net revenues:		
Oil and gas sales	\$ 74,159	\$ 60,405
Operating expenses:		
Lease operating expense	5,731	5,699
Midstream operating expense	3,905	4,014
Gathering, transportation, and processing	4,967	3,481
Severance and ad valorem taxes	4,604	5,173
Exploration	96	373
Depreciation, depletion, and amortization	18,823	21,584
Abandonment and impairment of unproved properties	—	30,057
Bad debt expense	—	576
Merger transaction costs	3,295	—
General and administrative expense (including \$1,612 and \$1,239, respectively, of stock-based compensation)	9,251	9,429
Total operating expenses	50,672	80,386
Other income (expense):		
Derivative gain (loss)	(23,419)	100,419
Interest expense, net	(419)	(217)
Other income (expense)	188	(1,670)
Total other income (expense)	(23,650)	98,532
Income (loss) from operations before taxes	(163)	78,551
Income tax benefit	44	—
Net income (loss)	\$ (119)	\$ 78,551
Comprehensive income (loss)	\$ (119)	\$ 78,551
Net income (loss) per common share:		
Basic	\$ (0.01)	\$ 3.80
Diluted	\$ (0.01)	\$ 3.80
Weighted-average common shares outstanding:		
Basic	20,839	20,649
Diluted	20,839	20,684

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			
<b>Balances, December 31, 2020</b>	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)
<b>Balances, March 31, 2021</b>	<u>20,839,727</u>	<u>\$ 4,282</u>	<u>\$ 708,836</u>	<u>\$ 333,642</u>	<u>\$ 1,046,760</u>
<b>Balances, December 31, 2019</b>	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
<b>Balances, March 31, 2020</b>	<u>20,655,082</u>	<u>\$ 4,284</u>	<u>\$ 703,351</u>	<u>\$ 308,784</u>	<u>\$ 1,016,419</u>

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)**

	Three Months Ended March 31,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (119)	\$ 78,551
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion, and amortization	18,823	21,584
Deferred income tax benefit	(44)	—
Abandonment and impairment of unproved properties	—	30,057
Well abandonment costs and dry hole expense	—	(8)
Stock-based compensation	1,612	1,239
Non-cash lease component	(84)	(51)
Amortization of deferred financing costs	93	123
Derivative (gain) loss	23,419	(100,419)
Derivative cash settlement gain (loss)	(3,791)	11,254
Other	—	(4,240)
Changes in current assets and liabilities:		
Accounts receivable, net	(5,718)	19,182
Prepaid expenses and other assets	106	1,100
Accounts payable and accrued liabilities	9,073	(9,768)
Settlement of asset retirement obligations	(406)	(610)
Net cash provided by operating activities	<u>42,964</u>	<u>47,994</u>
<b>Cash flows from investing activities:</b>		
Acquisition of oil and gas properties	(180)	(284)
Exploration and development of oil and gas properties	(28,730)	(26,225)
Additions to property and equipment - non oil and gas	(38)	(362)
Net cash used in investing activities	<u>(28,948)</u>	<u>(26,871)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from credit facility	—	15,000
Payments to credit facility	—	(36,000)
Proceeds from exercise of stock options	15	—
Payment of employee tax withholdings in exchange for the return of common stock	—	(61)
Deferred financing costs	(58)	—
Principal payments on finance lease obligations	(21)	(10)
Net cash used in financing activities	<u>(64)</u>	<u>(21,071)</u>
Net change in cash, cash equivalents, and restricted cash	13,952	52
Cash, cash equivalents, and restricted cash:		
Beginning of period	24,845	11,095
End of period	<u>\$ 38,797</u>	<u>\$ 11,147</u>
<b>Supplemental cash flow disclosure<sup>(1)</sup>:</b>		
Cash paid for interest, net of capitalization	\$ 318	\$ 246
Changes in working capital related to drilling expenditures	\$ (4,371)	\$ (13,532)

(1) Refer to *Note 3 - Leases* in the notes to the condensed consolidated financial statements for discussion of right-of-use assets obtained in exchange for lease liabilities.

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. In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events after the balance sheet date of March 31, 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, 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 months ended March 31, 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 March 31, 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 March 31, 2021 and December 31, 2020, the Company's receivables from contracts with customers were \$37.6 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 March 31, 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):

	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Operating Revenues:</b>		
Crude oil sales	\$ 50,064	\$ 51,146
Natural gas sales	13,132	6,018
Natural gas liquids sales	10,963	3,241
Oil and gas sales	<u>\$ 74,159</u>	<u>\$ 60,405</u>

#### *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):

	<b>As of March 31,</b>	
	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 38,695	\$ 11,052
Restricted cash <sup>(1)</sup>	102	95
Total cash, cash equivalents, and restricted cash	<u>\$ 38,797</u>	<u>\$ 11,147</u>

(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 the three months ended March 31, 2021, the Company did not incur any abandonment and impairment of unproved properties compared to \$30.1 million during the three months ended March 31, 2020 due to the reassessment of estimated probable and possible reserve locations based primarily upon economic viability.

