

**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, 2019**

OR

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

For the transition period from _____ to _____

Commission file number **001-37697**

CENTENNIAL RESOURCE DEVELOPMENT, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation)

47-5381253
(I.R.S. Employer Identification Number)

1001 Seventeenth Street, Suite 1800, Denver, Colorado
(Address of Principal Executive Offices)

80202
(Zip Code)

(720) 499-1400

(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	CDEV	The NASDAQ Capital Market LLC

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 Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth 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

As of April 30, 2019, there were 264,427,758 shares of Class A Common Stock, par value \$0.0001 per share and 12,003,183 shares of Class C Common Stock, par value \$0.0001 per share, outstanding.

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GLOSSARY OF OIL AND NATURAL GAS TERMS

The following are abbreviations and definitions of certain terms used in this Quarterly Report on Form 10-Q, which are commonly used in the oil and natural gas industry:

Bbl. One stock tank barrel of 42 U.S. gallons liquid volume used herein in reference to crude oil, condensate or NGLs.

Bbl/d. One Bbl per day.

Boe. One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil. This is an energy content correlation and does not reflect a value or price relationship between the commodities.

Boe/d. One Boe per day.

Btu. One British thermal unit, which is the quantity of heat required to raise the temperature of a one-pound mass of water by one-degree Fahrenheit.

Completion. The process of preparing an oil and gas wellbore for production through the installation of permanent production equipment, as well as perforation and fracture stimulation to optimize production.

Development project. The means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

Development well. A well drilled within the proved area of an oil or natural gas reservoir to the depth of a stratigraphic horizon known to be productive.

Differential. An adjustment to the price of oil or natural gas from an established spot market price to reflect differences in the quality and/or location of oil or natural gas.

Exploratory well. A well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or natural gas in another reservoir.

Field. An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

Flush production. First yield from a flowing oil well during its most productive period after it is first completed and put on line.

Formation. A layer of rock which has distinct characteristics that differs from nearby rock.

Horizontal drilling. A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.

LIBOR. London Interbank Offered Rate.

MBbl. One thousand barrels of crude oil, condensate or NGLs.

MBoe. One thousand Boe.

Mcf. One thousand cubic feet of natural gas.

Mcf/d. One Mcf per day.

MMBtu. One million British thermal units.

MMcf. One million cubic feet of natural gas.

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NGL. Natural gas liquids. These are naturally occurring substances found in natural gas, including ethane, butane, isobutane, propane and natural gasoline, that can be collectively removed from produced natural gas, separated in these substances and sold.

NYMEX. The New York Mercantile Exchange.

Operator. The individual or company responsible for the development and/or production of an oil or natural gas well or lease.

Proved developed reserves. Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well.

Proved reserves. The estimated quantities of oil, NGLs and natural gas that geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved undeveloped reserves or PUD. Proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for completion or recompletion.

Realized price. The cash market price less differentials.

Recompletion. The completion for production of an existing wellbore in another formation from that which the well has been previously completed.

Reserves. Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market and all permits and financing required to implement the project.

Reservoir. A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

Royalty interest. An interest in an oil or gas property entitling the owner to shares of the production free of costs of exploration, development and production operations.

Spot market price. The cash market price without reduction for expected quality, transportation and demand adjustments.

Wellbore. The hole drilled by a drill bit that is equipped for oil and natural gas production once the well has been completed. Also called well or borehole.

Working interest. The interest in an oil and gas property (typically a leasehold interest) that gives the owner the right to drill, produce and conduct operations on the property and to a share of production, subject to all royalties and other burdens and to all costs of exploration, development and operations and all risks in connection therewith.

Workover. Operations on a producing well to restore or increase production.

WTI. West Texas Intermediate.

GLOSSARY OF CERTAIN OTHER TERMS

The following are definitions of certain other terms that are used in this Quarterly Report on Form 10-Q:

Business Combination. The acquisition of approximately 89% of the outstanding membership interests in CRP from the Centennial Contributors, which closed on October 11, 2016, and the other transactions contemplated by the Contribution Agreement.

Celero. Celero Energy Company, LP, a Delaware limited partnership.

Centennial Contributors. CRD, NGP Follow-On and Celero, collectively.

The Company, we, our or us. (i) Centennial Resource Development, Inc. and its consolidated subsidiaries including CRP, following the closing of the Business Combination and (ii) Silver Run Acquisition Corporation prior to the closing of the Business Combination.

Class A Common Stock. Our Class A Common Stock, par value \$0.0001 per share.

Class C Common Stock. Our Class C Common Stock, par value \$0.0001 per share, which was issued to the Centennial Contributors in connection with the Business Combination.

Contribution Agreement. The Contribution Agreement, dated as of July 6, 2016, among the Centennial Contributors, CRP and NewCo, as amended by Amendment No. 1 thereto, dated as of July 29, 2016, and the Joinder Agreement, dated as of October 7, 2016, by the Company.

CRD. Centennial Resource Development, LLC, a Delaware limited liability company, which was dissolved on June 15, 2018.

CRP. Centennial Resource Production, LLC, a Delaware limited liability company.

CRP Common Units. The units representing common membership interests in CRP.

IPO. Our initial public offering of units, which closed on February 29, 2016.

NewCo. New Centennial, LLC, a Delaware limited liability company controlled by affiliates of Riverstone.

NGP Follow-On. NGP Centennial Follow-On LLC, a Delaware limited liability company.

Riverstone. Riverstone Investment Group LLC and its affiliates, including Silver Run Sponsor, LLC, a Delaware limited liability company, collectively.

Voting common stock. Our Class A Common Stock and Class C Common Stock.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this Quarterly Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report, the words “could,” “may,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “goal,” “plan,” “target” 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 expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2018 (the “2018 Annual Report”) and the risk factors and other cautionary statements contained in our other filings with the United States Securities and Exchange Commission (“SEC”).

Forward-looking statements may include statements about:

- our business strategy and future drilling plans;
- our reserves and our ability to replace the reserves we produce through drilling and property acquisitions;
- our drilling prospects, inventories, projects and programs;
- our financial strategy, liquidity and capital required for our development program;
- our realized oil, natural gas and NGL prices;
- the timing and amount of our future production of oil, natural gas and NGLs;
- our hedging strategy and results;
- our competition and government regulations;
- our ability to obtain permits and governmental approvals;
- our pending legal or environmental matters;
- the marketing and transportation of our oil, natural gas and NGLs;
- our leasehold or business acquisitions;
- cost of developing our properties;
- our anticipated rate of return;
- general economic conditions;
- credit markets;
- uncertainty regarding our future operating results; and
- our plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

You should not place undue reliance on these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including but not limited to those risks described under “Item 1A. Risk Factors” in our 2018 Annual Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

Reserve engineering is a process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered.

Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report are reasonable, we can give no assurance that these plans, intentions or expectations will be

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achieved or occur, and actual results could differ materially and adversely from those anticipated or implied by the forward-looking statements.

All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

All forward-looking statements, expressed or implied, are made only as of the date of this Quarterly Report. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CENTENNIAL RESOURCE DEVELOPMENT, INC.
CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands, except share and per share amounts)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 89,482	\$ 18,157
Accounts receivable, net	114,119	100,623
Derivative instruments	936	1,632
Prepaid and other current assets	9,871	9,777
Total current assets	214,408	130,189
Property and Equipment		
Oil and natural gas properties, successful efforts method		
Unproved properties	1,623,607	1,680,065
Proved properties	3,148,553	2,895,280
Accumulated depreciation, depletion and amortization	(587,349)	(496,900)
Total oil and natural gas properties, net	4,184,811	4,078,445
Other property and equipment, net	9,861	8,837
Total property and equipment, net	4,194,672	4,087,282
Noncurrent assets		
Operating lease right-of-use assets	28,274	—
Other noncurrent assets	41,192	42,550
TOTAL ASSETS	\$ 4,478,546	\$ 4,260,021
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued expenses	\$ 241,240	\$ 240,575
Derivative instruments	10,849	6,051
Operating lease liabilities	21,339	—
Other current liabilities	1,007	1,090
Total current liabilities	274,435	247,716
Noncurrent liabilities		
Long-term debt, net	880,855	691,630
Asset retirement obligations	13,890	13,895
Deferred income taxes	59,904	62,167
Operating lease liabilities	7,938	—
Other long-term liabilities	—	744
Total liabilities	1,237,022	1,016,152
Commitments and contingencies (Note 10)		
Shareholders' equity		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized:		
Series A: 1 share issued and outstanding	—	—
Common stock, \$0.0001 par value, 620,000,000 shares authorized:		
Class A: 266,271,298 shares issued and 264,416,875 shares outstanding at March 31, 2019 and 265,859,273 shares issued and 264,323,328 shares outstanding at December 31, 2018	27	27
Class C (Convertible): 12,003,183 shares issued and outstanding at March 31, 2019 and December 31, 2018	1	1
Additional paid-in capital	2,839,803	2,833,611
Retained earnings	258,426	266,538
Total shareholders' equity	3,098,257	3,100,177
Noncontrolling interest	143,267	143,692
Total equity	3,241,524	3,243,869
TOTAL LIABILITIES AND EQUITY	\$ 4,478,546	\$ 4,260,021

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

CENTENNIAL RESOURCE DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands, except per share data)

	For the Three Months Ended March 31,	
	2019	2018
Operating revenues		
Oil and gas sales	\$ 214,569	\$ 215,898
Operating expenses		
Lease operating expenses	29,862	16,276
Severance and ad valorem taxes	16,120	14,173
Gathering, processing and transportation expenses	15,024	13,828
Depreciation, depletion and amortization	96,558	66,010
Impairment and abandonment expense	31,264	—
Exploration expense	2,516	3,447
General and administrative expenses	18,118	14,297
Total operating expenses	209,462	128,031
Income from operations	5,107	87,867
Other income (expense)		
Gain (loss) on sale of oil and natural gas properties	(2)	15
Interest expense	(10,160)	(5,813)
Net gain (loss) on derivative instruments	(5,871)	7,843
Other income (expense)	126	(3)
Total other income (expense)	(15,907)	2,042
Income (loss) before income taxes	(10,800)	89,909
Income tax benefit (expense)	2,263	(19,137)
Net income (loss)	(8,537)	70,772
Less: Net income (loss) attributable to noncontrolling interest	(425)	4,682
Net income (loss) attributable to Class A Common Stock	\$ (8,112)	\$ 66,090
Income (loss) per share of Class A Common Stock:		
Basic	\$ (0.03)	\$ 0.25
Diluted	\$ (0.03)	\$ 0.25

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

CENTENNIAL RESOURCE DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income (loss)	\$ (8,537)	\$ 70,772
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	96,558	66,010
Stock-based compensation expense	6,483	4,333
Impairment and abandonment expense	31,264	—
Exploratory dry hole costs	—	221
Deferred tax (benefit) expense	(2,263)	19,137
(Gain) loss on sale of oil and natural gas properties	2	(15)
Non-cash portion of derivative (gain) loss	5,494	(7,482)
Amortization of debt issuance costs	512	379
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(18,708)	(29,555)
(Increase) decrease in prepaid and other assets	(205)	(7)
Increase (decrease) in accounts payable and other liabilities	(9,572)	8,033
Net cash provided by operating activities	101,028	131,826
Cash flows from investing activities:		
Acquisition of oil and natural gas properties	(25,691)	(101,753)
Drilling and development capital expenditures	(217,158)	(250,548)
Purchases of other property and equipment	(1,738)	(1,763)
Proceeds from sales of oil and natural gas properties	25,709	135,481
Net cash used in investing activities	(218,878)	(218,583)
Cash flows from financing activities:		
Proceeds from borrowings under revolving credit facility	130,000	85,000
Repayment of borrowings under revolving credit facility	(430,000)	(85,000)
Proceeds from issuance of 2027 Senior Notes	496,175	—
Debt issuance costs	(6,698)	(906)
Proceeds from stock options exercised	—	164
Restricted stock used for tax withholdings	(291)	(192)
Net cash provided by (used) in financing activities	189,186	(934)
Net increase (decrease) in cash, cash equivalents and restricted cash	71,336	(87,691)
Cash, cash equivalents and restricted cash, beginning of period	21,422	125,915
Cash, cash equivalents and restricted cash, end of period	\$ 92,758	\$ 38,224

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

CENTENNIAL RESOURCE DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) (Continued)
(in thousands)

Supplemental cash flow information and non-cash activity:

	For the Three Months Ended March 31,	
	2019	2018
Supplemental cash flow information		
Cash paid for interest	\$ 15,210	\$ 784
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	4,905	—
Investing cash flows from operating leases	5,682	—
Supplemental non-cash activity		
Accrued capital expenditures included in accounts payable and accrued expenses	\$ 136,113	\$ 111,824
Asset retirement obligations incurred, including revisions to estimates	264	243
Right-of-use assets obtained in exchange for operating lease liabilities	34,385	—

Reconciliation of cash, cash equivalents and restricted cash presented on the Consolidated Statements of Cash Flows for the periods presented:

	For the Three Months Ended March 31,	
	2019	2018
Cash and cash equivalents	\$ 89,482	\$ 38,224
Restricted cash ⁽¹⁾	3,276	—
Total cash, cash equivalents and restricted cash	<u>\$ 92,758</u>	<u>\$ 38,224</u>

⁽¹⁾ Included in *Prepaid and other current assets* line item on the Consolidated Balance Sheets

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

CENTENNIAL RESOURCE DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(in thousands)

	Common Stock				Preferred Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholder's Equity	Non-controlling Interest	Total Equity
	Class A		Class C		Series A						
	Shares	Amount	Shares	Amount	Shares	Amount					
Balance at December 31, 2017	261,338	\$ 26	15,661	\$ 2	—	\$ —	\$ 2,767,558	\$ 66,639	\$ 2,834,225	\$ 169,747	\$ 3,003,972
Restricted stock issued	199	—	—	—	—	—	—	—	—	—	—
Restricted stock forfeited	(26)	—	—	—	—	—	—	—	—	—	—
Restricted stock used for tax withholding	(10)	—	—	—	—	—	(192)	—	(192)	—	(192)
Option exercises	10	—	—	—	—	—	164	—	164	—	164
Stock-based compensation	—	—	—	—	—	—	4,333	—	4,333	—	4,333
Conversion of common shares from Class C to Class A, net of tax	3,347	1	(3,347)	(1)	—	—	42,188	—	42,188	(35,519)	6,669
Net income (loss)	—	—	—	—	—	—	—	66,090	66,090	4,682	70,772
Balance at March 31, 2018	<u>264,858</u>	<u>\$ 27</u>	<u>12,314</u>	<u>\$ 1</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 2,814,051</u>	<u>\$ 132,729</u>	<u>\$ 2,946,808</u>	<u>\$ 138,910</u>	<u>\$ 3,085,718</u>
Balance at December 31, 2018	265,859	\$ 27	12,003	\$ 1	—	\$ —	\$ 2,833,611	\$ 266,538	\$ 3,100,177	\$ 143,692	\$ 3,243,869
Restricted stock issued	436	—	—	—	—	—	—	—	—	—	—
Restricted stock forfeited	—	—	—	—	—	—	—	—	—	—	—
Restricted stock used for tax withholding	(24)	—	—	—	—	—	(291)	—	(291)	—	(291)
Option exercises	—	—	—	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	6,483	—	6,483	—	6,483
Net income (loss)	—	—	—	—	—	—	—	(8,112)	(8,112)	(425)	(8,537)
Balance at March 31, 2019	<u>266,271</u>	<u>\$ 27</u>	<u>12,003</u>	<u>\$ 1</u>	<u>—</u>	<u>\$ —</u>	<u>\$ 2,839,803</u>	<u>\$ 258,426</u>	<u>\$ 3,098,257</u>	<u>\$ 143,267</u>	<u>\$ 3,241,524</u>

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

CENTENNIAL RESOURCE DEVELOPMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1—Basis of Presentation

Description of Business

Centennial Resource Development, Inc. is an independent oil and natural gas company focused on the development of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin. All of the Company's assets are concentrated exclusively in the Delaware Basin, a sub-basin of the Permian Basin, and its properties consist of large, contiguous acreage blocks primarily in Reeves County in West Texas and Lea County in New Mexico. Unless otherwise specified or the context otherwise requires, all references in these notes to "Centennial" or the "Company" are to Centennial Resource Development, Inc. and its consolidated subsidiary, Centennial Resource Production, LLC ("CRP").

Principles of Consolidation and Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial reporting. Accordingly, certain disclosures normally included in an Annual Report on Form 10-K have been omitted. The consolidated financial statements and related notes included in this Quarterly Report should be read in conjunction with the Company's consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the period ended December 31, 2018 (the "2018 Annual Report"). Except as disclosed herein, there have been no material changes to the information disclosed in the notes to the consolidated financial statements included in the Company's 2018 Annual Report.

In the opinion of management, all normal, recurring adjustments and accruals considered necessary to present fairly, in all material respects, the Company's interim financial results have been included. Operating results for the periods presented are not necessarily indicative of expected results for the full year.

The consolidated financial statements include the accounts of the Company and its majority owned subsidiary CRP, and CRP's wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Noncontrolling interest represents third-party ownership in CRP, and is presented as a component of equity. As of March 31, 2019 and December 31, 2018, the noncontrolling interest ownership of CRP was 4.3%.

Use of Estimates

The preparation of the Company's consolidated financial statements requires the Company's management to make various assumptions, judgments and estimates to determine the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of commitments and contingencies. Changes in these assumptions, judgments and estimates will occur as a result of the passage of time and the occurrence of future events and, accordingly, actual results could differ from amounts previously established.

The more significant areas requiring the use of assumptions, judgments and estimates include: (i) oil and natural gas reserves; (ii) cash flow estimates used in impairment tests of long-lived assets; (iii) depreciation, depletion and amortization; (iv) asset retirement obligations; (v) determining fair value and allocating purchase price in connection with business combinations and asset acquisitions; (vi) accrued revenues and related receivables; (vii) accrued liabilities; (viii) valuation of derivatives; and (ix) deferred income taxes.

Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to the Company's year-to-date income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating income for the year, projections of the proportion of income earned and taxed in various state jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets generated. The accounting estimates used to compute the provision for income taxes may change as new events occur, more historical trend data becomes available, additional information becomes known or as the tax environment changes.

CENTENNIAL RESOURCE DEVELOPMENT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Recently Issued Accounting Standards

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which updates the disclosure requirements for fair value measurements in Accounting Standard Codification (“ASC”) Topic 820, *Fair Value Measurement* (“ASC Topic 820”). Certain disclosure requirements under ASC Topic 820 were removed, modified or added in order to improve the effectiveness of the fair value note included in the financial statements. This update will be effective for financial statements issued for fiscal years beginning after December 31, 2019, including interim periods within those fiscal years. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until the effective date. The Company is currently assessing the impact of this update on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which created ASC Topic 842, *Leases* (“ASC Topic 842”), superseding current lease requirements under ASC Topic 840, *Leases*. Subsequently in 2018, the FASB issued various ASUs which provide a practical expedient for the evaluation of existing land easement agreements, optionality in the adoption transition method, and additional implementation guidance. ASC Topic 842 and its related amendments apply to any entity that enters into a lease, with some specified scope exemptions. Under ASC Topic 842, a lessee should recognize in its consolidated balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset, representing its right to use the underlying asset for the lease term. While there were no major changes to lessor accounting, changes were made to align key aspects with revenue recognition guidance. ASC Topic 842 is effective for public entities for fiscal years, beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted.

The standard permits retrospective application using either of the following methodologies: (i) application of the new standard at the earliest presented period or (ii) application of the new standard at the adoption date with a cumulative-effect adjustment recognized to retained earnings. The Company has adopted this guidance as of January 1, 2019, the effective date, and elected to recognize a cumulative-effect adjustment at the time of adoption. The Company has elected the package of practical expedients that allows an entity to carry forward historical accounting treatment relating to lease identification and classification for existing leases upon adoption, and the practical expedient related to land easements that allows an entity to carry forward historical accounting treatment for land easements on existing agreements upon adoption. The adoption of ASC 842 resulted in the recognition of *Operating lease right-of-use assets and Operating lease liabilities* in the Company's Consolidated Balance Sheets for existing operating leases including drilling rig contracts, office rental agreements, and other wellhead equipment. This adoption did not have a significant impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Cash Flows. Refer to *Note 12—Leases* for additional information.

Note 2—Accounts Receivable, Accounts Payable and Accrued Expenses

Accounts receivable are comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Accrued oil and gas sales receivable, net	\$ 76,999	\$ 66,997
Joint interest billings, net	36,931	31,658
Other	189	1,968
Accounts receivable, net	<u>\$ 114,119</u>	<u>\$ 100,623</u>

Accounts payable and accrued expenses are comprised of the following:

(in thousands)	March 31, 2019	December 31, 2018
Accounts payable	\$ 54,088	\$ 55,984
Accrued capital expenditures	95,436	75,791
Revenues payable	62,514	63,399
Accrued interest	6,554	11,129
Accrued employee compensation and benefits	3,909	9,757
Accrued expenses and other	18,739	24,515
Accounts payable and accrued expenses	<u>\$ 241,240</u>	<u>\$ 240,575</u>

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Note 3—Long-Term Debt

The following table provides information about the Company's long-term debt as of the dates indicated:

(in thousands)	March 31, 2019	December 31, 2018
Credit Facility due 2023	\$ —	\$ 300,000
5.375% Senior Notes due 2026	400,000	400,000
6.875% Senior Notes due 2027	500,000	—
Unamortized debt discount	(3,825)	—
Unamortized debt issuance costs on Senior Notes	(15,320)	(8,370)
Senior Notes, net	880,855	391,630
Total long-term debt, net	\$ 880,855	\$ 691,630

Credit Agreement

On May 4, 2018, CRP, the Company's consolidated subsidiary, entered into an amended and restated credit agreement with a syndicate of banks that as of March 31, 2019, had a borrowing base of \$1.0 billion and elected commitments of \$800.0 million. The credit agreement provides for a five-year secured revolving credit facility, maturing on May 4, 2023. As of March 31, 2019, the Company had no borrowings outstanding and \$799.2 million in available borrowing capacity, which was net of \$0.8 million in letters of credit outstanding.

The amount available to be borrowed under the Company's credit agreement is equal to the lesser of (i) the borrowing base, (ii) aggregate elected commitments, or (iii) \$1.5 billion. The borrowing base is redetermined semi-annually in the spring and fall by the lenders in their sole discretion. It also allows for two optional borrowing base redeterminations on January 1 and July 1. The borrowing base depends on, among other things, the quantities of CRP's proved oil and natural gas reserves, estimated cash flows from these reserves, and the Company's commodity hedge positions. Upon a redetermination of the borrowing base, if actual borrowings exceed the revised borrowing capacity, CRP could be required to immediately repay a portion of its debt outstanding under the credit agreement. Borrowings under CRP's revolving credit facility are guaranteed by certain of its subsidiaries. In connection with the spring 2019 semi-annual credit facility redetermination, the borrowing base under the revolving credit facility was increased from \$1.0 billion to \$1.2 billion, but the amount of elected commitments remained at \$800.0 million.

Borrowings under CRP's revolving credit facility may be base rate loans or LIBOR loans. Interest is payable quarterly for base rate loans and at the end of the applicable interest period for LIBOR loans. LIBOR loans bear interest at LIBOR (adjusted for statutory reserve requirements) plus an applicable margin, which ranged from 150 to 250 basis points as of March 31, 2019, depending on the percentage of the borrowing base utilized. Base rate loans bear interest at a rate per annum equal to the greatest of: (i) the agent bank's prime rate; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted LIBOR rate for a one-month interest period plus 100 basis points, plus an applicable margin, which ranged from 50 to 150 basis points as of March 31, 2019, depending on the percentage of the borrowing base utilized. CRP also pays a commitment fee on unused amounts under its facility of a range of 37.5 to 50 basis points. CRP may repay any amounts borrowed prior to the maturity date without any premium or penalty other than customary LIBOR breakage costs.

In connection with the spring 2019 semi-annual credit facility redetermination, CRP and the lenders amended the credit agreement on April 26, 2019 to reduce the applicable margin by 25 basis points for the LIBOR loans to a range of 125 to 225 basis points and to reduce the applicable margin by 25 basis points for base rate loans to 25 to 125 basis points, in each case depending on the percentage of the borrowing base utilized. These reductions in the applicable margins are applicable as long as CRP's total leverage ratio (as described below) is less than or equal to 3.0 to 1.0; otherwise, the original margins would be applied.

CRP's credit agreement contains restrictive covenants that limit its ability to, among other things: (i) incur additional indebtedness; (ii) make investments and loans; (iii) enter into mergers; (iv) make or declare dividends; (v) enter into commodity hedges exceeding a specified percentage of the Company's expected production; (vi) enter into interest rate hedges exceeding a specified percentage of its outstanding indebtedness; (vii) incur liens; (viii) sell assets; and (ix) engage in transactions with affiliates.

CRP's credit agreement also requires it to maintain compliance with the following financial ratios: (i) a current ratio, which is the ratio of CRP's consolidated current assets (including unused commitments under its revolving credit facility and excluding

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non-cash derivative assets and certain restricted cash) to its consolidated current liabilities (excluding the current portion of long-term debt under the credit agreement and non-cash derivative liabilities), of not less than 1.0 to 1.0; and (ii) a leverage ratio, which is the ratio of Total Funded Debt (as defined in CRP's credit agreement) to consolidated EBITDAX (as defined in CRP's credit agreement) for the rolling four fiscal quarter period ending on such day, of not greater than 4.0 to 1.0. CRP was in compliance with the covenants and the financial ratios described above as of March 31, 2019 and through the filing of this Quarterly Report.

Senior Unsecured Notes

On March 15, 2019, CRP issued \$500.0 million of 6.875% senior notes due 2027 (the "2027 Senior Notes") in a 144A private placement at a price equal to 99.235% of par that resulted in net proceeds to CRP of \$489.0 million, after deducting the original issuance discount of \$3.8 million and debt issuance costs of \$7.2 million. Interest is payable on the 2027 Senior Notes semi-annually in arrears on each April 1 and October 1, commencing October 1, 2019.

On November 30, 2017, CRP issued at par \$400.0 million of 5.375% senior notes due 2026 (the "2026 Senior Notes" and collectively with the 2027 Senior Notes, the "Senior Notes") in a 144A private placement that resulted in net proceeds to CRP of \$391.0 million, after deducting \$9.0 million in debt issuance costs. Interest is payable on the 2026 Senior Notes semi-annually in arrears on each January 15 and July 15, which commenced on July 15, 2018.

The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of CRP's current subsidiaries that guarantee CRP's revolving credit facility. The Senior Notes are not guaranteed by the Company, nor is the Company subject to the terms of the indentures governing the Senior Notes.

At any time prior to January 15, 2021 (for the 2026 Senior Notes) and April 1, 2022 (for the 2027 Senior Notes), the "Optional Redemption Dates," CRP may, on any one or more occasions, redeem up to 35% of the aggregate principal amount of either series of Senior Notes with an amount of cash not greater than the net cash proceeds of certain equity offerings at a redemption price equal to 105.375% (for the 2026 Senior Notes) and 106.875% (for the 2027 Senior Notes) of the principal amount of the Senior Notes of the applicable series redeemed, plus any accrued and unpaid interest to the date of redemption; provided that at least 65% of the aggregate principal amount of such series of Senior Notes issued under the indenture governing such series remains outstanding immediately after such redemption, and the redemption occurs within 180 days of the closing date of such equity offering.

At any time prior to Optional Redemption Dates, CRP may, on any one or more occasions, redeem all or a part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus a "make-whole" premium, and any accrued and unpaid interest as of the date of redemption. On and after the Optional Redemption Dates, CRP may redeem the Senior Notes, in whole or in part, at redemption prices expressed as percentages of principal amount plus accrued and unpaid interest to the redemption date.

If CRP experiences certain defined changes of control (and, in some cases, followed by a ratings decline), each holder of the Senior Notes may require CRP to repurchase all or a portion of its Senior Notes for cash at a price equal to 101% of the aggregate principal amount of such Senior Notes, plus any accrued but unpaid interest to the date of repurchase.

The indentures governing the Senior Notes contains covenants that, among other things and subject to certain exceptions and qualifications, limit CRP's ability and the ability of CRP's restricted subsidiaries to: (i) incur or guarantee additional indebtedness or issue certain types of preferred stock; (ii) pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; (iii) transfer or sell assets; (iv) make investments; (v) create certain liens; (vi) enter into agreements that restrict dividends or other payments from their subsidiaries to them; (vii) consolidate, merge or transfer all or substantially all of their assets; (viii) engage in transactions with affiliates; and (ix) create unrestricted subsidiaries. CRP was in compliance with these covenants as of March 31, 2019 and through the filing of this Quarterly Report.

Upon an Event of Default (as defined in the indentures governing the Senior Notes), the trustee or the holders of at least 25% of the aggregate principal amount of then outstanding Senior Notes may declare the Senior Notes immediately due and payable. In addition, a default resulting from certain events of bankruptcy or insolvency with respect to CRP, any restricted subsidiary of CRP that is a significant subsidiary, or any group of restricted subsidiaries that, taken together, would constitute a significant subsidiary, will automatically cause all outstanding Senior Notes to become due and payable.

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Note 4—Asset Retirement Obligations

The following table summarizes the changes in the Company’s asset retirement obligations (“ARO”) associated with our working interests in oil and gas properties for the three months ended March 31, 2019:

(in thousands)

Asset retirement obligations as of January 1, 2019	\$	13,895
Liabilities incurred		264
Liabilities divested and settled		(487)
Accretion expense		218
Asset retirement obligations as of March 31, 2019	\$	<u>13,890</u>

ARO reflect the present value of the estimated future costs associated with the plugging and abandonment of oil and natural gas wells, removal of equipment and facilities from leased acreage and land restoration in accordance with applicable local, state and federal laws. Inherent in the fair value calculation of ARO are numerous assumptions and judgments including the ultimate plug and abandonment settlement amounts, inflation factors, credit adjusted discount rates and timing of settlement. To the extent future revisions to these assumptions impact the value of the existing ARO liability, a corresponding offsetting adjustment is made to the oil and gas property balance. Changes in the liability due to the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense.

Note 5—Stock-Based Compensation

Long Term Incentive Plan

On October 7, 2016, the stockholders of the Company approved the Centennial Resource Development, Inc. 2016 Long Term Incentive Plan (the “LTIP”). An aggregate of 16,500,000 shares of Class A Common Stock were authorized for issuance under the LTIP, and as of March 31, 2019, the Company had 8,966,734 shares of Class A Common Stock available for future grants. The LTIP provides for grants of stock options (including incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock, dividend equivalents, restricted stock units and other stock or cash-based awards.

Stock-based compensation expense is recognized within both *General and administrative expenses* and *Exploration expense* in the Consolidated Statements of Operations. The expense amounts in the table below may not be representative of future expense amounts to be recognized as the value of future awards may vary from historical award amounts. The Company accounts for forfeitures of awards granted under the LTIP as they occur in determining compensation expense.

The following table summarizes stock-based compensation expense recognized for the periods presented:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Restricted stock awards	\$ 3,182	\$ 1,775
Stock option awards	2,584	2,206
Performance stock units	717	352
Total stock-based compensation expense	<u>\$ 6,483</u>	<u>\$ 4,333</u>

Restricted Stock

The following table provides information about restricted stock activity during the three months ended March 31, 2019:

	Awards	Weighted Average Grant Date Fair Value
Unvested balance as of December 31, 2018	1,535,945	\$ 17.88
Granted	436,210	12.51
Vested	(117,731)	18.71
Forfeited	—	—
Unvested balance as of March 31, 2019	<u>1,854,424</u>	<u>16.57</u>

The Company grants service-based restricted stock awards to executive officers and employees, which vest ratably over a three-year service period, and to directors, which vest over a one-year service period. Compensation cost for the service-based restricted stock awards is based on the market price of the Company’s Class A common stock on the grant date, and such costs

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are recognized ratably over the applicable vesting period. The weighted average grant-date fair value for restricted stock awards granted was \$12.51 and \$19.00 per share for the three months ended March 31, 2019 and 2018, respectively. The total fair value of restricted stock awards that vested during the three months ended March 31, 2019 and 2018 was \$1.4 million and \$1.2 million, respectively. Unrecognized compensation cost related to restricted shares that were unvested as of March 31, 2019 was \$24.5 million, which the Company expects to recognize over a weighted average period of 2.1 years.

Stock Options

Stock options that have been granted under the LTIP expire ten years from the grant date and vest ratably over a three-year service period. The exercise price for an option granted under the LTIP is the closing price of the Company's Class A Common Stock as reported on the NASDAQ on the date of grant.

Compensation cost for stock options is based on the grant-date fair value of the award which is then recognized ratably over the vesting period of three years. The Company estimates the fair value using the Black-Scholes option-pricing model. Expected volatilities are based on the weighted average asset volatility of the Company and identified set of comparable companies. Expected term is based on the simplified method and is estimated as the mid-point between the weighted average vesting term and the time to expiration as of the grant date. The Company uses U.S. Treasury bond rates in effect at the grant date for its risk-free interest rates.

The following table summarizes the assumptions and related information used to determine the grant-date fair value of stock options awarded during the three months ended March 31, 2019 and 2018:

	For the Three Months Ended March 31,	
	2019	2018
Weighted average grant-date fair value per share	\$ 5.22	\$ 7.96
Expected term (in years)	6	6
Expected stock volatility	45%	37%
Dividend yield	—%	—%
Risk-free interest rate	2.5%	2.3%

The following table provides information about stock option awards outstanding during the three months ended March 31, 2019:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2018	4,559,334	\$ 16.55		
Granted	137,500	11.30		
Exercised	—	—		
Forfeited	(2,667)	18.03		
Expired	(333)	18.48		
Outstanding as of March 31, 2019	4,693,834	16.40	8.0	\$ —
Exercisable as of March 31, 2019	2,531,133	16.09	7.7	\$ —

The total fair value of stock options that vested during the three months ended March 31, 2019 and 2018 was \$3.4 million for each year. The intrinsic value of stock options exercised was approximately \$0.04 million for the three months ended March 31, 2018 and there were no stock options exercised for the three months ended March 31, 2019. As of March 31, 2019, there was \$11.1 million of unrecognized compensation cost related to unvested stock options, which the Company expects to recognize on a pro-rata basis over a weighted average period of 1.5 years.

Performance Stock Units

During the three months ended March 31, 2019 and 2018, there was no significant performance stock units activity. As of March 31, 2019, there was \$5.1 million of unrecognized compensation cost related to performance stock units that were unvested, which the Company expects to recognize on a pro-rata basis over a weighted average period of 1.9 years.

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Note 6—Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations and may use derivative instruments to manage its exposure to commodity price risk from time to time.

Commodity Derivative Contracts

Historically, prices received for crude oil and natural gas production have been volatile because of supply and demand factors, worldwide political factors, general economic conditions and seasonal weather patterns. The Company may periodically use derivative instruments, such as swaps, costless collars and basis swaps, to mitigate its exposure to declines in commodity prices and to the corresponding negative impacts such declines can have on its cash flow from operations, returns on capital and other financial results. While the use of these instruments limits the downside risk of adverse price changes, their use may also limit future revenues from favorable price changes. The Company does not enter into derivative contracts for speculative or trading purposes.