### 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 March 31, 2021, and through the filing date of this report.

### NOTE 3 - 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):

	March 31, 2021	December 31, 2020
<b>Operating leases</b>		
Field equipment <sup>(1)</sup>	\$ 26,350	\$ 27,537
Corporate leases	1,201	1,481
Vehicles	357	468
<b>Total right-of-use asset</b>	<b>\$ 27,908</b>	<b>\$ 29,486</b>
<b>Lease liabilities</b>		
Field equipment <sup>(1)</sup>	\$ 26,350	\$ 27,537
Corporate leases	1,536	1,900
Vehicles	357	468
<b>Total lease liability</b>	<b>\$ 28,243</b>	<b>\$ 29,905</b>
<b>Finance leases</b>		
Right-of-use asset - field equipment <sup>(1)</sup>	\$ 219	\$ 219
Lease liability - field equipment <sup>(1)</sup>	\$ 96	\$ 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 months ended March 31, 2021 and 2020 (in thousands):

	Three Months Ended March 31,	
	2021	2020
Operating lease cost <sup>(1)</sup>	\$ 3,337	\$ 3,491
Finance lease cost:		
Amortization of right-of-use assets	3	2
Interest on lease liabilities	1	1
Short-term lease cost	47	1,590
Variable lease cost <sup>(2)</sup>	(30)	91
Sublease income <sup>(3)</sup>	(92)	(89)
Total lease cost	<u>\$ 3,266</u>	<u>\$ 5,086</u>

(1) Includes office rent expense of \$0.3 million for each of the three months ended March 31, 2021 and 2020.

(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 its office space 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 March 31, 2021 are as follows:

	Operating Leases
Weighted-average lease term (years)	2.6
Weighted-average discount rate	3.81%

Supplemental cash flow information related to leases for the three months ended March 31, 2021 and 2020 consisted of the following (in thousands):

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,150	\$ 3,133
Operating cash flows from finance leases	1	1
Financing cash flows from finance leases	21	10
Right-of-use assets obtained in exchange for new operating lease obligations	\$ 1,489	\$ 5,444
Right-of-use assets obtained in exchange for new finance lease obligations	—	219

As of March 31, 2021, future commitments by year for the Company's operating and finance leases 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	Finance Leases <sup>(1)</sup>
Remainder of 2021	\$ 10,151	\$ 96
2022	10,448	—
2023	6,430	—
2024	2,471	—
2025	139	—
Thereafter	5	—
Total lease payments	29,644	96
Less: imputed interest	(1,401)	—
Total lease liability	\$ 28,243	\$ 96

(1) Represents the Company's exercise of the 1-year equipment purchase option in the second quarter of 2021.

#### NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	As of March 31, 2021	As of December 31, 2020
Accrued drilling and completion costs	\$ 4,824	\$ 453
Accounts payable trade	14,006	1,931
Accrued general and administrative expense	3,306	7,529
Accrued lease operating expense	1,936	1,793
Accrued interest expense	329	322
Accrued oil and gas hedging	2,036	—
Accrued production and ad valorem taxes and other	13,170	25,397
Total accounts payable and accrued expenses	\$ 39,607	\$ 37,425

#### NOTE 5 - LONG-TERM DEBT

##### *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 \$750.0 million Credit Facility has a maturity date of December 7, 2023. The redeterminations in June 2020 and December 2020, resulted in a borrowing base of \$260.0 million. The next redetermination is set to occur in May 2021.

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.

Under the terms of the Credit Facility, as amended in June 2020 (the "First Amendment"), borrowings bear 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.

The First Amendment 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 payments, 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") of 3.50 to 1.00 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. The Company was in compliance with all covenants as of March 31, 2021, and through the filing date of this report.

On April 1, 2021, in conjunction with the HighPoint Acquisition, 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). Please refer to *Note 13 - Subsequent Events* for additional information

As of both March 31, 2021 and December 31, 2020, the Company had zero outstanding on the Credit Facility. As of the date of this filing, the outstanding balance was \$129.0 million. The Company's Credit Facility approximates fair value as the applicable interest rates are floating.

As of both March 31, 2021 and December 31, 2020, the balances of total post-amortization net capitalized deferred financing costs of (i) \$0.7 million are presented within other noncurrent assets and (ii) \$0.4 million are presented within prepaid expenses and other line items in the accompanying balance sheets. These balances did not change between the disclosed periods due to capitalized deferred financing cost additions offset by amortization.

For the three months ended March 31, 2021 and 2020, the Company incurred interest expense of \$0.4 million and \$1.2 million, respectively. No interest was capitalized during the three months ended March 31, 2021. The Company capitalized \$1.0 million of interest expense during the three months ended March 31, 2020.

## **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.

### *Commitments*

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 \$44.9 million as of March 31, 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.