Commodity Swap Contracts. The Company may opportunistically use commodity derivative instruments known as fixed price swaps to realize a known price for a specific volume of production as well as basis swaps to hedge the difference between the index price and a local index price. All transactions are settled in cash with one party paying the other for the resulting difference in price multiplied by the contract volume.

The following table summarizes the approximate volumes and average contract prices of swap contracts the Company had in place as of March 31, 2019:

	Period	Volume (Bbls)	Volume (Bbls/d)	Weighted Average Differential (\$/Bbl) ⁽¹⁾
Crude oil basis swaps	April 2019 - June 2019	91,000	1,000	\$ (10.00)
	July 2019 - September 2019	1,380,000	15,000	(9.03)
	October 2019 - December 2019	920,000	10,000	(4.24)

⁽¹⁾ These oil basis swap transactions are settled based on the difference between the arithmetic average of ARGUS MIDLAND WTI and ARGUS WTI CUSHING indices, during each applicable settlement period.

	Period	Volume (MMBtu)	Volume (MMBtu/d)	Weighted Average Fixed Price (\$/MMBtu) ⁽¹⁾
Natural Gas Swaps - Henry Hub	April 2019 - December 2019	8,250,000	30,000	\$ 2.78
Natural Gas Swaps - West Texas WAHA	April 2019 - December 2019	4,125,000	15,000	1.61

	Period	Volume (MMBtu)	Volume (MMBtu/d)	Weighted Average Differential (\$/MMBtu) ⁽²⁾
Natural gas basis swaps	April 2019 - December 2019	9,625,000	35,000	\$ (1.31)

⁽¹⁾ These natural gas swap contracts are settled based on either i) the NYMEX Henry Hub price or ii) the Inside FERC West Texas WAHA price of natural gas, as applicable, as of the specified settlement date.

⁽²⁾ These natural gas basis swap contracts are settled based on the difference between the Inside FERC's West Texas WAHA price and the NYMEX price of natural gas during each applicable settlement period.

Derivative Instrument Reporting. The Company's oil and natural gas derivative instruments have not been designated as hedges for accounting purposes; therefore, all gains and losses are recognized in the Company's Consolidated Statements of Operations. All derivative instruments are recorded at fair value in the Consolidated Balance Sheets, other than derivative instruments that meet the "normal purchase normal sale" exclusion, and any fair value gains and losses are recognized in current period earnings.

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The following table presents the impact of our derivative instruments in our Consolidated Statements of Operations for the periods presented:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Net gain (loss) on derivative instruments	\$ (5,871)	\$ 7,843

Offsetting of Derivative Assets and Liabilities. The Company's commodity derivatives are included in the accompanying Consolidated Balance Sheets as derivative assets and liabilities. The Company nets its financial derivative instrument fair value amounts executed with the same counterparty pursuant to ISDA master netting agreements, which provide for net settlement over the term of the contract and in the event of default or termination of the contract. The table below summarizes the fair value amounts and the classification in the Consolidated Balance Sheets of the Company's derivative contracts outstanding at the respective balance dates, as well as the gross recognized derivative assets, liabilities and offset amounts:

(in thousands)	Balance Sheet Classification	Gross Fair Value Asset/Liability Amounts		Gross Amounts Offset ⁽¹⁾		Net Recognized Fair Value Assets/Liabilities
		March 31, 2019				
Derivative Assets						
Commodity contracts	Current assets - Derivative instruments	\$ 8,662		\$ (7,726)		\$ 936
Derivative Liabilities						
Commodity contracts	Current liabilities - Derivative instruments		18,575	(7,726)		10,849
December 31, 2018						
Derivative Assets						
Commodity contracts	Current assets - Derivative instruments	\$ 7,708		\$ (6,076)		\$ 1,632
Derivative Liabilities						
Commodity contracts	Current liabilities - Derivative instruments		12,127	(6,076)		6,051

⁽¹⁾ The Company has agreements in place with all of its counterparties that allow for the financial right of offset for derivative assets and derivative liabilities at settlement or in the event of a default under the agreements or contract termination.

Contingent Features in Financial Derivative Instruments. None of the Company's derivative instruments contain credit-risk-related contingent features. Counterparties to the Company's financial derivative contracts are high credit-quality financial institutions that are lenders under CRP's credit agreement. The Company uses only credit agreement participants to hedge with, since these institutions are secured equally with the holders of any CRP bank debt, which eliminates the potential need to post collateral when Centennial is in a derivative liability position. As a result, the Company is not required to post letters of credit or corporate guarantees for its derivative counterparties in order to secure contract performance obligations.

In addition, the Company is exposed to credit risk associated with its derivative contracts from non-performance by its counterparties. The Company mitigates its exposure to any single counterparty by contracting with a number of financial institutions, each of which has a high credit rating and is a member under CRP's credit facility as referenced above.

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Note 7—Fair Value Measurements

Recurring Fair Value Measurements

The Company follows FASB ASC Topic 820, *Fair Value Measurement and Disclosure*, which establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

- Level 1: Quoted Prices in Active Markets for Identical Assets – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Significant Other Observable Inputs – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3: Significant Unobservable Inputs – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table presents, for each applicable level within the fair value hierarchy, our net derivative assets and liabilities, including both current and noncurrent portions, measured at fair value on a recurring basis:

(in thousands)	Level 1	Level 2	Level 3
March 31, 2019			
Total assets	\$ —	\$ 936	\$ —
Total liabilities	—	10,849	—
December 31, 2018			
Total assets	\$ —	\$ 1,632	\$ —
Total liabilities	—	6,051	—

Both financial and non-financial assets and liabilities are categorized within the above fair value hierarchy 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 in its entirety requires judgement and considers factors specific to the asset or liability. The following is a description of the valuation methodologies used by the Company as well as the general classification of such instruments pursuant to the above fair value hierarchy. There were no transfers between any of the fair value levels during any period presented.

Derivatives

The Company uses Level 2 inputs to measure the fair value of oil and natural gas commodity derivatives. The Company uses industry-standard models that consider various assumptions including current market and contractual prices for the underlying instruments, implied market volatility, time value, nonperformance risk, as well as other relevant economic measures. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument and can be supported by observable data. The Company utilizes its counterparties' valuations to assess the reasonableness of its own valuations. Refer to *Note 6—Derivative Instruments* for details of the gross and net derivatives assets, liabilities and offset amounts presented in the Consolidated Balance Sheets.

Nonrecurring Fair Value Measurements

The fair value measurements of assets acquired and liabilities assumed are measured on a nonrecurring basis on the acquisition date using an income valuation technique based on inputs that are not observable in the market and therefore represent Level 3 inputs. Significant inputs to the valuation of acquired oil and natural gas properties include estimates of: (i) reserves; (ii) production rates; (iii) future operating and development costs; (iv) future commodity prices, including price differentials; (v) future cash flows; and (vi) a market participant-based weighted average cost of capital rate. These inputs require significant judgments and estimates by the Company's management at the time of the valuation.

The initial measurement of ARO at fair value is calculated using discounted cash flow techniques and is based on internal estimates of future retirement costs associated with property, plant and equipment. Significant Level 3 inputs used in the calculation of ARO include plugging costs and reserve lives. Refer to *Note 4—Asset Retirement Obligations* for additional information on the Company's ARO.

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Other Financial Instruments

The carrying amounts of the Company’s cash, cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate their fair values because of the short-term maturities and/or liquid nature of these assets and liabilities.

The Company’s Senior Notes and borrowings under its credit agreement are recorded at cost. The following table summarizes the fair values and carrying values of these instruments as of March 31, 2019 and December 31, 2018:

	March 31, 2019		December 31, 2018	
	Carrying Value	Fair Value	Carrying Value	Fair value
Credit facility due 2023 ⁽¹⁾	\$ —	\$ —	\$ 300,000	\$ 300,000
5.375% Senior Notes due 2026 ⁽²⁾	391,873	383,000	391,630	372,000
6.875% Senior Notes due 2027 ⁽²⁾	488,982	505,000	—	—

⁽¹⁾ The carrying values of the amounts outstanding under CRP’s credit agreement approximate fair value because its variable interest rates are tied to current market rates and the applicable credit spreads represent current market rates for the credit risk profile of the Company.

⁽²⁾ The Senior Notes’ carrying values include associated unamortized debt issuance costs and any discounts. The Senior Notes’ fair values were determined using quoted market prices for this debt security, a Level 1 classification in the fair value hierarchy.

Note 8—Earnings Per Share

Basic earnings per share (“EPS”) is calculated by dividing net income available to Class A Common Stock by the weighted average shares of Class A Common Stock outstanding during each period. Diluted EPS is calculated by dividing adjusted net income available to Class A Common Stock by the weighted average shares of diluted Class A Common Stock outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities for the diluted EPS calculation consists of (i) unvested restricted stock and performance stock units, outstanding stock options and warrants using the treasury stock method, and (ii) the Company’s Class C Common Stock using the “if-converted” method, which is net of tax. When a loss from continuing operations exists, all dilutive securities and potentially dilutive securities are anti-dilutive and are therefore excluded from the computation of diluted earnings per share.

The following table reflects the allocation of net income to common shareholders and EPS computations for the periods indicated based on a weighted average number of common stock outstanding for the period:

(in thousands, except per share data)	For the Three Months Ended March 31,	
	2019	2018
Net income (loss) attributable to Class A Common Stock	\$ (8,112)	\$ 66,090
Add: Income from conversion of Class C Common Stock	—	—
Adjusted net income (loss) attributable to Class A Common Stock	\$ (8,112)	\$ 66,090
Basic net earnings (loss) per share of Class A Common Stock	\$ (0.03)	\$ 0.25
Diluted net earnings (loss) per share of Class A Common Stock	\$ (0.03)	\$ 0.25
Basic weighted average shares of Class A Common Stock outstanding	264,365	261,324
Add: Dilutive effect of potential common shares	—	3,859
Diluted weighted average shares of Class A Common Stock outstanding	264,365	265,183

The Company recognized a net loss during the three months ended March 31, 2019. As a result, all potential common shares were anti-dilutive and excluded from the calculation of diluted net earnings per share. For the three months ended March 31, 2018, the diluted earnings per share calculation excludes 0.2 million stock options that were out-of-the-money and 14.7 million weighted average Class C Common Stock as their impacts were anti-dilutive.

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Note 9—Transactions with Related Parties

Riverstone and its affiliates, beneficially own more than 10% equity interest in the Company and are therefore considered related parties. The Company has a marketing agreement with Lucid Energy Delaware, LLC (“Lucid”), an affiliate of Riverstone. The Company believes that the terms of the marketing agreement with Lucid are no less favorable to either party than those held with unaffiliated parties. For the three months ended March 31, 2019 and 2018, the Company recognized revenues from this marketing agreement amounting to \$1.1 million and \$0.2 million, respectively, which were included as *Oil and gas sales* in the Consolidated Statements of Operations. There were no receivables from or payables to Lucid as of March 31, 2019 and December 31, 2018.

Note 10—Commitments and Contingencies**Commitments**

The Company routinely enters into or extends operating agreements, office and equipment leases, drilling and completion rig contracts, among others, in the ordinary course of business. There have been no material, non-routine changes in commitments during the three months ended March 31, 2019. Please refer to *Note 14—Commitments and Contingencies* included in Part II, Item 8 in the Company’s 2018 Annual Report.

Contingencies

The Company may at times be subject to various commercial or regulatory claims, litigation or other legal proceedings that arise in the ordinary course of business. While the outcome of these lawsuits and claims cannot be predicted with certainty, management believes it is remote that the impact of such matters that are reasonably possible to occur will have a material adverse effect on the Company’s financial position, results of operations, or cash flows. Management is unaware of any pending litigation brought against the Company requiring a contingent liability to be recognized as of the date of these consolidated financial statements.

Note 11—Revenues**Revenue from Contracts with Customers**

Sales of crude oil and natural gas are recognized at the point that control of the product is transferred to the customer and collectability is reasonably assured. Virtually all of the Company’s contract pricing provisions are tied to a market index, with certain adjustments based on, among other factors, transportation costs to an active spot market and quality differentials. As a result, the price of oil, natural gas, and NGLs fluctuates to remain competitive with other available oil, natural gas, and NGLs supplies both globally (in the case of crude oil) and locally.

Oil and gas revenues presented within the Consolidated Statements of Operations relate to the sale of oil, natural gas and NGLs as shown below:

	For the Three Months Ended March 31,	
	2019	2018
Operating revenues (in thousands):		
Oil sales	\$ 175,554	\$ 174,841
Natural gas sales	12,497	18,580
NGL sales	26,518	22,477
Oil and gas sales	<u>\$ 214,569</u>	<u>\$ 215,898</u>

Oil sales

The Company’s crude oil sales contracts are generally structured whereby oil is delivered to the purchaser at a contractually agreed-upon delivery point at which the purchaser takes title of the product. This delivery point is usually at the wellhead or at the inlet of a transportation pipeline. Revenue is recognized when control transfers to the purchaser at the delivery point based on the net price received from the purchaser. Any downstream transportation costs incurred by crude purchasers are reflected as a net reduction to oil sales revenues.

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Natural gas and NGL sales

Under certain natural gas processing contracts, liquids rich natural gas is delivered to a midstream processing entity at the inlet of the gas plant processing system. The midstream processing entity gathers and processes the natural gas and remits proceeds to Centennial for the resulting sales of NGLs and residue gas. For these contracts, the Company evaluates when control is transferred and revenue should be recognized. Where the Company has concluded that control transfers at the tailgate of the processing facility, fees incurred prior to transfer of control are presented as gathering, processing and transportation expenses ("GP&T") within the Consolidated Statements of Operations, rather than as a net reduction to natural gas and NGL sales.

In the Company's other natural gas processing agreements, it has the election to take its residue gas "in-kind" at the tailgate of the midstream processing plant and then subsequently market the product. For these contracts, the Company recognizes revenue when control transfers to purchasers at delivery points downstream of the processing plant. The gathering, processing and compression fees are presented as GP&T, and any transportation and fractionation costs incurred subsequent to the point of transfer of control are reflected as a net reduction to natural gas and NGL sales revenues presented in the table above.

Performance obligations

For all commodity products, the Company records revenue in the month production is delivered to the purchaser. Settlement statements for certain natural gas and NGL sales may not be received for 30 to 90 days after the date production volumes are delivered and for crude oil, generally within 30 days after delivery has occurred. However, payment is unconditional once the performance obligations have been satisfied. At this time, the volume and price can be reasonably estimated and amounts due from customers are accrued in *Accounts Receivable, net* in the Consolidated Balance Sheets. As of March 31, 2019 and December 31, 2018, such receivable balances were \$77.0 million and \$67.0 million, respectively.

The Company records any differences between its estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. Historically, any identified differences between revenue estimates and actual revenue received have not been significant. For the three months ended March 31, 2019, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

Transaction price allocated to remaining performance obligations

For the Company's product sales that have a contract term greater than one year, the Company has utilized the practical expedient in ASC Topic 606 which states the Company is not required to disclose the transaction price allocated to the remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under these sales contracts, monthly sales of a product generally represent a separate performance obligation; therefore, future commodity volumes to be delivered and sold are wholly unsatisfied and disclosure of the transaction price allocated to such unsatisfied performance obligations is not required.

Note 12—Leases

At contract inception, the Company determines whether or not an arrangement contains a lease. Upon this determination, a lease right-of-use (ROU) asset and related liability are recorded based on the present value of the future lease payments over the lease term. ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make future lease payments arising from the lease.

Currently, the Company has operating leases for drilling rig contracts, office rental agreements, and other wellhead equipment. As of March 31, 2019, these leases have remaining lease terms ranging from two months to three years, some of which include options to extend the lease term for up to five years, and some of which include options to early terminate. These options are considered in determining the lease term and are included in the present value of future payments that are recorded for leases, when the Company is reasonably certain to exercise the option. Leases with an initial term of one year or less are not recorded in the Consolidated Balance Sheets. Additionally, none of the Company's lease agreements contain any material residual value guarantees or material restrictive covenants.

The present value of future lease payments is determined at the lease commencement date based upon the Company's incremental borrowing rate. The incremental borrowing rate is calculated using a risk-free interest rate adjusted for the Company's specific risk. The table below summarizes our discount rate and remaining lease term as of the period presented.

	As of March 31, 2019
Weighted-average discount rate	4.59%
Weighted-average remaining lease term (years)	1.50

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The Company's drilling rig contracts, office rental agreements, and wellhead equipment contain both lease and non-lease components, which are combined and accounted for as a single lease component.

Variable lease payments are recognized in the period in which they are incurred. Expenses related to short-term leases are recognized on a straight-line basis over the lease term. The following table presents the components of the Company's lease expenses for the three months ended March 31, 2019.

(in thousands)	For the Three Months Ended March 31, 2019	
Lease costs ⁽¹⁾		
Operating lease cost	\$	10,587
Variable lease cost		801
Short-term lease cost		12,224
Total Lease Cost	\$	23,612

⁽¹⁾ The majority of the Company's operating leases relate to the operations or completion of the Company's wells. Therefore, the lease costs presented in the above table represent the total gross costs the Company incurs, which are not comparable to the Company's net costs recorded to the Consolidated Statements of Operations, Consolidated Statements of Cash Flows or capitalized in the Consolidated Balance Sheets, as amounts therein are reflected net of amounts billed to working interest partners.

Maturities of the Company's long-term operating lease liabilities by fiscal year as of March 31, 2019 are as follows:

(in thousands)	Total	
2019 ⁽¹⁾⁽²⁾	\$	18,456
2020		8,713
2021		2,855
2022		425
Total lease payments		30,449
Less: imputed interest		(1,172)
Present value of lease liabilities ⁽³⁾	\$	29,277

⁽¹⁾ Excludes payments made during the three months ended March 31, 2019.

⁽²⁾ Includes drilling rigs with a term greater than one year as of March 31, 2019.

⁽³⁾ Of the total present value of lease liabilities, \$21.3 million was recorded to current *Operating lease liabilities* and \$7.9 million was recorded in noncurrent *Operating lease liabilities* in the Consolidated Balance Sheets as of March 31, 2019.

The following is a schedule of the Company's future contractual payments for operating leases under the scope of ASC 840 that had initial or remaining contractual terms in excess of one year as of December 31, 2018:

(in thousands)	Drilling Rigs		Office Leases	
2019	\$	43,036	\$	3,057
2020		4,124		2,830
2021		—		2,761
2022		—		404
Total lease payments	\$	47,160	\$	9,052

**CENTENNIAL RESOURCE DEVELOPMENT, INC.
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Note 13—Subsequent Events

Credit Facility Amendment

In connection with the spring 2019 semi-annual credit facility redetermination, the borrowing base under the revolving credit facility was increased from \$1.0 billion to \$1.2 billion, but the amount of elected commitments remained at \$800.0 million. In addition, CRP and the lenders amended the credit agreement to reduce the applicable margin by 25 basis points for the LIBOR loans to a range of 125 to 225 basis points and to reduce the applicable margin by 25 basis points for base rate loans to 25 to 125 basis points, in each case depending on the percentage of the borrowing base utilized. These reductions in the applicable margins are applicable as long as CRP's total leverage ratio is less than or equal to 3.0 to 1.0; otherwise, the original margins would be applied.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with the accompanying consolidated financial statements and related notes. The following discussion and analysis contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, market prices for oil, natural gas and NGLs, production volumes, estimates of proved reserves, capital expenditures, economic and competitive conditions, regulatory changes and other uncertainties, as well as those factors discussed above in "Cautionary Statement Regarding Forward-Looking Statements" and in our 2018 Annual Report under the heading "Item 1A. Risk Factors," all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

Overview

Centennial Resource Development, Inc. (the "Company," "Centennial," "we," "us," or "our") is an independent oil and natural gas company focused on the development of unconventional oil and associated liquids-rich natural gas reserves in the Permian Basin. Our assets are concentrated entirely in the Delaware Basin, a sub-basin of the Permian Basin. Our capital programs are specifically focused on projects that we believe provide the greatest potential for return on capital.

Market Conditions

The oil and natural gas industry is cyclical, and commodity prices can be volatile. It is likely that commodity prices will continue to fluctuate due to global supply and demand, inventory supply levels, weather conditions, geopolitical and other factors. For example, during the fourth quarter of 2018, WTI spot prices for crude oil significantly declined to a low of \$44.48 per barrel, but have since rebounded to a high of \$60.14 per barrel in the first quarter of 2019.

The following table highlights the quarterly average NYMEX price trends for crude oil and natural gas since the first quarter of 2017:

	2017				2018				2019
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Crude oil (per Bbl)	\$ 51.82	\$ 48.32	\$ 48.17	\$ 55.31	\$ 62.91	\$ 68.07	\$ 69.50	\$ 58.81	\$ 54.90
Natural gas (per MMBtu)	\$ 3.06	\$ 3.14	\$ 2.95	\$ 2.91	\$ 3.08	\$ 2.85	\$ 2.93	\$ 3.77	\$ 2.88

A sustained drop in oil, natural gas and NGL prices may not only decrease our revenues on a per unit basis but may also reduce the amount of oil, natural gas and NGLs that we can produce economically and therefore potentially lower our oil, natural gas and NGL reserve quantities.

Lower commodity prices (including realized differentials) in the future could result in impairments of our proved oil and natural gas properties or undeveloped acreage and may materially and adversely affect our future business, financial condition, results of operations, operating cash flows, liquidity or ability to finance planned capital expenditures. Lower realized prices may also reduce the borrowing base under CRP's credit agreement, which is determined at the discretion of the lenders and is based on the collateral value of our proved reserves that have been mortgaged to the lenders. Upon a redetermination, if any borrowings in excess of the revised borrowing capacity were outstanding, we could be forced to immediately repay a portion of the debt outstanding under the credit agreement.

2019 Highlights and Future Considerations

Operational Highlights

We operated a six-rig drilling program during the first three months of 2019 which enabled us to complete and bring online 20 gross operated wells. The total number of completed wells during the first quarter of 2019 had an average effective lateral length of approximately 8,110 feet.

Financing Highlights

In March 2019, CRP issued \$500.0 million of 6.875% senior notes due 2027 (the “2027 Senior Notes”) in a 144A private placement at a price equal to 99.235% of par that resulted in net proceeds to CRP of \$489.0 million, after deducting original issuance discounts and debt issuance costs. The net proceeds from this offering were used to repay all borrowings outstanding under CRP’s revolving credit facility and for general corporate purposes.

In connection with the spring 2019 semi-annual credit facility redetermination, the borrowing base under the revolving credit facility was increased from \$1.0 billion to \$1.2 billion, but the amount of elected commitments remained at \$800.0 million. In addition, CRP and the lenders amended the credit agreement to reduce the applicable margin by 25 basis points for the LIBOR loans to a range of 125 to 225 basis points and to reduce the applicable margin by 25 basis points for base rate loans to 25 to 125 basis points, in each case depending on the percentage of the borrowing base utilized. These reductions in the applicable margins are applicable as long as CRP’s total leverage ratio is less than or equal to 3.0 to 1.0; otherwise, the original margins would be applied.

Results of Operations

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

The following table provides the components of our net revenues and net production (net of all royalties, overriding royalties and production due to others) for the periods indicated, as well as each period's average prices and average daily production volumes:

	For the Three Months Ended March 31,		Increase/(Decrease)	
	2019	2018	\$	%
Net operating revenues (in thousands):				
Oil sales	\$ 175,554	\$ 174,841	\$ 713	— %
Natural gas sales	12,497	18,580	(6,083)	(33)%
NGL sales	26,518	22,477	4,041	18 %
Oil and gas sales	<u>\$ 214,569</u>	<u>\$ 215,898</u>	<u>\$ (1,329)</u>	<u>(1)%</u>
Average sales prices:				
Oil (per Bbl)	\$ 48.15	\$ 61.53	\$ (13.38)	(22)%
Effect of derivative settlements on average price (per Bbl)	(0.22)	(0.09)	(0.13)	(144)%
Oil net of hedging (per Bbl)	<u>\$ 47.93</u>	<u>\$ 61.44</u>	<u>\$ (13.51)</u>	<u>(22)%</u>
Average NYMEX price for oil (per Bbl)	\$ 54.90	\$ 62.91	\$ (8.01)	(13)%
Oil differential from NYMEX	(6.75)	(1.38)	(5.37)	(389)%
Natural gas (per Mcf)	\$ 1.39	\$ 2.42	\$ (1.03)	(43)%
Effect of derivative settlements on average price (per Mcf)	0.05	(0.01)	0.06	600 %
Natural gas net of hedging (per Mcf)	<u>\$ 1.44</u>	<u>\$ 2.41</u>	<u>\$ (0.97)</u>	<u>(40)%</u>
Average NYMEX price for natural gas (per Mcf)	\$ 2.88	\$ 3.08	\$ (0.20)	(6)%
Natural gas differential from NYMEX	(1.49)	(0.66)	(0.83)	(126)%
NGL (per Bbl)	\$ 19.74	\$ 30.21	\$ (10.47)	(35)%
Net production:				
Oil (MBbls)	3,646	2,842	804	28 %
Natural gas (MMcf)	8,964	7,683	1,281	17 %
NGL (MBbls)	1,343	744	599	81 %
Total (MBoe) ⁽¹⁾	<u>6,483</u>	<u>4,866</u>	<u>1,617</u>	<u>33 %</u>
Average daily net production volume:				
Oil (Bbls/d)	40,508	31,753	8,755	28 %
Natural gas (Mcf/d)	99,596	85,372	14,224	17 %
NGL (Bbls/d)	14,927	8,267	6,660	81 %
Total (Boe/d) ⁽¹⁾	<u>72,035</u>	<u>54,069</u>	<u>17,966</u>	<u>33 %</u>

⁽¹⁾ Calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil.

Oil, Natural Gas and NGL Sales Revenues. Total net revenues for the three months ended March 31, 2019 were \$1.3 million (or 1%) lower than total net revenues for the three months ended March 31, 2018. Revenues are a function of oil, natural gas and NGL volumes sold and average commodity prices realized.

Average realized sales prices for oil, natural gas and NGLs decreased in the first quarter of 2019 compared to the same 2018 period. The average price for oil before the effects of hedging decreased 22%, the average price for natural gas before effects of

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hedging decreased 43% and the average price for NGLs decreased 35% between periods. The 22% decrease in the average realized oil price was a result of lower NYMEX crude prices between periods (average NYMEX prices decreased 13%) and lower realizations due to wider oil differentials (an increase of \$5.37 per Bbl) in the first quarter of 2019. Similarly, the 43% decrease in the average realized sales price of natural gas between periods was due to lower average NYMEX gas prices between periods (average NYMEX prices decreased 6%) and wider gas differentials (an increase of \$0.83 per Mcf). The overall 35% decrease in average realized NGL prices between periods was primarily attributable to lower Mont Belvieu spot prices for plant products in the first quarter 2019 as compared to the first quarter of 2018. Both our oil and gas differentials widened during the first quarter 2019 compared to the first quarter of 2018 due to pipeline takeaway capacity constraints impacting the Permian Basin.

The decreases in realized sales prices were partially offset by higher net production volumes between periods. Net production volumes for oil, natural gas and NGLs increased 28%, 17% and 81%, respectively, between periods. The oil volume increase resulted primarily from our drilling activities in the Delaware Basin. Since the first quarter 2018, we placed 84 gross operated wells on production in the Delaware Basin, which added 2,159 MBbls of net oil production during the first quarter of 2019. The increase in the Company's operated well count is attributable to our seven-rig drilling program conducted throughout 2018. These oil volume increases were offset by normal field production declines across our existing wells. Natural gas and NGLs are produced concurrently with our crude oil volumes, resulting in a high correlation between fluctuations in oil quantities sold and natural gas and NGL quantities sold. During the first quarter of 2019, our production was made up of 44% natural gas and NGL volumes compared to 42% in the first quarter of 2018. This change in our commodity mix was due to the significant increase in NGL volumes (up 81%) between periods, as a result of the main processor of our wet gas switching from ethane-rejection to ethane-recovery. This switch enabled us to recover a higher quantity of ethane volumes from our wet gas. The change to recover a higher portion of ethane started in the second quarter of 2018 and was initiated due to lower natural gas prices in the Permian Basin and higher ethane prices, which in turn led to stronger ethane processing economics.

Operating Expenses. The following table sets forth selected operating expense data for the periods indicated:

	For the Three Months Ended March 31,		Increase/(Decrease)	
	2019	2018	\$	%
Operating costs (in thousands):				
Lease operating expenses	\$ 29,862	\$ 16,276	\$ 13,586	83 %
Severance and ad valorem taxes	16,120	14,173	1,947	14 %
Gathering, processing and transportation expenses	15,024	13,828	1,196	9 %
Operating costs per Boe:				
Lease operating expenses	\$ 4.61	\$ 3.34	\$ 1.27	38 %
Severance and ad valorem taxes	2.49	2.91	(0.42)	(14)%
Gathering, processing and transportation expenses	2.32	2.84	(0.52)	(18)%

Lease Operating Expenses. Lease operating expenses ("LOE") for the three months ended March 31, 2019 increased \$13.6 million compared to the three months ended March 31, 2018. Higher LOE for the first quarter of 2019 was primarily related to a \$6.6 million increase in expense associated with our higher well count. We had 280 gross operated horizontal wells as of March 31, 2019 as compared to 197 gross operated horizontal wells as of March 31, 2018. The net increase in well count was mainly due to our successful drilling activity adding 84 gross operated wells since the first quarter of 2018, which was partially offset by acquisitions and divestitures. In addition, workover expense increased \$7.0 million between periods as a result of our higher well count and higher workover activity.

LOE on a per Boe basis increased when comparing the first quarter of 2019 to the same 2018 period. LOE per Boe was \$4.61 for the first quarter of 2019, which represents an increase of \$1.27 per Boe from the first quarter of 2018. This increase in rate was mainly due to our higher level of workover activity discussed above, as well as higher costs associated with labor and wellhead equipment rentals.

Severance and Ad Valorem Taxes. Severance and ad valorem taxes for the three months ended March 31, 2019 increased \$1.9 million compared to the three months ended March 31, 2018. Severance taxes are primarily based on the market value of production at the wellhead and ad valorem taxes are generally based on the valuation of our proved developed oil and natural gas reserves and vary across the different counties in which we operate. Severance and ad valorem taxes as a percentage of total net revenues increased to 7.5% for three months ended March 31, 2019 as compared to 6.6% for the same period in 2018 due to increased ad valorem taxes of \$1.8 million between periods, associated with our higher well count and higher oil and gas reserve values.

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Gathering, Processing and Transportation Expenses. Gathering, processing and transportation expenses (“GP&T”) for the three months ended March 31, 2019 increased \$1.2 million as compared to the three months ended March 31, 2018 due to higher natural gas and NGL volumes sold between periods, which in turn resulted in a higher amount of plant processing fees, transportation tariffs and gathering costs being incurred.

On a per Boe basis, GP&T decreased 18% from \$2.84 for the first quarter of 2018 to \$2.32 per Boe for the first quarter of 2019. On a natural gas and NGL volumes basis (i.e. excluding crude oil barrels) the Boe rate likewise decreased between periods to \$5.29 from \$6.83 for the three months ended March 31, 2019 and 2018, respectively. This decrease was attributable to the following factors: (i) lower natural gas prices between periods, due to residue gas being a primary component of our plant processing fees; and (ii) \$7.5 million in reimbursements received from third parties for their usage of our firm transportation capacity in the first quarter of 2019. The agreement that enables us to receive these third party reimbursements extends through March of 2020; such reimbursements, however, may not necessarily be recurring in these similar amounts.

Depreciation, Depletion and Amortization. The following table summarizes our depreciation, depletion and amortization (“DD&A”) for the periods indicated:

(in thousands, except per Boe data)	For the Three Months Ended March 31,	
	2019	2018
Depreciation, depletion and amortization	\$ 96,558	\$ 66,010
Depreciation, depletion and amortization per Boe	\$ 14.89	\$ 13.57

Our DD&A rate can fluctuate as a result of development costs, acquisitions, impairments, as well as changes in proved reserves or proved developed reserves. For the three months ended March 31, 2019, DD&A expense amounted to \$96.6 million, an increase of \$30.5 million over the same 2018 period. The primary factor contributing to higher DD&A in 2019 was the increase in our overall production volumes between periods, which added \$21.9 million of incremental DD&A expense to the first quarter of 2019, while higher DD&A rates between periods contributed an additional \$8.6 million of DD&A expense to the first quarter of 2019.

DD&A per Boe was \$14.89 for the first quarter of 2019 compared to \$13.57 for the same period in 2018. The primary factors contributing to this higher DD&A rate were (i) a higher level of infrastructure costs (having no associated proved reserve adds), and (ii) downward revisions to proved reserves since the first quarter of 2018.

Impairment and Abandonment Expense. During the three months ended March 31, 2019, \$31.3 million of abandonment expense was incurred related to undeveloped leasehold acreage. Of this amount, \$14.7 million was incurred with respect to non-core acreage that expired during the period after efforts to extend, sell or trade these leases were unsuccessful, and \$16.6 million was identified as impaired acreage based on impairment indicators that arose during the period, following an acreage sale that was initiated in the first quarter of 2019.

Exploration Expense. The following table summarizes our exploration expense for the periods indicated:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Geological and geophysical costs	\$ 1,917	\$ 2,845
Stock-based compensation expense	599	381
Exploratory dry hole costs	—	221
Exploration expense	\$ 2,516	\$ 3,447

Exploration expense was \$2.5 million for the three months ended March 31, 2019 compared to \$3.4 million for the same prior year period. Exploration expense mainly consists of topographical studies, geographical and geophysical (“G&G”) projects, and salaries and expenses of G&G personnel. The period over period decrease in exploration expense was primarily due to \$1.9 million in lower costs incurred on G&G projects and seismic studies. This decrease was partially offset by an increase in G&G personnel costs of \$1.0 million during the first quarter of 2019 due to the number of geologists increasing from 11 as of March 31, 2018 to 15 as of March 31, 2019.

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General and Administrative Expenses. The following table summarizes our general and administrative (“G&A”) expenses for the periods indicated:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Cash general and administrative expenses	\$ 12,234	\$ 10,345
Stock-based compensation	5,884	3,952
General and administrative expenses	\$ 18,118	\$ 14,297

G&A expenses for the three months ended March 31, 2019 were \$18.1 million compared to \$14.3 million for the first quarter of 2018. Our G&A expenses were higher in 2019 primarily due to \$2.2 million in increased employee salaries, wages and payroll burdens and \$1.9 million in higher stock-based compensation compared to the prior year period. Personnel costs were higher during the first quarter of 2019 due to our number of non-billable, administrative employees increasing from 102 as of March 31, 2018 to 148 as of March 31, 2019. These increases were partially offset by lower professional fees incurred during the first quarter of 2019 as compared to first quarter of 2018.

Other Income and Expenses.