The annual minimum commitment payments under the NGL Crude agreement for the next five years as of March 31, 2021 are presented below (in thousands):

	NGL Crude Commitments <sup>(1)</sup>	
Remainder of 2021	\$	17,571
2022		23,097
2023		4,202
2024		—
2025		—
2026 and thereafter		—
<b>Total</b>	<b>\$</b>	<b>44,870</b>

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

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.

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 3 - Leases*, for lease commitments.

## NOTE 7 - STOCK-BASED COMPENSATION

### 2017 Long Term Incentive Plan

In 2017, the Company adopted a Long Term Incentive Plan (the "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. 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 March 31,	
	2021	2020
Restricted stock units	\$ 1,321	\$ 1,301
Performance stock units	291	(193)
Stock options	—	131
<b>Total stock-based compensation</b>	<b>\$ 1,612</b>	<b>\$ 1,239</b>

As of March 31, 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	\$ 6,469	2023
Performance stock units	1,489	2022
	<b>\$ 7,958</b>	

*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 three months ended March 31, 2021, the Company granted 146 RSUs with a nominal fair value. A summary of the status and activity of non-vested restricted stock units for the three months ended March 31, 2021 is presented below:

	Restricted Stock Units	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	550,056	\$ 20.30
Granted	146	35.73
Vested	(109)	35.73
Forfeited	(109)	27.42
Non-vested, end of quarter	549,984	\$ 20.30

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 total number of PSUs granted is split between two performance criteria. 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 is based on the Company’s annual return on average capital employed (“ROCE”) for each year during the three-year performance period. The split between the two performance criteria was even for the PSUs granted in 2019, whereas the split was two-thirds weighted to the TSR criterion and one-third weighted to the ROCE criterion for the PSUs granted in 2020. 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 March 31, 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.

No PSUs were granted during the three months ended March 31, 2021. 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 three months ended March 31, 2021 is presented below:

	Performance Stock Units <sup>(1)</sup>	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	185,588	\$ 22.63
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested, end of quarter	185,588	\$ 22.63

(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 three months ended March 31, 2021. A summary of the status and activity of stock options for the three months ended March 31, 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	(429)	34.36		
Forfeited	(222)	34.36		
Outstanding, end of quarter	71,717	\$ 34.36	6.1	\$ 98
Number of options outstanding and exercisable	71,717	\$ 34.36	6.1	\$ 98

**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 March 31, 2021		
	Level 1	Level 2	Level 3
Derivative assets	\$ —	\$ 92	\$ —
Derivative liabilities	\$ —	\$ 19,970	\$ —

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

*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 months ended March 31, 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):

	<b>Amount</b>
Beginning balance as of December 31, 2020	\$ 28,699
Liabilities settled	(406)
Additions	127
Accretion expense	244
Ending balance as of March 31, 2021	\$ 28,664

**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. An oil roll swap arrangement fixes the price differential between the NYMEX WTI financial calendar month average settlement price and the physical crude calendar month average price ("oil roll swaps"). For both basis and oil roll swap arrangements, 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.

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 March 31, 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
<b>2Q21</b>								
Cashless Collar	2,500	\$34.40/\$49.82	20,000	\$2.25/\$2.52	—	—	—	—
Swap	4,000	\$54.13	—	—	20,000	\$0.43	—	—
<b>3Q21</b>								
Cashless Collar	3,000	\$30.00/\$50.62	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
Swap	2,500	\$54.45	—	—	20,000	\$0.43	—	—
<b>4Q21</b>								
Cashless Collar	4,000	\$30.63/\$50.34	20,000	\$2.25/\$2.52	—	—	20,000	\$2.15/\$2.75
Swap	1,000	\$55.20	—	—	20,000	\$0.43	—	—
<b>1Q22</b>								
Cashless Collar	5,000	\$33.64/\$54.96	—	—	—	—	20,000	\$2.15/\$2.75
<b>2Q22</b>								
Cashless Collar	3,500	\$35.19/\$58.86	—	—	—	—	20,000	\$2.15/\$2.75
<b>3Q22</b>								
Cashless Collar	2,000	\$37.84/\$61.19	—	—	—	—	—	—
<b>4Q22</b>								
Cashless Collar	1,500	\$38.78/\$63.33	—	—	—	—	—	—

As of the filing date of this report, the Company had entered into the following commodity derivative contracts, including the commodity derivative contracts novated in conjunction with the HighPoint Acquisition (see *Note 13 - Subsequent Events* for further discussion):

	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
<b>2Q21</b>								
Cashless Collar	2,500	\$34.40/\$49.82	20,000	\$2.25/\$2.52	—	—	—	—
Swap	14,000	\$54.20	—	—	20,000	\$0.43	20,000	\$2.12
Oil Roll Swaps <sup>(1)</sup>	4,000	\$0.16	—	—	—	—	—	—
<b>3Q21</b>								
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 <sup>(1)</sup>	4,500	\$0.16	—	—	—	—	—	—
<b>4Q21</b>								
Cashless Collar	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 Swaps <sup>(1)</sup>	4,500	\$0.16	—	—	—	—	—	—
<b>1Q22</b>								
Cashless Collar	5,500	\$34.21/\$56.56	—	—	—	—	20,000	\$2.15/\$2.75
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps <sup>(1)</sup>	2,000	\$0.22	—	—	—	—	—	—
Swaptions	4,000	\$55.06	—	—	—	—	—	—
<b>2Q22</b>								
Cashless Collar	4,000	\$35.79/\$60.57	—	—	—	—	20,000	\$2.15/\$2.75
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps <sup>(1)</sup>	2,000	\$0.22	—	—	—	—	—	—
Swaptions	4,000	\$55.06	—	—	—	—	—	—
<b>3Q22</b>								
Cashless Collar	2,500	\$38.27/\$63.45	—	—	—	—	—	—
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps <sup>(1)</sup>	2,000	\$0.22	—	—	—	—	—	—
Swaptions	2,000	\$55.13	—	—	—	—	—	—
<b>4Q22</b>								
Cashless Collar	2,000	\$39.09/\$65.63	—	—	—	—	—	—
Swap	1,000	\$50.15	—	—	—	—	10,000	\$2.13
Oil Roll Swaps <sup>(1)</sup>	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):

	March 31, 2021	December 31, 2020
<b>Derivative Assets:</b>		
Commodity contracts - current	\$ —	\$ 7,482
Commodity contracts - noncurrent	92	—
<b>Derivative Liabilities:</b>		
Commodity contracts - current	(18,549)	(6,402)
Commodity contracts - noncurrent	(1,421)	(1,330)
Total derivative assets (liabilities), net	<u>\$ (19,878)</u>	<u>\$ (250)</u>

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 March 31,	
	2021	2020
<b>Derivative cash settlement gain (loss):</b>		
Oil contracts	\$ (2,822)	\$ 10,438
Gas contracts	(969)	816
Total derivative cash settlement gain (loss) <sup>(1)</sup>	(3,791)	11,254
Change in fair value gain (loss)	(19,628)	89,165
Total derivative gain (loss) <sup>(1)</sup>	<u>\$ (23,419)</u>	<u>\$ 100,419</u>

(1) Total derivative gain (loss) and total derivative cash settlement gain (loss) for the three months ended March 31, 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 March 31,	
	2021	2020
Net income (loss)	\$ (119)	\$ 78,551
Basic net income (loss) per common share	\$ (0.01)	\$ 3.80
Diluted net income (loss) per common share	\$ (0.01)	\$ 3.80
Weighted-average shares outstanding - basic	20,839	20,649
Add: dilutive effect of contingent stock awards	—	35
Weighted-average shares outstanding - diluted	<u>20,839</u>	<u>20,684</u>

There were 807,782 and 648,476 shares that were anti-dilutive for the three months ended March 31, 2021 and 2020, respectively. The Company was in a net loss position for the three months ended March 31, 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 months ended March 31, 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, rate changes, and other permanent differences. During the three months ended March 31, 2021 and 2020, the Company recorded income tax benefit of an immaterial amount and zero, respectively.

As of March 31, 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.

#### NOTE 13 - SUBSEQUENT EVENTS

##### *HighPoint Acquisition*

On April 1, 2021, BCEI 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 Acquisition").

The Prepackaged Plan implements the merger (the “Merger”) and restructuring transactions in accordance with the Agreement and Plan of Merger, dated as of November 9, 2020 (the “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 Merger Agreement, at the effective time of the 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 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 Company (“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”).

Immediately after the Effective Time, in connection with the Merger, Bonanza Creek entered into the Second Amendment, dated April 1, 2021, to the Credit Facility to, among other things: (i) increase the aggregate maximum commitment amount from \$750,000,000 to \$1,000,000,000; (ii) increase the available borrowing base from \$260,000,000 to \$500,000,000; (iii) increase (A) the LIBOR floor from zero to .50% and (B) the alternate base rate floor from zero to 1.50%; (iv) increase the maximum amount of unrestricted cash and cash equivalents subject to a first priority lien in favor of the Administrative Agent that can be netted against total debt in the calculation of the maximum permitted leverage ratio, from \$25,000,000 to \$35,000,000; (v) 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 (vi) amend certain other covenants and provisions. In addition, the maximum permitted leverage ratio for purposes of making a restricted payment, investment, or optional or voluntary redemption was decreased from 2.75 to 1.0; however, a new provision was added that allows restricted payments that do not exceed available free cash flow, so long as there are no deficiencies or defaults under the Credit Facility, the leverage ratio does not exceed 2.25 to 1.0, and borrowings under the Credit Facility do not exceed 80% of the borrowing base.