Interest Expense. The following table summarizes our interest expense for the periods indicated:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Credit facility	\$ 3,734	\$ 784
5.375% Senior Notes due 2026	5,374	5,374
6.875% Senior Notes due 2027	1,528	—
Amortization of debt issuance costs	512	379
Interest capitalized	(988)	(724)
Total	\$ 10,160	\$ 5,813

Interest expense was \$4.3 million higher for the three months ended March 31, 2019 as compared to the three months ended March 31, 2018 primarily due to increased borrowings under our revolving credit facility. The Company’s weighted average borrowings outstanding under our credit facility were \$304.3 million and \$21.7 million for the first quarter of 2019 and 2018, respectively. Our credit facility’s weighted average effective interest rate was 4.31% for first quarter of 2019 as compared to 3.91% for first quarter of 2018. In addition, \$1.5 million in interest was incurred in the first quarter of 2019 on our 2027 Senior Notes that were issued in March of 2019. The proceeds from the 2027 Senior Note issuance were used to repay the borrowings outstanding under our credit facility.

Net Gain (Loss) on Derivative Instruments. Net gains and losses are a function of (i) fluctuations in mark-to-market derivative fair values associated with corresponding changes in underlying commodity prices and (ii) monthly cash settlements on our hedged derivative positions.

The following table presents gains and losses on our derivative instruments for the periods indicated:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Cash settlement gains (losses)	\$ (377)	\$ 361
Non-cash mark-to-market derivative gain (loss)	(5,494)	7,482
Total	\$ (5,871)	\$ 7,843

Income Tax Expense. We recognized an income tax benefit of \$2.3 million and income tax expense of \$19.1 million for the three months ended March 31, 2019 and 2018, respectively. The decrease in income tax expense for the three months ended March 31, 2019 was primarily due to lower pre-tax book income of \$100.7 million from the first quarter of 2018 to the first quarter of 2019.

The Company’s provision for income taxes for the first quarter of 2019 differed from the amount that would be provided by applying the statutory U.S. federal tax rate of 21% to pre-tax book income because of state income taxes and permanent differences.

Liquidity and Capital Resources

Overview

Our drilling and completion and land acquisition activities require us to make significant capital expenditures. Historically, our primary sources of liquidity have been borrowings under CRP's revolving credit facility, cash flows from operations, and proceeds from offerings of debt and equity securities. To date, our primary use of capital has been for drilling and development capital expenditures and the acquisition of oil and natural gas properties.

The following table summarizes our capital expenditures ("capex") incurred for the three months ended March 31, 2019:

(in millions)	For the Three Months Ended March 31, 2019	
Drilling and completion capital expenditures	\$	188.4
Facilities, infrastructure and other		45.6
Land		11.2
Total capital expenditures	\$	245.2

We continually evaluate our capital needs and compare them to our capital resources. Our estimated capex budget for 2019 is \$765 million to \$925 million, of which \$625 million to \$725 million is allocated to drilling and completion ("D&C") activity. We expect to fund our capex budget with cash flows from operations and borrowings under our credit facility or otherwise. The D&C portion of our 2019 capital budget represents a decrease relative to \$766.1 million of D&C expenditures incurred during 2018. This decreased capital budget is driven by a shift in our rig activity from seven to six rigs and the associated decrease in development capex associated with running a six-rig drilling program.

Because we are the operator of a high percentage of our acreage, we can control the amount and timing of these capital expenditures. We could choose to defer a portion of this planned capex depending on a variety of factors, including, but not limited to, the success of our drilling activities; prevailing and anticipated prices for oil and natural gas; the availability of necessary equipment, infrastructure and capital; the receipt and timing of required regulatory permits and approvals; seasonal conditions; drilling and acquisition costs; and the level of participation by other working interest owners.

Based upon current oil and natural gas price expectations for the remainder of 2019, we believe that our cash flows from operations, proceeds from the issuance of the 2027 Senior Notes and borrowings under our credit facility will provide us with sufficient liquidity to execute our current capital program. However, our future cash flows are subject to a number of variables, including the future level of oil and natural gas production and prices, and significant additional capital expenditures will be required to more fully develop our properties. We cannot ensure that operations and other needed capital will be available on acceptable terms or at all. In the event we make additional acquisitions and the amount of capital required is greater than the amount we have available for acquisitions at that time, we could be required to reduce our expected level of capital expenditures and/or seek additional sources for funding capital investments. As we pursue our future development program, we are actively assessing the correct mix of reserve-based borrowings and debt offerings. If we require additional capital to fund acquisitions, we may also seek such capital through traditional reserve-based borrowings, offerings of debt and equity securities, asset sales, or other means. If we are unable to obtain funds when needed or on acceptable terms, we may be required to curtail our drilling program, which could result in a loss of acreage through lease expirations. In addition, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to maintain our production or replace our reserves.

Analysis of Cash Flow Changes

The following table summarizes our cash flows for the periods indicated:

(in thousands)	For the Three Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	\$ 101,028	\$ 131,826
Net cash used in investing activities	(218,878)	(218,583)
Net cash provided by (used) in financing activities	189,186	(934)

For the three months ended March 31, 2019, we generated \$101.0 million of cash from operating activities, a decrease of \$30.8 million from the same period in 2018. Cash provided by operating activities decreased primarily due to lower realized prices for crude oil, natural gas and NGLs, higher lease operating expenses, severance and ad valorem taxes, GP&T costs, general and administrative expenses, interest expense and the timing of supplier payments during the three months ended March 31, 2019. These declining factors were partially offset by higher crude oil, natural gas and NGL production volumes,

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lower exploration expense and the timing of our receivable collections for the three months ended March 31, 2019 as compared to the same 2018 period. Refer to “Results of Operations” for more information on the impact of volumes and prices on revenues and for more information on fluctuations in our operating expenses between periods.

During the three months ended March 31, 2019, cash flows from operating activities, cash on hand, proceeds from sales of oil and gas properties and proceeds from the issuance of our 2027 Senior Notes were used to repay net borrowings of \$300.0 million under our credit facility, to finance \$217.2 million of drilling and development capex and to fund \$25.7 million in oil and gas property acquisitions.

During the three months ended March 31, 2018, cash flows from operating activities, cash on hand and proceeds from sales of oil and gas properties were used to finance \$250.5 million of drilling and development capex and \$101.8 million in oil and gas property acquisitions.

Credit Agreement

On May 4, 2018, CRP, the Company’s consolidated subsidiary, entered into an amended and restated credit agreement with a syndicate of banks that as of March 31, 2019, had a borrowing base of \$1.0 billion and elected commitments of \$800.0 million. The credit agreement provides for a five-year secured revolving credit facility, maturing on May 4, 2023. As of March 31, 2019, the Company had no borrowings outstanding and \$799.2 million in available borrowing capacity, which was net of \$0.8 million in letters of credit outstanding.

CRP’s credit agreement contains restrictive covenants that limit its ability to, among other things: (i) incur additional indebtedness; (ii) make investments and loans; (iii) enter into mergers; (iv) make or declare dividends; (v) enter into commodity hedges exceeding a specified percentage of CRP’s expected production; (vi) enter into interest rate hedges exceeding a specified percentage of its outstanding indebtedness; (vii) incur liens; (viii) sell assets; and (ix) engage in transactions with affiliates.

CRP’s credit agreement also requires it to maintain compliance with the following financial ratios: (i) a current ratio, which is the ratio of CRP’s consolidated current assets (including unused commitments under its revolving credit facility and excluding non-cash derivative assets and certain restricted cash) to its consolidated current liabilities (excluding the current portion of long-term debt under the credit agreement and non-cash derivative liabilities), of not less than 1.0 to 1.0; and (ii) a leverage ratio, which is the ratio of Total Funded Debt (as defined in CRP’s credit agreement) to consolidated EBITDAX (as defined in CRP’s credit agreement) for the rolling four fiscal quarter period ending on such day, of not greater than 4.0 to 1.0. CRP was in compliance with these covenants and the financial ratios described above as of March 31, 2019 and through the filing of this Quarterly Report.

In connection with the spring 2019 semi-annual credit facility redetermination, the borrowing base under the revolving credit facility was increased from \$1.0 billion to \$1.2 billion, but the amount of elected commitments remained at \$800.0 million. In addition, CRP and the lenders amended the credit agreement to reduce the applicable margin by 25 basis points for the LIBOR loans to a range of 125 to 225 basis points and to reduce the applicable margin by 25 basis points for base rate loans to 25 to 125 basis points, in each case depending on the percentage of the borrowing base utilized. These reductions in the applicable margins are applicable as long as CRP’s total leverage ratio (as described above) is less than or equal to 3.0 to 1.0; otherwise, the original margins would be applied.

For further information on our credit agreement, refer to *Note 3—Long-Term Debt* under Part I, Item I of this Quarterly Report.

Senior Notes

On November 30, 2017, CRP issued \$400.0 million of 5.375% senior notes due 2026 (the “2026 Senior Notes”) and on March 15, 2019, CRP issued \$500.0 million of 6.875% senior notes due 2027 (the “2027 Senior Notes”) and collectively with the 2026 Senior Notes the “Senior Notes”) in 144A private placements. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of CRP’s current subsidiaries that guarantee CRP’s revolving credit facility. The Senior Notes are not guaranteed by the Company, nor is the Company subject to the terms of the indentures governing the Senior Notes.

The indentures governing the Senior Notes contain covenants that, among other things and subject to certain exceptions and qualifications, limit CRP’s ability and the ability of CRP’s restricted subsidiaries to: (i) incur or guarantee additional indebtedness or issue certain types of preferred stock; (ii) pay dividends on capital stock or redeem, repurchase or retire capital stock or subordinated indebtedness; (iii) transfer or sell assets; (iv) make investments; (v) create certain liens; (vi) enter into agreements that restrict dividends or other payments from their subsidiaries to them; (vii) consolidate, merge or transfer all or substantially all of their assets; (viii) engage in transactions with affiliates; and (ix) create unrestricted subsidiaries. CRP was in compliance with these covenants as of March 31, 2019 and through the filing of this Quarterly Report.

For further information on our Senior Notes, refer to *Note 3—Long-Term Debt* under Part I, Item I of this Quarterly Report.

Contractual Obligations

The Company's contractual obligations include drilling rig commitments, office leases, water disposal agreements, purchase obligations, asset retirement obligations, long-term debt obligations, cash interest expense on long-term debt obligations and transportation and gathering agreements. Since December 31, 2018, there have not been any significant, non-routine changes in our contractual obligations, other than the issuance of 2027 Senior Notes and their related interest obligations as discussed in *Note 3—Long-Term Debt* under Part I, Item 1. of this Quarterly Report.

Critical Accounting Policies and Estimates

There have been no material changes during the three months ended March 31, 2019 to the methodology applied by management for critical accounting policies previously disclosed in our 2018 Annual Report. Please refer to Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates* in our 2018 Annual Report for a discussion of our critical accounting policies and estimates.

New Accounting Pronouncements

Please refer to *Note 1—Basis of Presentation* under Part I, Item 1. of this Quarterly Report for a discussion of the effects of recently adopted accounting standards and the potential effects of new accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk in the form of adverse changes in commodity prices and interest rates as described below. The primary objective of the following information is to provide quantitative and qualitative information about our potential exposure to market risks. The term “market risk” as it applies to our business refers to the risk of loss arising from adverse changes in oil and natural gas prices and interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of reasonably possible losses. All of our market risk sensitive instruments were entered into for purposes other than speculative trading.

Commodity Price Risk

Our primary market risk exposure is in the pricing that we receive for our oil, natural gas and NGL production. Pricing for oil, natural gas and NGLs has been volatile and unpredictable for several years, and we expect this volatility to continue in the future. Based on our production for the first three months of 2019, our loss before income taxes for the three months ended March 31, 2019 would have moved up or down \$17.6 million for each 10% change in oil prices per Bbl, \$2.7 million for each 10% change in NGL prices per Bbl, and \$1.2 million for each 10% change in natural gas prices per Mcf.

Due to this volatility, we have historically used, and we may elect to continue to selectively use, commodity derivative instruments, such as collars, swaps and basis swaps, to mitigate price risk associated with a portion of our anticipated production. Our derivative instruments allow us to reduce, but not eliminate, the potential effects of the variability in cash flows from operations due to fluctuations in oil and natural gas prices and provide increased certainty of cash flows for our drilling program and debt service requirements. These instruments provide only partial price protection against declines in oil and natural gas prices, but alternatively they may partially limit our potential gains from future increases in prices. Our credit agreement limits our ability to enter into commodity hedges covering greater than 85% of our reasonably anticipated projected production from proved properties.

The following table summarizes the terms of the swap contracts the Company had in place as of March 31, 2019:

	Period	Volume (Bbls)	Volume (Bbls/d)	Weighted Average Differential (\$/Bbl) ⁽¹⁾
Crude oil basis swaps	April 2019 - June 2019	91,000	1,000	\$ (10.00)
	July 2019 - September 2019	1,380,000	15,000	(9.03)
	October 2019 - December 2019	920,000	10,000	(4.24)

⁽¹⁾ These oil basis swap transactions are settled based on the difference between the arithmetic average of the ARGUS MIDLAND WTI and ARGUS WTI CUSHING indices, during each applicable settlement period.

	Period	Volume (MMBtu)	Volume (MMBtu/d)	Weighted Average Fixed Price (\$/MMBtu) ⁽¹⁾
Natural Gas Swaps - Henry Hub	April 2019 - December 2019	8,250,000	30,000	\$ 2.78
Natural Gas Swaps - West Texas WAHA	April 2019 - December 2019	4,125,000	15,000	1.61

	Period	Volume (MMBtu)	Volume (MMBtu/d)	Weighted Average Differential (\$/MMBtu) ⁽²⁾
Natural gas basis swaps	April 2019 - December 2019	9,625,000	35,000	\$ (1.31)

⁽¹⁾ These natural gas swap contracts are settled based on either i) the NYMEX Henry Hub price or ii) the Inside FERC West Texas WAHA price of natural gas, as applicable, as of the specified settlement date.

⁽²⁾ These natural gas basis swap contracts are settled based on the difference between the Inside FERC’s West Texas WAHA price and the NYMEX price of natural gas during each applicable settlement period.

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Changes in the fair value of derivative contracts from December 31, 2018 to March 31, 2019, are presented below:

(in thousands)	Commodity derivative contracts
Net fair value of oil and gas derivative contracts outstanding as of December 31, 2018	\$ (4,419)
Contracts settled	377
Change in the futures curve of forecasted commodity prices ⁽¹⁾	(5,871)
Net fair value of oil and gas derivative contracts outstanding as of March 31, 2019	\$ (9,913)

⁽¹⁾ At inception, new derivative contracts entered into by us have no intrinsic value.

A hypothetical upward or downward shift of 10% per Bbl in the NYMEX forward curve for crude oil as of March 31, 2019 would cause a \$0.1 million increase or decrease, respectively, in this fair value liability, and a hypothetical upward or downward shift of 10% per Mcf in the NYMEX forward curve for natural gas as of March 31, 2019 would cause a \$1.1 million increase or decrease, respectively, in this same fair value liability.

Interest Rate Risk

The Company's ability to borrow and the rates offered by lenders can be adversely affected by deteriorations in the credit markets and/or downgrades in the Company's credit rating. CRP's credit facility interest rate is based on a LIBOR spread, which exposes the Company to interest rate risk if we have borrowings outstanding. At March 31, 2019, the Company had no borrowings outstanding under its credit agreement. We do not currently have or intend to enter into any derivative arrangements to protect against fluctuations in interest rates applicable to our outstanding indebtedness.

The Company's remaining long-term debt balance of \$880.9 million consists of our Senior Notes, which have fixed interest rates; therefore, this balance is not affected by interest rate movements. For additional information regarding the Company's debt instruments, see *Note 3—Long-Term Debt*, in Item 1 of Part I of this Quarterly Report.

Item 4. Controls and Procedures

Evaluation of Disclosure Control and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2019. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2019 at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in the system of internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are party to ongoing legal proceedings in the ordinary course of business, including workers' compensation claims and employment-related disputes. While the outcome of these proceedings cannot be predicted with certainty, we do not believe the results of these proceedings, individually or in the aggregate, will have a material adverse effect on our business, financial condition, results of operations or liquidity.

Item 1A. Risk Factors.

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors and other cautionary statements described under the heading "Item 1A. Risk Factors" included in our 2018 Annual Report and the risk factors and other cautionary statements contained in our other SEC filings, which could materially affect our businesses, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. There have been no material changes in our risk factors from those described in our 2018 Annual Report or our other SEC filings.

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Item 6. Exhibits.

Exhibit Number	Description of Exhibit
3.1*	Third Amended and Restated Certificate of Incorporation.
3.2	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 1, 2019).
3.3	Fifth Amended and Restated Limited Liability Company Agreement of Centennial Resource Production, LLC dated as of October 11, 2016 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on October 11, 2016).
3.4	Amendment No. 1 to Fifth Amended and Restated Limited Liability Company Agreement of Centennial Resource Production, LLC dated as of December 28, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on December 29, 2016).
3.5	Amendment No. 2 to Fifth Amended and Restated Limited Liability Company Agreement of Centennial Resource Production, LLC dated as of March 20, 2017 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K filed with the SEC on March 23, 2017).
3.6	Amendment No. 3 to Fifth Amended and Restated Limited Liability Company Agreement of Centennial Resource Production, LLC dated as of June 15, 2018 (incorporated by reference to Exhibit 3.6 to the Company's Quarterly Report on Form 10-Q filed with the SEC on August 6, 2018).
4.1	Indenture, dated as of March 15, 2019, by and among Centennial Resource Production, LLC, the subsidiary guarantors named therein and UMB Bank, N.A. as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed with SEC on March 18, 2019).
10.1*#	Centennial Resource Development, Inc. Employee Stock Purchase Plan
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

Management contract or compensatory plan or agreement.

* Filed herewith.

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 thereto duly authorized.