Under the Credit Facility and as amended by the Second Amendment, Bonanza Creek’s Credit Facility will be guaranteed by all restricted domestic subsidiaries of Bonanza Creek including by HighPoint and its subsidiaries, and will be secured by first priority security interests on substantially all assets, including a mortgage on at least 90% of the total value of the proved oil and gas properties evaluated in the most recently delivered reserve reports prior to the amendment effective date, including any engineering reports relating to the oil and gas properties of HighPoint and its subsidiaries, of each of Bonanza Creek, all restricted domestic subsidiaries of Bonanza Creek and HighPoint and its subsidiaries, in each case, subject to customary exceptions.

Acquisition costs of \$3.3 million related to the HighPoint Acquisition are included in merger transaction costs in the Company’s statements of operations for the three months ended March 31, 2021. We expect to account for the HighPoint Acquisition under the acquisition method of accounting for business combinations and are currently in the process of determining preliminary estimated acquisition date fair values of identifiable assets acquired and liabilities assumed. HighPoint’s post-acquisition date results of operations will be incorporated into the Company’s interim condensed consolidated financial statements for the three and six months ended June 30, 2021.

#### *HighPoint Legal Proceedings*

Upon closing of the HighPoint Acquisition, 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 Operating Corporation, 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. Sterling seeks monetary damages in an amount not yet specified. On July 31, 2020, the HighPoint Resources Corporation filed a counterclaim against Sterling for breach of Sterling’s obligations under the Gas Purchase Agreement. The Company continues to vigorously deny Sterling’s claims and is seeking monetary damages in an amount not yet specified. The case is scheduled to go to trial in July 2021. At this time, the Company is unable to determine whether any loss is probable or reasonably estimate a range of such loss, 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. The Company recognized approximately \$1.3 million upon acquiring HighPoint Resources Corporation associated with the NOAVs, as they are probable and reasonably estimable.

## 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 by responsibly developing our oil and gas resources. We seek to balance production growth with maintaining a conservative balance sheet. Key aspects of our strategy include 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:

- General and administrative expense decreased by 2% during the three months ended March 31, 2021 when compared to the same period in 2020;
- Lease operating expense increased by 1% for the three months ended March 31, 2021 when compared to the same period in 2020;
- Crude oil equivalent sales volumes decreased 17% for the three months ended March 31, 2021 when compared to the same period in 2020 due to adverse weather conditions;
- Borrowings under our Credit Facility remained at zero during the three months ended March 31, 2021;
- Total liquidity of \$298.7 million at March 31, 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 flows provided by operating activities for the three months ended March 31, 2021 were \$43.0 million, as compared to cash flows provided by operating activities of \$48.0 million during the three months ended March 31, 2020. Please refer to *Liquidity and Capital Resources* below for additional discussion; and
- Capital expenditures, inclusive of accruals, of \$32.9 million during the three months ended March 31, 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. The total value of reduced oil differentials during the three months ended March 31, 2021 and 2020 was approximately \$1.2 million and \$1.3 million, respectively. Finally, the RMI system reduces facility site footprints, leading to more cost-efficient operations and reduced surface disturbance. The net book value of the Company’s RMI assets was \$155.1 million as of March 31, 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 have 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 Acquisition 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.

## Results of Operations

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

	Three Months Ended March 31,		Change	Percent Change
	2021	2020		
<b>Revenues (in thousands):</b>				
Crude oil sales <sup>(1)</sup>	\$ 49,800	\$ 50,589	\$ (789)	(2)%
Natural gas sales <sup>(2)</sup>	12,286	4,962	7,324	148 %
Natural gas liquids sales	10,963	3,241	7,722	238 %
Product revenue	<u>\$ 73,049</u>	<u>\$ 58,792</u>	<u>\$ 14,257</u>	<u>24 %</u>
<b>Sales Volumes:</b>				
Crude oil (MBbls)	942.7	1,229.4	(286.7)	(23)%
Natural gas (MMcf)	3,213.9	3,562.7	(348.8)	(10)%
Natural gas liquids (MBbls)	398.1	436.9	(38.8)	(9)%
Crude oil equivalent (MBoe) <sup>(3)</sup>	<u>1,876.5</u>	<u>2,260.1</u>	<u>(383.6)</u>	<u>(17)%</u>
<b>Average Sales Prices (before derivatives):</b>				
Crude oil (per Bbl)	\$ 52.83	\$ 41.15	\$ 11.68	28 %
Natural gas (per Mcf)	\$ 3.82	\$ 1.39	\$ 2.43	175 %
Natural gas liquids (per Bbl)	\$ 27.54	\$ 7.42	\$ 20.12	271 %
Crude oil equivalent (per Boe) <sup>(3)</sup>	\$ 38.93	\$ 26.01	\$ 12.92	50 %
<b>Average Sales Prices (after derivatives)<sup>(4)</sup>:</b>				
Crude oil (per Bbl)	\$ 49.83	\$ 49.64	\$ 0.19	— %
Natural gas (per Mcf)	\$ 3.52	\$ 1.62	\$ 1.90	117 %
Natural gas liquids (per Bbl)	\$ 27.54	\$ 7.42	\$ 20.12	271 %
Crude oil equivalent (per Boe) <sup>(3)</sup>	\$ 36.91	\$ 30.99	\$ 5.92	19 %

(1) Crude oil sales excludes \$0.3 million and \$0.6 million of oil transportation revenues from third parties, which do not have associated sales volumes, for the three months ended March 31, 2021 and 2020, respectively.

(2) Natural gas sales excludes \$0.8 million and \$1.0 million of gas gathering revenues from third parties, which do not have associated sales volumes, for the three months ended March 31, 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 March 31, 2021, the derivative cash settlement loss for oil and natural gas contracts was \$2.8 million and \$1.0 million, respectively. For the three months ended March 31, 2020, the derivative cash settlement gain for oil and natural gas contracts was \$10.4 million and \$0.8 million, respectively. Please refer to *Note 10 - Derivatives* of Part I, Item 1 of this report for additional disclosures.

Product revenues increased by 24% to \$73.0 million for the three months ended March 31, 2021 compared to \$58.8 million for the three months ended March 31, 2020. The primary driver of the increase in revenue is the 50%, or \$12.92 per Boe, increase in oil equivalent pricing, partially offset by a 17% decrease in sales volumes. The decrease in sales volumes is due to production being temporarily suspended due to adverse weather conditions. We turned 19 gross wells to sales during the twelve-month period ending March 31, 2021.

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

	Three Months Ended March 31,		Change	Percent Change
	2021	2020		
<b>Expenses (in thousands):</b>				
Lease operating expense	\$ 5,731	\$ 5,699	\$ 32	1 %
Midstream operating expense	3,905	4,014	(109)	(3)%
Gathering, transportation, and processing	4,967	3,481	1,486	43 %
Severance and ad valorem taxes	4,604	5,173	(569)	(11)%
Exploration	96	373	(277)	(74)%
Depreciation, depletion, and amortization	18,823	21,584	(2,761)	(13)%
Abandonment and impairment of unproved properties	—	30,057	(30,057)	(100)%
Bad debt expense	—	576	(576)	(100)%
Merger transaction costs	3,295	—	3,295	100 %
General and administrative expense	9,251	9,429	(178)	(2)%
Operating Expenses	<u>\$ 50,672</u>	<u>\$ 80,386</u>	<u>\$ (29,714)</u>	<u>(37)%</u>
<b>Selected Costs (\$ per Boe):</b>				
Lease operating expense	\$ 3.05	\$ 2.52	\$ 0.53	21 %
Midstream operating expense	2.08	1.78	0.30	17 %
Gathering, transportation, and processing	2.65	1.54	1.11	72 %
Severance and ad valorem taxes	2.45	2.29	0.16	7 %
Exploration	0.05	0.17	(0.12)	(71)%
Depreciation, depletion, and amortization	10.03	9.55	0.48	5 %
Abandonment and impairment of unproved properties	—	13.30	(13.30)	(100)%
Bad debt expense	—	0.25	(0.25)	(100)%
Merger transaction costs	1.76	—	1.76	100 %
General and administrative expense	4.93	4.17	0.76	18 %
Operating Expenses	<u>\$ 27.00</u>	<u>\$ 35.57</u>	<u>\$ (8.57)</u>	<u>(24)%</u>

*Lease operating expense.* Our lease operating expense remained consistent at \$5.7 million for the three months ended March 31, 2021 and 2020 and increased 21% on an equivalent basis per Boe. Lease operating expense per unit increased on a higher percentage basis due to oil equivalent sales volumes being 17% lower in the later period.

*Midstream operating expense.* Our midstream operating expense remained relatively consistent at \$3.9 million for the three months ended March 31, 2021 compared to \$4.0 million for the three months ended March 31, 2020, and increased 17% on a per Boe basis during the comparable periods. While certain midstream operating expenses correlate to sales volumes, the majority of the costs, such as compression, are fixed. Therefore, the consistency in midstream operating expense period over period is reasonable.

*Gathering, transportation, and processing.* Gathering, transportation, and processing expense increased by \$1.5 million to \$5.0 million for the three months ended March 31, 2021, from \$3.5 million for the three months ended March 31, 2020. Generally, natural gas and NGLs sales volumes have a direct correlation to gathering, transportation, and processing expense. Although natural gas and NGLs sales volumes decreased 9% during the comparable periods, the overall increase relates to one of our largest sales contracts that determines gathering, transportation, and processing expense based on a value based percentage of proceeds basis.

*Severance and ad valorem taxes.* Our severance and ad valorem taxes decreased 11% to \$4.6 million for the three months ended March 31, 2021, from \$5.2 million for the three months ended March 31, 2020. Severance and ad valorem taxes primarily correlate to revenues, and revenues increased by 24% during the three months ended March 31, 2021 compared to the three months ended March 31, 2020. However, during the second half of 2020, we refined our tax estimate based on current mill levies, taxing districts, and company results based on commodity prices, thereby resulting in a reduction of severance and ad valorem expense as a percentage of revenues.