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ GEORGE S. GLYPHIS

George S. Glyphis

Vice President, Chief Financial Officer and Assistant Secretary

Date: May 6, 2019

**THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
CENTENNIAL RESOURCE DEVELOPMENT, INC.**

May 1, 2019

Centennial Resource Development, Inc., a corporation organized and existing under the laws of the State of Delaware (the “*Corporation*”), DOES HEREBY CERTIFY AS FOLLOWS:

1. The name of the Corporation is “Centennial Resource Development, Inc.”
2. The original Certificate of Incorporation of the Corporation (f/k/a Rockstream Corp.) was filed with the Secretary of State of the State of Delaware on November 4, 2015 (the “*Original Certificate*”). A Certificate of Amendment to the Original Certificate was filed with the Secretary of State of the State of Delaware on November 12, 2015 to change the name of the Corporation to Silver Run Acquisition Corporation (together with the Original Certificate, the “*Amended Certificate*”).
3. An Amended and Restated Certificate of Incorporation, which amended and restated the Amended Certificate in its entirety, was filed with the Secretary of State of the State of Delaware on February 23, 2016 (the “*Amended and Restated Certificate*”).
4. A Second Amended and Restated Certificate of Incorporation (the “*Second Amended and Restated Certificate*”), which amended and restated the Amended and Restated Certificate in its entirety and reflected a name change of the Corporation to Centennial Resource Development, Inc., was filed with the Secretary of State of the State of Delaware on October 11, 2016.
5. This Third Amended and Restated Certificate of Incorporation (the “*Third Amended and Restated Certificate*”), which both restates and further amends the provisions of the Second Amended and Restated Certificate, was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware, as amended from time to time (the “*DGCL*”), and by the Corporation’s stockholders in accordance with Section 212 of the DGCL.
6. This Third Amended and Restated Certificate shall become effective on the date of filing with the Secretary of State of the State of Delaware.
7. The text of the Second Amended and Restated Certificate is hereby amended and restated in its entirety to read as follows:

**ARTICLE I.
NAME**

The name of the corporation is Centennial Resource Development, Inc.

**ARTICLE II.
PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE III.
REGISTERED AGENT**

The address of the Corporation’s registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware, 19801, and the name of the Corporation’s registered agent at such address is The Corporation Trust Company.

**ARTICLE IV.
CAPITALIZATION**

Section 4.1 *Authorized Capital Stock*. The total number of shares of all classes of capital stock, each with a par value of \$0.0001 per share, which the Corporation is authorized to issue is 621,000,000 shares, consisting of (a) 620,000,000 shares of common stock (the “*Common Stock*”), including (i) 600,000,000 shares of Class A Common Stock (the “*Class A Common Stock*”), and (ii) 20,000,000 shares of Class C Common Stock (the “*Class C Common Stock*”), and (b) 1,000,000 shares of preferred stock, par value \$0.0001 per share (the “*Preferred Stock*”).

Section 4.2 *Preferred Stock*. The Board of Directors of the Corporation (the “*Board*”) is hereby expressly authorized to provide out of the unissued shares of the Preferred Stock for one or more series of Preferred Stock and to establish from time to

time the number of shares to be included in each such series and to fix the voting rights, if any, designations, powers, preferences and relative, participating, optional, special and other rights, if any, of each such series and any qualifications, limitations and restrictions thereof, as shall be stated in the resolution or resolutions adopted by the Board providing for the issuance of such series and included in a certificate of designation (a "**Preferred Stock Designation**") filed pursuant to the DGCL, and the Board is hereby expressly vested with the authority to the full extent provided by law, now or hereafter, to adopt any such resolution or resolutions.

Section 4.3 Common Stock.

(a) Voting.

(i) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), the holders of the Common Stock shall exclusively possess all voting power with respect to the Corporation.

(ii) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), the holders of shares of Common Stock shall be entitled to one vote for each such share on each matter properly submitted to the stockholders on which the holders of the Common Stock are entitled to vote.

(iii) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), at any annual or special meeting of the stockholders of the Corporation, holders of the Class A Common Stock and holders of the Class C Common Stock, voting together as a single class, shall have the exclusive right to vote for the election of directors and on all other matters properly submitted to a vote of the stockholders. Notwithstanding the foregoing, except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), holders of shares of any series of Common Stock shall not be entitled to vote on any amendment to this Third Amended and Restated Certificate (including any amendment to any Preferred Stock Designation) that relates solely to the terms of one or more outstanding series of Preferred Stock or other series of Common Stock if the holders of such affected series of Preferred Stock or Common Stock, as applicable, are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Third Amended and Restated Certificate (including any Preferred Stock Designation) or the DGCL.

(b) *[Intentionally omitted]*

(c) Class C Common Stock.

(i) *Permitted Owners*. Shares of Class C Common Stock may be issued only to, and registered in the name of, the Existing Owners (as defined below), their respective successors and assigns as well as their respective transferees permitted in accordance with Section 4.3(c)(iv) (including all subsequent successors, assigns and permitted transferees) (the Existing Owners together with such persons, collectively, "**Permitted Class C Owners**"). As used in this Third Amended and Restated Certificate, (i) "**Existing Owner**" means each of Centennial Resource Development, LLC, a Delaware limited liability company ("**CRD**"), NGP Centennial Follow-On LLC, a Delaware limited liability company, and Celero Energy Company, LP, a Delaware limited partnership, and (ii) "**Common Unit**" means a membership interest in Centennial Resource Production, LLC, a Delaware limited liability company or any successor entities thereto (the "**LLC**"), authorized and issued under its Fifth Amended and Restated Limited Liability Company Agreement, dated as of October 11, 2016, as such agreement may be further amended, restated, amended and restated, supplemented or otherwise modified from time to time (the "**LLC Agreement**"), and constituting a "Common Unit" as defined in the LLC Agreement as in effect as of the effective time of this Third Amended and Restated Certificate.

(ii) *Voting*. Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), for so long as any shares of Class C Common Stock shall remain outstanding, the Corporation shall not, without the prior vote or written consent of the holders of a majority of the shares of Class C Common Stock then outstanding, voting separately as a single class, amend, alter or repeal any provision of this Third Amended and Restated Certificate, whether by merger, consolidation or otherwise, if such amendment, alteration or repeal would alter or change the powers, preferences or relative, participating, optional or other special rights of the Class C Common Stock. Any action required or permitted to be taken at any meeting of the holders of Class C Common Stock may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of the outstanding Class C Common Stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of Class C Common Stock were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which minutes of proceedings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand, or by certified or registered mail, return receipt requested. Prompt written notice of the taking of corporate action without a meeting by less than

unanimous written consent of the holders of Class C Common Stock shall, to the extent required by law, be given to those holders of Class C Common Stock who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for notice of such meeting had been the date that written consents signed by a sufficient number of holders of Class C Common Stock to take the action were delivered to the Corporation.

(iii) *Dividends.* Notwithstanding anything to the contrary in this Third Amended and Restated Certificate, other than as set forth in Section 4.3(e), dividends shall not be declared or paid on the Class C Common Stock.

(iv) *Transfer of Class C Common Stock*

(1) A holder of Class C Common Stock may surrender shares of Class C Common Stock to the Corporation for no consideration at any time. Following the surrender of any shares of Class C Common Stock to the Corporation, the Corporation will take all actions necessary to retire such shares and such shares shall not be re-issued by the Corporation.

(2) A holder of Class C Common Stock may transfer shares of Class C Common Stock to any transferee (other than the Corporation) only if, and only to the extent permitted by the LLC Agreement, such holder also simultaneously transfers an equal number of such holder's Common Units to such transferee in compliance with the LLC Agreement. The transfer restrictions described in this Section 4.3(c)(iv)(2) are referred to as the "**Restrictions**."

(3) Any purported transfer of shares of Class C Common Stock in violation of the Restrictions shall be null and void. If, notwithstanding the Restrictions, a person shall, voluntarily or involuntarily, purportedly become or attempt to become, the purported owner ("**Purported Owner**") of shares of Class C Common Stock in violation of the Restrictions, then the Purported Owner shall not obtain any rights in and to such shares of Class C Common Stock (the "**Restricted Shares**"), and the purported transfer of the Restricted Shares to the Purported Owner shall not be recognized by the Corporation's transfer agent (the "**Transfer Agent**").

(4) Upon a determination by the Board that a person has attempted or may attempt to transfer or to acquire Restricted Shares in violation of the Restrictions, the Board may take such action as it deems advisable to refuse to give effect to such transfer or acquisition on the books and records of the Corporation, including without limitation to cause the Transfer Agent to record the Purported Owner's transferor as the record owner of the Restricted Shares, and to institute proceedings to enjoin or rescind any such transfer or acquisition.

(5) The Board may, to the extent permitted by law, from time to time establish, modify, amend or rescind, by bylaw or otherwise, regulations and procedures that are consistent with the provisions of this Section 4.3(c)(iv) for determining whether any transfer or acquisition of shares of Class C Common Stock would violate the Restrictions and for the orderly application, administration and implementation of the provisions of this Section 4.3(c)(iv). Any such procedures and regulations shall be kept on file with the Secretary of the Corporation and with its Transfer Agent and shall be made available for inspection by any prospective transferee and, upon written request, shall be mailed to holders of shares of Class C Common Stock.

(6) The Board shall have all powers necessary to implement the Restrictions, including without limitation the power to prohibit the transfer of any shares of Class C Common Stock in violation thereof.

(v) *Issuance of Class A Common Stock Upon Redemption; Cancellation of Class C Common Stock.*

(1) To the extent that any Permitted Class C Owner exercises its right pursuant to the LLC Agreement to have its Common Units redeemed by the LLC in accordance with the LLC Agreement, then simultaneous with the payment of the consideration due under the LLC Agreement to such Permitted Class C Owner, the Corporation shall cancel for no consideration a number of shares of Class C Common Stock registered in the name of the redeeming or exchanging Permitted Class C Owner equal to the number of Common Units held by such Permitted Class C Owner that are redeemed or exchanged in such redemption or exchange transaction. The Corporation will at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of issuance upon redemption of the Common Units for Class A Common Stock pursuant to the LLC Agreement, such number of shares of Class A Common Stock that shall be issuable upon any such redemption pursuant to the LLC Agreement; provided that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of any such redemption of Common Units pursuant to the LLC Agreement by delivering to the holder of Common Units upon such redemption cash in lieu of shares of Class A Common Stock in the amount permitted by and provided in the LLC Agreement. All shares of Class A Common Stock that shall be issued upon any such redemption will, upon issuance in accordance with the LLC Agreement, be validly issued, fully paid and nonassessable.

(2) Notwithstanding the Restrictions, (A) in the event that an outstanding share of Class C Common Stock shall cease to be held by a registered holder of Common Units, such share of Class C Common Stock shall automatically and without further action on the part of the Corporation or any holder of Class C Common Stock be cancelled for no consideration, and the Corporation will take all actions necessary to retire such share and such share shall not be re-issued by the Corporation, (B) in the event that one or more of the Common Units held by a registered holder of Class C Common Stock ceases to be held by such holder (other than as a result of a transfer of one or more Common Units together with an equal number of shares of Class C Common Stock as permitted by the LLC Agreement), a corresponding number of shares of Class C Common Stock registered in the name of such holder shall automatically and without further action on the part of the Corporation or such holder be cancelled for no consideration, and the Corporation will take all actions necessary to retire such shares and such shares shall not be re-issued by the Corporation and (C) in the event that no Permitted Class C Owner owns any Common Units that are redeemable pursuant to the LLC Agreement, then all shares of Class C Common Stock will be cancelled for no consideration, and the Corporation will take all actions necessary to retire such shares and such shares shall not be re-issued by the Corporation.

(vi) *Restrictive Legend.* All certificates or book entries representing shares of Class C Common Stock, as the case may be, shall bear a legend substantially in the following form (or in such other form as the Board may determine):

THE SECURITIES REPRESENTED BY THIS [CERTIFICATE][BOOK ENTRY] ARE SUBJECT TO THE RESTRICTIONS (INCLUDING RESTRICTIONS ON TRANSFER) SET FORTH IN THE THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION (A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE CORPORATION AND SHALL BE PROVIDED FREE OF CHARGE TO ANY STOCKHOLDER MAKING A REQUEST THEREFOR).

(vii) *Amendment.* At any time when there are no longer any shares of Class C Common Stock outstanding, this Third Amended and Restated Certificate automatically shall be deemed amended to delete this Section 4.3(c).

(viii) *Liquidation, Dissolution or Winding Up of the Corporation.* The holders of Class C Common Stock shall not be entitled to receive any assets of the Corporation in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation.

(d) Dividends. Subject to applicable law and the rights, if any, of the holders of any outstanding series of the Preferred Stock, the holders of shares of Common Stock (other than holders of shares of Class C Common Stock) shall be entitled to receive such dividends and other distributions (payable in cash, property or capital stock of the Corporation) when, as and if declared thereon by the Board from time to time out of any assets or funds of the Corporation legally available therefor and shall share equally on a per share basis in such dividends and distributions.

(e) Class A Common Stock and Class C Common Stock. In no event shall the shares of either Class A Common Stock or Class C Common Stock be split, divided, or combined (including by way of stock dividend) unless the outstanding shares of the other class shall be proportionately split, divided or combined.

(f) Liquidation, Dissolution or Winding Up of the Corporation. Subject to applicable law, and the rights, if any, of the holders of any outstanding series of the Preferred Stock, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after payment or provision for payment of the debts and other liabilities of the Corporation, the holders of shares of Common Stock (other than holders of shares of Class C Common Stock) shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders, ratably in proportion to the number of shares of Common Stock (other than shares of Class C Common Stock) held by them.

Section 4.4 Rights and Options. The Corporation has the authority to create and issue rights, warrants and options entitling the holders thereof to acquire from the Corporation any shares of its capital stock of any class or classes, with such rights, warrants and options to be evidenced by or in instrument(s) approved by the Board. The Board is empowered to set the exercise price, duration, times for exercise and other terms and conditions of such rights, warrants or options; provided, however, that the consideration to be received for any shares of capital stock issuable upon exercise thereof may not be less than the par value thereof.

ARTICLE V BOARD OF DIRECTORS

Section 5.1 Board Powers. The business and affairs of the Corporation shall be managed by, or under the direction of, the Board. In addition to the powers and authority expressly conferred upon the Board by statute, this Third Amended and Restated Certificate or the Second Amended and Restated Bylaws of the Corporation ("Bylaws"), the Board is hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless,

to the provisions of the DGCL, this Third Amended and Restated Certificate, and any Bylaws adopted by the stockholders; provided, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

Section 5.2 *Number, Election and Term.*

(a) The number of directors of the Corporation, shall be fixed from time to time in the manner provided in the Bylaws.

(b) Subject to Section 5.5, the Board shall be divided into three classes, as nearly equal in number as possible and designated Class I, Class II and Class III. The Board is authorized to assign members of the Board already in office to Class I, Class II or Class III. The term of the initial Class I Directors shall expire at the first annual meeting of the stockholders of the Corporation following the effectiveness of this Third Amended and Restated Certificate; the term of the initial Class II Directors shall expire at the second annual meeting of the stockholders of the Corporation following the effectiveness of this Third Amended and Restated Certificate; and the term of the initial Class III Directors shall expire at the third annual meeting of the stockholders of the Corporation following the effectiveness of this Third Amended and Restated Certificate. At each succeeding annual meeting of the stockholders of the Corporation, beginning with the first annual meeting of the stockholders of the Corporation following the effectiveness of this Third Amended and Restated Certificate, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term or until the election and qualification of their respective successors in office, subject to their earlier death, resignation or removal. Subject to Section 5.5, if the number of directors is changed, any increase or decrease shall be apportioned by the Board among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. The Board is hereby expressly authorized, by resolution or resolutions thereof, to assign members of the Board already in office to the aforesaid classes at the time this Third Amended and Restated Certificate (and therefore such classification) becomes effective in accordance with the DGCL.

(c) Subject to Section 5.5, a director shall hold office until the annual meeting for the year in which his or her term expires and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

(d) Unless and except to the extent that the Bylaws shall so require, the election of directors need not be by written ballot.

(e) Except as otherwise required by law or this Third Amended and Restated Certificate (including any Preferred Stock Designation), at all duly called or convened meetings of stockholders, at which a quorum is present, a nominee for director shall be elected to the Board if the votes cast for such nominee's election exceed the votes cast against such nominee's election (with any abstentions or broker non-votes not counted as a vote cast either for or against that nominee's election); provided, however, that a plurality of the votes cast shall be sufficient to elect a director at any duly called or convened meeting of stockholders, at which a quorum is present, if the Secretary of the Corporation determines that the number of nominees exceeds the number of directors to be elected as of the record date for such meeting. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

Section 5.3 *Newly Created Directorships and Vacancies.* Subject to Section 5.5, newly created directorships resulting from an increase in the number of directors and any vacancies on the Board resulting from death, resignation, retirement, disqualification, removal or other cause may be filled solely and exclusively by a majority vote of the remaining directors then in office, even if less than a quorum, or by a sole remaining director (and not by stockholders), and any director so chosen shall hold office for the remainder of the full term of the class of directors to which the new directorship was added or in which the vacancy occurred and until his or her successor has been elected and qualified, subject, however, to such director's earlier death, resignation, retirement, disqualification or removal.

Section 5.4 *Removal.* Subject to Section 5.5, any or all of the directors may be removed from office at any time, but only for cause and only by the affirmative vote of holders of a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 5.5 *Stock - Directors.* Notwithstanding any other provision of this Article V, and except as otherwise required by law, whenever the holders of one or more series of the Preferred Stock shall have the right, voting separately by class or series, to elect one or more directors, the term of office, the filling of vacancies, the removal from office and other features of such directorships shall be governed by the terms of such series of the Preferred Stock as set forth in this Third Amended and Restated Certificate (including any Preferred Stock Designation) and such directors shall not be included in any of the classes created pursuant to this Article V unless expressly provided by such terms.