*Depreciation, depletion, and amortization.* Our depreciation, depletion, and amortization expense decreased 13% to \$18.8 million for the three months ended March 31, 2021, from \$21.6 million for the three months ended March 31, 2020, and increased 5% on a per Boe basis during the comparable periods. The increase in depreciation, depletion, and amortization expense per Boe during the three months ended March 31, 2021 when compared to the three months ended March 31, 2020 is the result of (i) a \$113.0 million increase in the depletable property base offset by (ii) a decrease in the depletion rate driven by a 17% decrease in production between the comparable periods.

*Abandonment and impairment of unproved properties.* During the three months ended March 31, 2021, the Company did not incur any abandonment and impairment of unproved properties. Conversely, during the three months ended March 31, 2020, the Company incurred \$30.1 million in abandonment and impairment of unproved properties primarily due to the reassessment of estimated probable and possible reserve locations based primarily upon economic viability.

*General and administrative.* Our general and administrative expense for the three months ended March 31, 2021 was commensurate with the three months ended March 31, 2020, and increased by 18% on a per Boe basis. General and administrative expense per Boe increased due to sales volumes being 17% lower during the three months ended March 31, 2021 as compared to the same period in 2020.

*Derivative gain (loss).* Our derivative loss for the three months ended March 31, 2021 was \$23.4 million due to settlements and fair market value adjustments caused by market prices being higher than our contracted hedge prices. Our derivative gain of \$100.4 million for the three months ended March 31, 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 three months ended March 31, 2021 and 2020 was \$0.4 million and \$0.2 million, respectively. Average debt outstanding for the three months ended March 31, 2021 and 2020 was zero and \$84.8 million, respectively. The components of interest expense for the periods presented are as follows (in thousands):

	Three Months Ended March 31,	
	2021	2020
Credit Facility	\$ —	\$ 810
Commitment fees on available borrowing base under the Credit Facility	326	251
Amortization of deferred financing costs	93	123
Capitalized interest	—	(967)
Total interest expense, net	\$ 419	\$ 217

## 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 March 31, 2021, we have hedged approximately 5,700 Bbls per day for the remainder of 2021, representing more than 50% of our oil sales volume during the three months ended March 31, 2021.

As of March 31, 2021, our liquidity was \$298.7 million, consisting of \$38.7 million of cash on hand and \$260.0 million of available borrowing capacity on the Credit Facility.

Our weighted-average interest rate on borrowings from the Credit Facility was not applicable for the three months ended March 31, 2021 as there were no borrowings on our Credit Facility during the period. As of March 31, 2021 and the date of this filing, we had zero and \$129.0 million, respectively, outstanding on our Credit Facility.

On April 1, 2021, in conjunction with the HighPoint Acquisition, the Company, together with certain of its subsidiaries, entered into the Second Amendment to the Credit Facility. Please refer to *Note 13 - Subsequent Events* 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):

	Three Months Ended March 31,	
	2021	2020
Net cash provided by operating activities	\$ 42,964	\$ 47,994
Net cash used in investing activities	(28,948)	(26,871)
Net cash used in financing activities	(64)	(21,071)
Cash, cash equivalents, and restricted cash	38,797	11,147
Acquisition of oil and gas properties	(180)	(284)
Exploration and development of oil and gas properties	(28,730)	(26,225)

#### *Cash flows provided by operating activities*

Our cash flows for the three months ended March 31, 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 \$28.7 million and \$26.2 million on the exploration and development of oil and gas properties during the three months ended March 31, 2021 and 2020, respectively.

#### *Cash flows provided by financing activities*

Net cash used in financing activities for the three months ended March 31, 2021 and 2020 was \$0.1 million and \$21.1 million, respectively. The change was primarily due to a \$21.0 million decrease in net payments on our Credit Facility between the comparable periods.

#### **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 March 31,	
	2021	2020
Net income (loss)	\$ (119)	\$ 78,551
Exploration	96	373
Depreciation, depletion, and amortization	18,823	21,584
Abandonment and impairment of unproved properties	—	30,057
Stock-based compensation <sup>(1)</sup>	1,612	1,239
Severance costs <sup>(1)</sup>	—	413
Merger transaction costs	3,295	—
Interest expense, net	419	217
Derivative (gain) loss	23,419	(100,419)
Derivative cash settlements gain (loss)	(3,791)	11,254
Income tax benefit	(44)	—
Adjusted EBITDAX	<u>\$ 43,710</u>	<u>\$ 43,269</u>

<sup>(1)</sup>Included as a portion of general and administrative expense 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 3 - Leases*, *Note 6 - Commitments and Contingencies*, and *Note 13 - Subsequent Events* 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 results, effects, benefits, and synergies of the HighPoint Acquisition, future opportunities for the combined company, other plans and expectations with respect to the HighPoint Acquisition, and the anticipated impact of the HighPoint Acquisition 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 seven 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 March 31, 2021 and the filing date of this report, we had zero and \$129.0 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 March 31, 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. Seven 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 March 31, 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 March 31, 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 March 31, 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.**

From time to time, we are subject to legal proceedings and claims that arise in the ordinary course of business. Like other oil and gas producers and marketers, our operations are subject to extensive and rapidly changing federal and state environmental, health, and safety and other laws and regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. Upon closing of the HighPoint Acquisition, the Company assumed all obligations, whether asserted or unasserted, of HighPoint Resources Corporation. As of the date of this filing, there were no probable, material pending or overtly threatened legal actions against us of which we were aware, other than the following:

On June 15, 2020, 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. Sterling seeks monetary damages in an amount not yet specified. On July 31, 2020, the HighPoint Resources Corporation filed a counterclaim against Sterling for breach of Sterling’s obligations under the Gas Purchase Agreement. Upon closing of the HighPoint Acquisition, the Company assumed all legal proceedings of HighPoint Resources Corporation, inclusive of this complaint. The Company continues to vigorously deny Sterling’s claims and is seeking monetary damages in an amount not yet specified. The case is scheduled to go to trial in July 2021. At this time the Company is unable to determine whether any loss is probable or reasonably estimate a range of such loss, 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 we reasonably believe could exceed \$300,000. HighPoint Resources Corporation received NOAV from the 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. The Company recognized approximately \$1.3 million upon acquiring HighPoint Resources Corporation associated with the NOAVs, as they are probable and reasonably estimable.

There have been no other material changes to our legal proceedings from those described in our Annual Report on Form 10-K for the year ended December 31, 2020.

## **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 HighPoint Acquisition**

#### ***We may not achieve the anticipated benefits of the HighPoint Acquisition.***

The success of the HighPoint Acquisition 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 successfully integrate HighPoint or otherwise realize the anticipated benefits of the HighPoint Acquisition. Difficulties in integrating HighPoint into our Company may result in the combined company performing differently than expected, in operational challenges or in the failure to realize anticipated expense-related efficiencies. Potential difficulties that may be encountered in the integration process include, among others:

- the inability to successfully integrate HighPoint into our Company in a manner that permits us to achieve the anticipated benefits and cost savings from the HighPoint Acquisition;
- complexities associated with managing a larger, more complex, integrated business;
- not realizing anticipated operating synergies;
- integrating personnel from the two companies;
- potential unknown liabilities and unforeseen expenses associated with the HighPoint Acquisition;
- integrating relationships with customers, vendors and business partners;
- performance shortfalls as a result of the diversion of management's attention caused by the HighPoint Acquisition and the integration of HighPoint's operations into our Company;
- managing expanded environmental and other regulatory compliance obligations related to HighPoint's facilities and operations;
- consolidating information technology systems; and
- the disruption of, or the loss of momentum in, our business or inconsistencies in standards, controls, procedures and policies.

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

Following completion of the HighPoint Acquisition, 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 Acquisition, 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 Acquisition were located in Colorado. As a result of the HighPoint Acquisition, 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 Acquisition 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 Acquisition 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 Acquisition as rapidly, or to the extent anticipated by, financial analysts or if the effect of the HighPoint Acquisition 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 March 31, 2021.

*Issuer purchases of equity securities.* The following table contains information about acquisitions of our equity securities during the three month period ended March 31, 2021:

	Total Number of Shares Purchased <sup>(1)</sup>	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
January 1, 2021 - January 31, 2021	—	\$ —	—	—
February 1, 2021 - February 28, 2021	—	\$ —	—	—
March 1, 2021 - March 31, 2021	38	\$ 34.70	—	—
Total	38	\$ 34.70	—	—

(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 restrictions 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
<a href="#">2.1</a>	<a href="#">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).</a>
<a href="#">3.1</a>	<a href="#">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).</a>
<a href="#">3.2</a>	<a href="#">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).</a>
<a href="#">4.1</a>	<a href="#">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).</a>
<a href="#">4.2</a>	<a href="#">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).</a>
<a href="#">4.3</a>	<a href="#">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).</a>
<a href="#">10.1</a>	<a href="#">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).</a>
<a href="#">10.2</a>	<a href="#">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).</a>
<a href="#">31.1*</a>	<a href="#">Certification of the Principal Executive Officer pursuant to Rule 13a-14(a).</a>
<a href="#">31.2*</a>	<a href="#">Certification of the Principal Financial Officer pursuant to Rule 13a-14(a).</a>
<a href="#">32.1**</a>	<a href="#">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).</a>
<a href="#">32.2**</a>	<a href="#">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).</a>
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: May 3, 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)*

**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 March 31, 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: May 3, 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 March 31, 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: May 3, 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 March 31, 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: May 3, 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 March 31, 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: May 3, 2021

/s/ Brant DeMuth

\_\_\_\_\_  
Brant DeMuth

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