**ARTICLE VI.
BYLAWS**

In furtherance and not in limitation of the powers conferred upon it by law, the Board shall have the power and is expressly authorized to adopt, amend, alter or repeal the Bylaws. The affirmative vote of a majority of the Board shall be required to adopt, amend, alter or repeal the Bylaws. The Bylaws also may be adopted, amended, altered or repealed by the stockholders; provided, however, that in addition to any vote of the holders of any class or series of capital stock of the Corporation required by law or by this Third Amended and Restated Certificate (including any Preferred Stock Designation), the affirmative vote of the holders of at least a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend, alter or repeal the Bylaws; and provided further, however, that no Bylaws hereafter adopted by the stockholders shall invalidate any prior act of the Board that would have been valid if such Bylaws had not been adopted.

**ARTICLE VII.
MEETINGS OF STOCKHOLDERS;
ACTION BY WRITTEN CONSENT**

Section 7.1 Meetings. Subject to the rights, if any, of the holders of any outstanding series of the Preferred Stock, and to the requirements of applicable law, special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, Chief Executive Officer of the Corporation, or the Board pursuant to a resolution adopted by a majority of the Board, and the ability of the stockholders to call a special meeting is hereby specifically denied. Except as provided in the foregoing sentence, special meetings of stockholders may not be called by another person or persons.

Section 7.2 Advance Notice. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws.

Section 7.3 Action by Written Consent. Except as may be otherwise provided for or fixed pursuant to this Third Amended and Restated Certificate (including any Preferred Stock Designation) relating to the rights of the holders of any outstanding series of Preferred Stock, any action required or permitted to be taken by the stockholders of the Corporation must be effected by a duly called annual or special meeting of such stockholders and may not be effected by written consent of the stockholders.

**ARTICLE VIII.
LIMITED LIABILITY; INDEMNIFICATION**

Section 8.1 Limitation of Director Liability. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL as the same exists or may hereafter be amended unless they violated their duty of loyalty to the Corporation or its stockholders, acted in bad faith, knowingly or intentionally violated the law, authorized unlawful payments of dividends, unlawful stock purchases or unlawful redemptions, or derived improper personal benefit from their actions as directors. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

Section 8.2 Indemnification and Advancement of Expenses.

(a) To the fullest extent permitted by applicable law, as the same exists or may hereafter be amended, the Corporation shall indemnify and hold harmless each person who is or was made a party to or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, other enterprise or nonprofit entity, including service with respect to an employee benefit plan (an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer, employee or agent, or in any other capacity while serving as a director, officer, employee or agent, against all liability and loss suffered and expenses (including, without limitation, attorneys' fees, judgments, fines, ERISA excise taxes and penalties and amounts paid in settlement) reasonably incurred by such indemnitee in connection with such proceeding. The Corporation shall to the fullest extent not prohibited by applicable law pay the expenses (including attorneys' fees) incurred by an indemnitee in defending or otherwise participating in any proceeding in advance of its final disposition; provided, however, that, to the extent required by applicable law, such payment of expenses in advance of the final disposition of the proceeding shall be made only upon receipt of an undertaking, by or on behalf of the indemnitee, to repay all

amounts so advanced if it shall ultimately be determined that the indemnitee is not entitled to be indemnified under this Section 8.2 or otherwise. The rights to indemnification and advancement of expenses conferred by this Section 8.2 shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators. Notwithstanding the foregoing provisions of this Section 8.2(a), except for proceedings to enforce rights to indemnification and advancement of expenses, the Corporation shall indemnify and advance expenses to an indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board.

(b) The rights to indemnification and advancement of expenses conferred on any indemnitee by this Section 8.2 shall not be exclusive of any other rights that any indemnitee may have or hereafter acquire under law, this Third Amended and Restated Certificate, the Bylaws, an agreement, vote of stockholders or disinterested directors, or otherwise.

(c) Any repeal or amendment of this Section 8.2 by the stockholders of the Corporation or by changes in law, or the adoption of any other provision of this Third Amended and Restated Certificate inconsistent with this Section 8.2, shall, unless otherwise required by law, be prospective only (except to the extent such amendment or change in law permits the Corporation to provide broader indemnification rights on a retroactive basis than permitted prior thereto), and shall not in any way diminish or adversely affect any right or protection existing at the time of such repeal or amendment or adoption of such inconsistent provision in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to such repeal or amendment or adoption of such inconsistent provision.

(d) This Section 8.2 shall not limit the right of the Corporation, to the extent and in the manner authorized or permitted by law, to indemnify and to advance expenses to persons other than indemnitees.

ARTICLE IX. CORPORATE OPPORTUNITY

The doctrine of corporate opportunity, or any other analogous doctrine, shall not apply with respect to the Corporation or any of its officers or directors, or any of their respective affiliates, in circumstances where the application of any such doctrine would conflict with any fiduciary duties or contractual obligations they may have as of the date of this Third Amended and Restated Certificate or in the future. In addition to the foregoing, the doctrine of corporate opportunity shall not apply to any other corporate opportunity with respect to any of the directors or officers of the Corporation unless such corporate opportunity is offered to such person solely in his or her capacity as a director or officer of the Corporation and such opportunity is one the Corporation is legally and contractually permitted to undertake and would otherwise be reasonable for the Corporation to pursue.

ARTICLE X. AMENDMENT OF THIS THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

The Corporation reserves the right at any time and from time to time to amend, alter, change or repeal any provision contained in this Third Amended and Restated Certificate (including any Preferred Stock Designation), and other provisions authorized by the laws of the State of Delaware at the time in force that may be added or inserted, in the manner now or hereafter prescribed by this Third Amended and Restated Certificate and the DGCL; and, except as set forth in Article VIII, all rights, preferences and privileges of whatever nature herein conferred upon stockholders, directors or any other persons by and pursuant to this Third Amended and Restated Certificate in its present form or as hereafter amended are granted subject to the right reserved in this Article X.

IN WITNESS WHEREOF, Centennial Resource Development, Inc. has caused this Third Amended and Restated Certificate to be duly executed and acknowledged in its name and on its behalf by an authorized officer as of the date first set forth above.

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ Mark G. Papa
Name: Mark G. Papa
Title: Chief Executive Officer

[Signature Page to Third Amended and Restated Certificate of Incorporation]

CENTENNIAL RESOURCE DEVELOPMENT, INC. 2019 EMPLOYEE STOCK PURCHASE PLAN
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ARTICLE I.**PURPOSE**

The purposes of this Centennial Resource Development, Inc. 2019 Employee Stock Purchase Plan (as it may be amended or restated from time to time, the “*Plan*”) are to assist Eligible Employees of Centennial Resource Development, Inc., a Delaware corporation (the “*Company*”), and its Designated Subsidiaries in acquiring a stock ownership interest in the Company, and to help Eligible Employees provide for their future security and to encourage them to remain in the employment of the Company and its Designated Subsidiaries. The Plan is not intended to qualify as an “employee stock purchase plan” within the meaning of Section 423(b) of the Code but is intended to constitute a “stock purchase plan” within the meaning of Rule 16b-3(b)(5) under the Exchange Act.

ARTICLE II.**DEFINITIONS AND CONSTRUCTION**

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates. Masculine, feminine and neuter pronouns are used interchangeably and each comprehends the others.

2.1 “*Administrator*” shall mean the entity that conducts the general administration of the Plan as provided in Article XI. The term “Administrator” shall refer to the Committee unless the Board has assumed the authority for administration of the Plan as provided in Article XI.

2.2 “*Agent*” shall mean any brokerage firm, bank or other financial institution, entity or person(s), if any, engaged, retained, appointed or authorized to act as the agent of the Company or an Employee with regard to the Plan.

2.3 “*Applicable Law*” shall mean the requirements relating to the administration of equity incentive plans under U.S. federal and state securities, tax and other applicable laws, rules and regulations, the applicable rules of any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws and rules of any foreign country or other jurisdiction where rights under this Plan are granted.

2.4 “*Board*” shall mean the Board of Directors of the Company.

2.5 “*Change in Control*” shall mean and include each of the following:

(a) A transaction or series of transactions (other than an offering of Common Stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its Subsidiaries, an employee benefit plan maintained by the Company or any of its Subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c)) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such

person, the “**Successor Entity**”) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 50% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control has occurred pursuant to the above definition, the date of the occurrence of such Change in Control and any incidental matters relating thereto. Notwithstanding the foregoing, if a Change in Control constitutes a payment event with respect to any compensation that is subject to Section 409A of the Code, to the extent required to avoid the imposition of additional taxes under Section 409A of the Code, the transaction or event described in subsection (a), (b) or (c) with respect to such compensation shall only constitute a Change in Control for purposes of the payment timing of such compensation if such transaction also constitutes a “change in control event,” as defined in Treasury Regulation Section 1.409A-3(i)(5).

2.6 “**Code**” shall mean the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

2.7 “**Common Stock**” shall mean the Class A common stock of the Company.

2.8 “**Company**” shall mean Centennial Resource Development, Inc., a Delaware corporation, or any successor.

2.9 “**Compensation**” of an Eligible Employee shall mean the gross base cash compensation received by such Eligible Employee as compensation for services to the Company or any Designated Subsidiary, including overtime payments and excluding sales commissions, incentive compensation, bonuses, expense reimbursements, fringe benefits, moving expenses, equity compensation and other special payments.

2.10 “**Designated Subsidiary**” shall mean any Subsidiary designated by the Administrator in accordance with Section 11.3(b).

2.11 “**Effective Date**” shall mean the date the Plan is approved by the Company’s stockholders.

2.12 “**Eligible Employee**” shall mean any Employee of the Company or any Designated Subsidiary, provided that “Eligible Employee” shall not include (a) any director of the Company or a Designated Subsidiary who does not render services to the Company or a Designated Subsidiary as an employee within the meaning of Section 3401(c) of the Code, (b) unless determined otherwise by the Administrator, any Employee whose customary employment is for not more than five months in any calendar year or (c) any Employee who immediately after any rights under this Plan are granted, owns (directly or through attribution) stock or non-corporate equity interests possessing 5% or more of the total combined voting power or value of Common Stock and other stock or non-corporate equity interests of the Company or a Designated Subsidiary (as determined under Section 423(b)(3) of the Code with respect to stock of a corporation and under the principles of Section 423(b)(3) with respect to non-corporate equity interests). For purposes of the foregoing, (i) the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual and the principles of such rules shall apply in determining the non-corporate equity ownership of an individual and (ii) stock that an Employee may purchase under outstanding options shall be treated as stock owned by the Employee. In addition, the Administrator may provide in an Offering Document that an Employee will not be an Eligible Employee for a particular Offering Period if: (A) the Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code, (B) the Employee has not met a service requirement designated by the Administrator, which service requirement may not exceed two years, (C) the Employee’s customary employment is for twenty hours per week or less, (D) the Employee’s customary employment is for less than five months in any calendar year or (E) the Employee is a citizen or resident of a foreign jurisdiction and the grant of a right to purchase Common Stock under the Plan to such Employee would be prohibited under the laws of such foreign jurisdiction or the grant of a right to purchase Common Stock under the Plan to the Employee in compliance with the laws of such foreign jurisdiction would cause the Plan to violate the requirements of Section 423(b)(3), (4) or (5) of the Code, as determined by the Administrator in its sole discretion; provided that any exclusion in clauses (A), (B), (C), (D) or (E) shall be applied in an identical manner under each Offering Period to all Employees, in accordance with Treasury Regulation Section 1.423-2(e) (or the principles thereof with respect to Employees of a Designated Subsidiary that is not a corporation for U.S. federal income tax purposes).

2.13 “**Employee**” shall mean any person who renders services to the Company or any Designated Subsidiary in the capacity of an employee within the meaning Section 3401(c) of the Code. Solely for purposes of the Plan, (i) an Employee’s employment relationship will be treated as continuing intact for up to two (2) months while the individual is on sick leave or other leave of absence meeting the requirements of Treasury Regulation Section 1.421-1(h)(2), (ii) the Employee’s employment relationship will be treated as terminated on the first day immediately following expiration of such two (2)-month period and (iii) if the Employee returns to active service following a period of leave exceeding two (2) months, the Employee’s employment relationship will be treated as commencing again on first date of the next Offering Period that begins following the Employee’s return to active service (provided that the requirements for being an Employee are otherwise satisfied).

2.14 “**Enrollment Date**” shall mean the first Trading Day of each Offering Period.

2.15 “**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended.

2.16 “**Fair Market Value**” means, as of any date, the value of Common Stock determined as follows: (i) if the Common Stock is listed on any established stock exchange, its Fair Market Value will be the closing sales price for such Common Stock as quoted on such exchange for such date, or if no sale occurred on such date, the last day preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; (ii) if the Common Stock is not traded on a stock exchange but is quoted on a national market or other quotation system, the closing sales price on such date, or if no sales occurred on such date, then on the last date preceding such date during which a sale occurred, as reported in The Wall Street Journal or another source the Administrator deems reliable; or (iii) without an established market for the Common Stock, the Administrator will determine the Fair Market Value in its discretion.

2.17 “**Offering Document**” shall have the meaning given to such term in Section 4.1.

2.18 “**Offering Period**” shall have the meaning given to such term in Section 4.1.

2.19 “**Participant**” shall mean any Eligible Employee who has executed a Subscription Agreement and been granted rights to purchase Common Stock pursuant to the Plan.

2.20 “**Partnership**” shall mean Centennial Resource Production, LLC, a Delaware limited liability company.

2.21 “**Plan**” shall mean this 2019 Employee Stock Purchase Plan.

2.22 “**Purchase Date**” shall mean the last Trading Day of each Offering Period.

2.23 “**Purchase Price**” shall mean the purchase price designated by the Administrator in the applicable Offering Document (which purchase price shall not be less than 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower); provided, however, that, in the event no purchase price is designated by the Administrator in the applicable Offering Document, the purchase price for the Offering Periods covered by such Offering Document shall be 85% of the Fair Market Value of a Share on the Enrollment Date or on the Purchase Date, whichever is lower; provided, further, that the Purchase Price may be adjusted by the Administrator pursuant to Article VIII and shall not be less than the par value of a Share.

2.24 “**Securities Act**” shall mean the Securities Act of 1933, as amended.

2.25 “**Share**” shall mean a share of Common Stock.

2.26 “**Subscription Agreement**” shall mean a subscription agreement, enrollment form or electronic enrollment process, each as may be approved and implemented by the Company from time to time to enable Eligible Employees to enroll in the Plan pursuant to the terms hereof.

2.27 “**Subsidiary**” shall mean shall mean (a) any corporation, other than the Company, in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in an unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, (b) any partnership or limited liability company of which fifty percent (50%) or more of the equity interests are owned, directly or indirectly, by the Company, the Partnership and/or by one or more Subsidiaries, and (c) any other entity not described in clauses (a) or (b) above of which fifty percent (50%) or more of the ownership and the power (whether voting interests or otherwise), pursuant to a written contract or agreement, to direct the policies and management or the financial and the other affairs thereof, are owned or controlled by the Company, the Partnership and/or by one or more Subsidiaries.

2.28 “**Trading Day**” shall mean a day on which national stock exchanges in the United States are open for trading.

ARTICLE III.

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. Subject to Article VIII, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be 2,000,000 Shares. If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for issuance under the Plan.

3.2 Stock Distributed. Any Common Stock distributed pursuant to the Plan may consist, in whole or in part, of authorized and unissued Common Stock, treasury stock or Common Stock purchased on the open market.

ARTICLE IV.

OFFERING PERIODS; OFFERING DOCUMENTS; PURCHASE DATES

4.1 Offering Periods. The Administrator may from time to time grant rights to purchase Common Stock under the Plan to Eligible Employees during one or more periods (each, an “*Offering Period*”) selected by the Administrator. The terms and conditions applicable to each Offering Period shall be set forth in an “*Offering Document*” adopted by the Administrator, which Offering Document shall be in such form and shall contain such terms and conditions as the Administrator shall deem appropriate and shall be incorporated by reference into and made part of the Plan and shall be attached hereto as part of the Plan. The provisions of separate Offering Periods under the Plan need not be identical.

4.2 Offering Documents. Each Offering Document with respect to an Offering Period shall specify (through incorporation of the provisions of this Plan by reference or otherwise):

- (a) the length of the Offering Period; and
- (b) such other provisions as the Administrator determines are appropriate, subject to the Plan.

ARTICLE V.

ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Any Eligible Employee who shall be employed by the Company or a Designated Subsidiary on a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of this Article V.

5.2 Enrollment in Plan.

(a) Except as otherwise set forth in an Offering Document or determined by the Administrator, an Eligible Employee may become a Participant in the Plan for an Offering Period by delivering a Subscription Agreement to the Company by such time prior to the Enrollment Date for such Offering Period (or such other date specified in the Offering Document) designated by the Administrator and in such form as the Company provides.

(b) Each Subscription Agreement shall designate a whole percentage of such Eligible Employee’s Compensation to be withheld by the Company or the Designated Subsidiary employing such Eligible Employee on each payday during the Offering Period as payroll deductions under the Plan. The percentage of Compensation designated by an Eligible Employee may not be less than 1% and may not be more than the maximum percentage specified by the Administrator in the applicable Offering Document (which percentage shall be 15% in the absence of any such designation) as payroll deductions. The payroll deductions made for each Participant shall be on an after-tax basis and shall be credited to an account for such Participant under the Plan and shall be deposited with the general funds of the Company.

(c) Unless otherwise determined by the Administrator, a Participant may not increase or decrease the percentage of Compensation designated in his or her Subscription Agreement or suspend the Participant’s payroll deductions during an Offering Period (but for the avoidance of doubt, may withdraw from participation under the Plan as provided in Article VII).

(d) Except as otherwise set forth in an Offering Document or determined by the Administrator, a Participant may participate in the Plan only by means of payroll deduction and may not make contributions by lump sum payment for any Offering Period.

5.3 Payroll Deductions. Except as otherwise provided in the applicable Offering Document, payroll deductions for a Participant shall commence on the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which the Participant’s authorization is applicable, unless sooner terminated by the Participant as provided in Article VII.

5.4 Effect of Enrollment. A Participant’s completion of a Subscription Agreement will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant either submits a new Subscription Agreement, withdraws from participation under the Plan as provided in Article VII or otherwise becomes ineligible to participate in the Plan.

5.5 Limitation on Purchase of Common Stock. An Eligible Employee may be granted rights under the Plan only if such rights do not permit such Employee’s rights to purchase stock of the Company or any Designated Subsidiary to accrue at a rate that exceeds \$25,000 of the fair market value of such stock (determined as of the first day of the Offering Period during which such rights are granted) for each calendar year in which such rights are outstanding at any time. This limitation shall be applied in accordance with the principles of Section 423(b)(8) of the Code.

5.6 Foreign Employees. In order to facilitate participation in the Plan, the Administrator may provide for such special terms applicable to Participants who are citizens or residents of a foreign jurisdiction, or who are employed by a Designated Subsidiary outside of the United States, as the Administrator may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Administrator may approve such supplements to, or amendments, restatements, sub-plans to or alternative versions of this Plan as it may consider necessary or appropriate for such purposes without thereby affecting the terms of this Plan as in effect for any other purpose. No such special terms, supplements, amendments or restatements shall include

any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Company.

ARTICLE VI.

GRANT AND EXERCISE OF RIGHTS

6.1 Grant of Rights. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall, subject to the limits in Section 5.5, have the right to buy, on the applicable Purchase Date during such Offering Period (at the applicable Purchase Price), such number of whole Shares as is determined by dividing (a) such Participant's payroll deductions accumulated prior to such Purchase Date and retained in the Participant's account as of the Purchase Date, by (b) the applicable Purchase Price (rounded down to the nearest Share). The right shall expire on the last Purchase Date of the Offering Period or, if earlier, upon a Participant ceasing to be an Eligible Employee.

6.2 Exercise of Rights. On each Purchase Date, subject to the Participant remaining an Eligible Employee through such Purchase Date, each Participant's accumulated payroll deductions and any other additional payments specifically provided for in the applicable Offering Document will be applied to the purchase of whole Shares pursuant to the terms of the Plan and the applicable Offering Document at the Purchase Price. No fractional Shares shall be issued upon the exercise of rights granted under the Plan, unless the Offering Document specifically provides otherwise. Any cash in lieu of fractional Shares remaining after the purchase of whole Shares upon exercise of a purchase right will be credited to a Participant's account and carried forward and applied toward the purchase of whole Shares for the next following Offering Period. Shares issued pursuant to the Plan may be evidenced in such manner as the Administrator may determine and may be issued in certificated form or issued pursuant to book-entry procedures.

6.3 Pro Rata Allocation of Shares. If the Administrator determines that, on a given Purchase Date, the number of Shares with respect to which rights are to be exercised may exceed (a) the number of Shares that were available for issuance under the Plan on the Enrollment Date of the applicable Offering Period, or (b) the number of Shares available for issuance under the Plan on such Purchase Date, the Administrator may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all Participants for whom rights to purchase Common Stock are to be exercised pursuant to this Article VI on such Purchase Date, and shall either (i) continue all Offering Periods then in effect, or (ii) terminate any or all Offering Periods then in effect pursuant to Article IX. The Company may make pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

6.4 Withholding. Each Participant must pay the Company or a Designated Subsidiary, or make provision satisfactory to the Administrator for payment in accordance with the Plan of, any taxes required by law to be withheld with respect to any purchase of Shares under the Plan or any sale of such Shares by the date of the event creating the tax liability. Subject to any Company insider trading policy (including blackout periods) and Section 12.6, except as otherwise determined by the Administrator, Participants may satisfy such tax obligations (i) in cash, by wire transfer of immediately available funds, or by check made payable to the order of the Company or a Designated Subsidiary, provided that (A) the Company may limit the use of the foregoing payment forms if one or more of the payment forms below is permitted and (B) the Company may, or may cause a Designated Subsidiary to, deduct an amount sufficient to satisfy such tax obligations based on the applicable statutory withholding rates (or such other rate as may be determined by the Company after considering any accounting consequences or costs) from any payment of any kind otherwise due to a Participant, (ii) in whole or in part by delivery of Shares valued at their Fair Market Value on the Purchase Date, (iii) if there is a public market for Shares at the time the tax obligations are satisfied, (A) delivery (including telephonically to the extent permitted by the Company) of an irrevocable and unconditional undertaking by a broker acceptable to the Company to deliver promptly to the Company or a Designated Subsidiary sufficient funds to satisfy the tax obligations, or (B) delivery by the Participant to the Company or a Designated Subsidiary of a copy of irrevocable and unconditional instructions to a broker acceptable to the Company to deliver promptly to the Company or a Designated Subsidiary cash or a check sufficient to satisfy the tax withholding; provided that such amount is paid to the Company or a Designated Subsidiary at such time as may be required by the Company, or (iv) any combination of the foregoing payment forms. Subject to Section 12.6, if any tax withholding obligation will be satisfied under clause (ii) of the immediately preceding sentence by the retention of Shares purchased upon exercise of a Participant's rights under the Plan creating the tax obligation and there is a public market for Shares at the time the tax obligation is satisfied, the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on the applicable Participant's behalf some or all of the Shares retained and to remit the proceeds of the sale to the Company, a Designated Subsidiary or their respective designees, and each Participant's exercise of a Participant's rights under the Plan will constitute the Participant's authorization to the Company or a Designated Subsidiary and instruction and authorization to such brokerage firm to complete the transactions described in this sentence. Participant acknowledges that Participant is ultimately liable and responsible for all taxes owed in connection with the purchase of Shares under the Plan and any subsequent sale of such

Shares, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Shares. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the purchase or the subsequent sale of Shares under the Plan.

6.5 Conditions to Issuance of Common Stock. The Company shall not be required to issue or deliver any certificate or certificates for, or make any book entries evidencing, Shares purchased upon the exercise of rights under the Plan prior to fulfillment of all of the following conditions:

(a) The admission of such Shares to listing on all stock exchanges, if any, on which the Common Stock is then listed;

(b) The completion of any registration or other qualification of such Shares under any state or federal law or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Administrator shall, in its absolute discretion, deem necessary or advisable;

(c) The obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable;

(d) The payment in accordance with Section 6.4 to the Company of all amounts that it is required to withhold under federal, state or local law upon exercise of the rights, if any; and

(e) The lapse of such reasonable period of time following the exercise of the rights as the Administrator may from time to time establish for reasons of administrative convenience.

6.6 Mandatory Holding Period. Notwithstanding anything in the Plan to the contrary and other than to satisfy withholding tax obligations in accordance with Section 6.4, unless the Administrator otherwise determines, a Participant may not lend, offer, pledge, sell, contract to sell, sell or grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Shares acquired under the Plan or any securities convertible into or exchangeable for such Shares (in any case, a "Transfer") prior to the expiration of the period beginning on and including the Purchase Date on which such Shares were acquired under the Plan and ending on the date that is six (6) months following such Purchase Date. Any attempted Transfer of Shares in violation of this Section 6.6 will be null and void. The Company will not be required to (a) recognize on its books any Transfers in violation of this Section 6.6 or (b) treat as owner of a Share any purchaser or other transferee to whom a Share has been Transferred in violation of this Section 6.6. To ensure compliance with the requirements of this Section 6.6, the Company may issue "stop transfer" instructions to its transfer agent, if any, or make notations to the same effect in its records, in each case, as the Company determines to be necessary or appropriate.

ARTICLE VII

WITHDRAWAL; CESSATION OF ELIGIBILITY

7.1 Withdrawal. A Participant may withdraw all but not less than all of the payroll deductions credited to his or her account and not yet used to exercise his or her rights under the Plan at any time by giving written notice to the Company in a form acceptable to the Company no later than one week prior to the end of the Offering Period (or another date designated by the Administrator in the Offering Document). All of the Participant's payroll deductions credited to his or her account during an Offering Period shall be paid to such Participant as soon as reasonably practicable after receipt of notice of withdrawal and such Participant's rights for the Offering Period shall be automatically terminated, and no further payroll deductions for the purchase of Shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the next Offering Period unless the Participant timely delivers to the Company a new Subscription Agreement.

7.2 Future Participation. A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or a Designated Subsidiary or in subsequent Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

7.3 Cessation of Eligibility. Upon a Participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan pursuant to this Article VII and the payroll deductions credited to such Participant's account during the Offering Period shall be paid to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 12.4, as soon as reasonably practicable, and such Participant's purchase rights under the Plan shall be automatically terminated.

ARTICLE VIII.

ADJUSTMENTS UPON CHANGES IN STOCK

8.1 Changes in Capitalization. Subject to Section 8.3, in the event that the Administrator determines that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), Change in Control, reorganization, merger, amalgamation, consolidation, combination, repurchase, recapitalization, liquidation, dissolution, or sale, transfer, exchange or other disposition of all or substantially all of the assets of the Company, or sale or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event, as determined by the Administrator, affects the Common Stock such that an adjustment is determined by the Administrator to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended by the Company to be made available under the Plan or with respect to any outstanding purchase rights under the Plan, the Administrator shall make equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of Shares (or other securities or property) that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Section 3.1); (b) the class(es) and number of Shares and price per Share subject to outstanding rights; and (c) the Purchase Price with respect to any outstanding rights.

8.2 Other Adjustments. Subject to Section 8.3, in the event of any transaction or event described in Section 8.1 or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in Applicable Law or accounting principles, the Administrator, in its discretion, and on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any right under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(a) To provide for either (i) termination of any outstanding right in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the exercise of such right had such right been currently exercisable or (ii) the replacement of such outstanding right with other rights or property selected by the Administrator in its sole discretion;

(b) To provide that the outstanding rights under the Plan shall be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar rights covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(c) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding rights under the Plan and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;

(d) To provide that Participants' accumulated payroll deductions may be used to purchase Common Stock prior to the next occurring Purchase Date on such date as the Administrator determines in its sole discretion and the Participants' rights under the ongoing Offering Period(s) shall be terminated; and

(e) To provide that all outstanding rights shall terminate without being exercised.

8.3 No Adjustment Under Certain Circumstances. No adjustment or action described in this Article VIII or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to fail to satisfy the requirements of Section 423(b)(3), (4) or (5) of the Code.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares subject to outstanding rights under the Plan or the Purchase Price with respect to any outstanding rights.

ARTICLE IX.

AMENDMENT, MODIFICATION AND TERMINATION

9.1 Amendment, Modification and Termination. The Administrator may amend, suspend or terminate the Plan at any time and from time to time. The Board will obtain stockholder approval of any Plan amendment to the extent necessary to comply with Applicable Laws.

9.2 Certain Changes to Plan. Without stockholder consent and without regard to whether any Participant rights may be considered to have been adversely affected, subject to Section 12.6, the Administrator shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld from Compensation during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in

excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, and establish such other limitations or procedures as the Administrator determines in its sole discretion to be advisable that are consistent with the Plan.

9.3 Actions In the Event of Unfavorable Financial Accounting Consequences. In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

- (a) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;
- (b) shortening any Offering Period so that the Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the Administrator action; and
- (c) allocating Shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Participant.

9.4 Payments Upon Termination of Plan. Upon termination of the Plan, the balance in each Participant's Plan account shall be refunded as soon as practicable after such termination, without any interest thereon.

ARTICLE X. TERM OF PLAN

The Plan shall be effective upon the Effective Date. No rights may be granted under the Plan during any period of suspension of the Plan or after termination of the Plan.

ARTICLE XI. ADMINISTRATION

11.1 Administrator. Unless otherwise determined by the Board, the Administrator of the Plan shall be the Compensation Committee of the Board (or another committee or a subcommittee of the Board to which the Board delegates administration of the Plan) (such committee, the "**Committee**"), which, unless otherwise determined by the Board, at the time the Committee takes any action with respect to any rights under the Plan that are subject to Rule 16b-3, shall consist solely of two or more members of the Board, each of whom is intended to qualify as a "non-employee director" as defined by Rule 16b-3 of the Exchange Act. The Committee may delegate administrative tasks under the Plan to the services of an Agent or Employee to assist in the administration of the Plan, including establishing and maintaining individual accounts under the Plan for each Participant. The Board may at any time vest in the Board any authority or duties for administration of the Plan.

11.2 Action by the Administrator. Unless otherwise established by the Board or in any charter of the Administrator, a majority of the Administrator shall constitute a quorum. The acts of a majority of the members present at any meeting at which a quorum is present and, subject to Applicable Law and the bylaws of the Company, acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or any Designated Subsidiary, the Company's independent certified public accountants, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

11.3 Authority of Administrator. The Administrator shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

- (a) To determine when and how rights to purchase Common Stock shall be granted and the provisions of each offering of such rights (which need not be identical).
- (b) To designate from time to time which Subsidiaries of the Company shall be Designated Subsidiaries, which designation may be made without the approval of the stockholders of the Company.
- (c) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Administrator, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.
- (d) To amend, suspend or terminate the Plan as provided in Article IX.
- (e) Generally, to exercise such powers and to perform such acts as the Administrator deems necessary or expedient to promote the best interests of the Company and its Subsidiaries.

11.4 Decisions Binding. The Administrator's interpretation of the Plan, any rights granted pursuant to the Plan, any Subscription Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

ARTICLE XII. MISCELLANEOUS

12.1 Restriction upon Assignment. A right granted under the Plan shall not be transferable and is exercisable only by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or alienation of the Participant's interest in the Plan, the Participant's rights under the Plan or any rights thereunder.

12.2 Rights as a Stockholder. With respect to Shares subject to a right granted under the Plan, a Participant shall not be deemed to be a stockholder of the Company, and the Participant shall not have any of the rights or privileges of a stockholder, until such Shares have been issued to the Participant following exercise of the Participant's rights under the Plan. No adjustments shall be made for dividends (ordinary or extraordinary, whether in cash securities, or other property) or distribution or other rights for which the record date occurs prior to the date of such issuance, except as otherwise expressly provided herein or as determined by the Administrator.

12.3 Interest. No interest shall accrue on the payroll deductions or contributions of a Participant under the Plan.

12.4 Designation of Beneficiary.

(a) A Participant may, in the manner determined by the Administrator, file a written designation of a beneficiary who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to a Purchase Date on which the Participant's rights are exercised but prior to delivery to such Participant of such Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the Participant's rights under the Plan. If the Participant is married and resides in a community property state, a designation of a person other than the Participant's spouse as his or her beneficiary shall not be effective without the prior written consent of the Participant's spouse.

(b) Such designation of beneficiary may be changed by the Participant at any time by written notice to the Company. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

12.5 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

12.6 Equal Rights and Privileges. Subject to Section 5.6, all Eligible Employees will have equal rights and privileges under this Plan, and any provision of this Plan that is inconsistent with the equal rights and privileges requirement of Section 423 of the Code will, without further act or amendment by the Company, the Board or the Administrator, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code.

12.7 Use of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

12.8 Reports. Statements of account shall be given to Participants at least annually, which statements shall set forth the amounts of payroll deductions, the Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

12.9 No Employment Rights. Nothing in the Plan shall be construed to give any person (including any Eligible Employee or Participant) the right to remain in the employ of the Company or any Subsidiary or affect the right of the Company or any Subsidiary to terminate the employment of any person (including any Eligible Employee or Participant) at any time, with or without cause.

12.10 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.11 Electronic Forms. To the extent permitted by Applicable Law and in the discretion of the Administrator, an Eligible Employee may submit any form or notice as set forth herein by means of an electronic form approved by the Administrator. Before the commencement of an Offering Period, the Administrator shall prescribe the time limits within which any such electronic form shall be submitted to the Administrator with respect to such Offering Period in order to be a valid election.

12.12 Section 409A. Neither the Plan nor any rights to purchase Common Stock under the Plan granted hereunder is intended to constitute or provide for “nonqualified deferred compensation” within the meaning of Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, if the Administrator determines that any right to purchase Common Stock under the Plan may be or become subject to Section 409A of the Code, the Administrator may adopt such amendments to the Plan and/or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions as the Administrator determines are necessary or appropriate to avoid the imposition of taxes under Section 409A of the Code, either through compliance with the requirements of Section 409A of the Code or with an available exemption therefrom.

* * * * *

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Mark G. Papa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this “report”) of Centennial Resource Development, Inc. (the “registrant”);
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)) 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 6, 2019

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ MARK G. PAPA

Mark G. Papa

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, George S. Glyphis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this “report”) of Centennial Resource Development, Inc. (the “registrant”);
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)) 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 6, 2019

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ GEORGE S. GLYPHIS

George S. Glyphis
Vice President, Chief Financial Officer and Assistant Secretary (Principal Financial Officer)

**CERTIFICATION 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 on Form 10-Q for the quarter ended March 31, 2019 of Centennial Resource Development, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark G. Papa, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 6, 2019

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ MARK G. PAPA

Mark G. Papa

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION 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 on Form 10-Q for the quarter ended March 31, 2019 of Centennial Resource Development, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George S. Glyphis, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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 6, 2019

CENTENNIAL RESOURCE DEVELOPMENT, INC.

By: /s/ GEORGE S. GLYPHIS

George S. Glyphis

Vice President, Chief Financial Officer and Assistant Secretary (Principal Financial Officer)