

# CENTENNIAL

*Core Oil  
Delaware Basin Pure-Play*

***Second Quarter 2021  
Earnings Presentation***

*August 3, 2021*



# Important Information

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## **Forward-Looking Statements**

The information in this presentation includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this presentation, 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 presentation, the words “could,” “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. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the development, production, gathering and sale of oil and natural gas. These risks include, but are not limited to, commodity price volatility, the COVID-19 pandemic and governmental responses thereto, inflation, lack of availability of drilling and production equipment and services, environmental and weather risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating oil and gas reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures and the other risks described in our filings with the Securities and Exchange Commission. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this presentation.

## **Use of Non-GAAP Financial Measures**

This presentation includes non-GAAP financial measures, such as Adjusted EBITDAX, free cash flow (deficit), net debt and net debt to last twelve months (“LTM”) EBITDAX. Please refer to slide 15 for a reconciliation of Adjusted EBITDAX to net income, the most comparable GAAP measure. We believe Adjusted EBITDAX is useful as it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period and against our peers without regard to financing methods or capital structure. We exclude the items listed on slide 15 from net income (loss) in arriving at Adjusted EBITDAX because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDAX should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDAX are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historic cost of depreciable assets, none of which are components of Adjusted EBITDAX. Our presentation of Adjusted EBITDAX should not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of Adjusted EBITDAX may not be comparable to other similarly titled measures of other companies.

Please refer to slide 16 for a reconciliation of free cash flow (deficit) to net cash provided by operating activities, the most comparable GAAP measure. We believe free cash flow (deficit) is a useful indicator of the Company’s ability to internally fund its exploration and development activities and to service or incur additional debt, without regard to the timing of settlement of either operating assets and liabilities or accounts payable related to capital expenditures. The Company believes that this measure, as so adjusted, presents a meaningful indicator of the Company’s actual sources and uses of capital associated with its operations conducted during the applicable period. Our computations of free cash flow (deficit) may not be comparable to other similarly titled measures of other companies. Free cash flow (deficit) should not be considered as an alternative to, or more meaningful than, cash provided by operating activities as determined in accordance with GAAP or as indicator of our operating performance or liquidity.

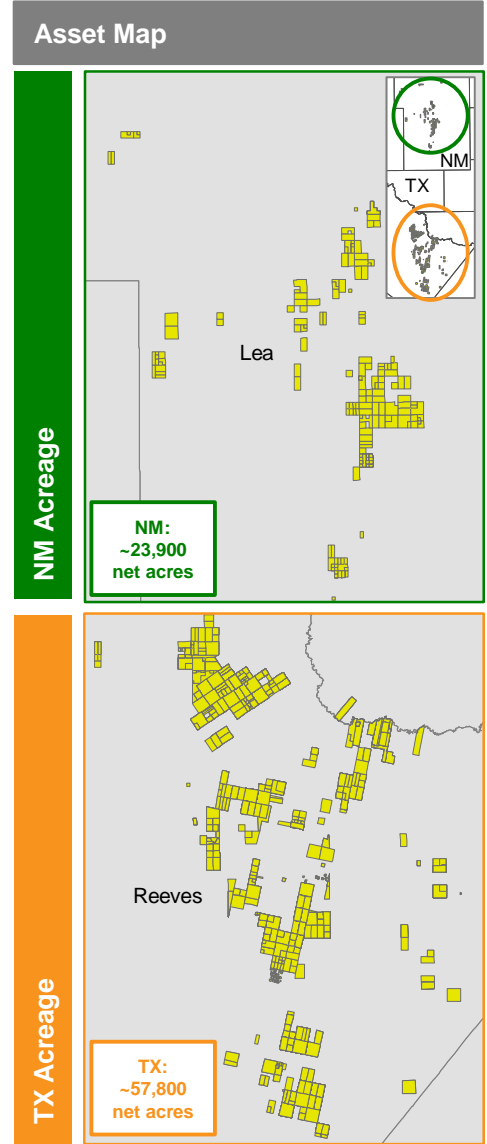
The Company defines net debt as the aggregate principal amount of the Company’s long-term debt, minus cash and cash equivalents. The Company presents this metric to help evaluate its capital structure and financial leverage and believes that it is widely used by professional research analysts, including credit analysts, and others in the evaluation of total leverage.

The Company defines net debt to LTM EBITDAX as net debt (defined above) divided by Adjusted EBITDAX (reconciled on slide 15) for the prior twelve-month period. The Company presents this metric to show trends that investors may find useful in understanding the Company’s ability to service its debt. This metric is widely used by professional research analysts, including credit analysts, in the valuation and comparison of companies in the oil and gas exploration and production industry.

# Centennial Resource Development Overview

## Core Acreage and Strong Execution Track Record

- ✓ **Large, contiguous acreage position in the Delaware Basin core**
  - Acreage in core of the Northern & Southern Delaware
  - ~81,700 net acres
  - ~97% operated and ~88% held by production
  - Minimal Federal exposure (~4%)
- ✓ **Proven operational execution**
  - Maintaining significant improvements to cost structure
  - 2021 drilling program driving increased capital efficiency and carrying operational improvements forward
  - Two-rig flat drilling program for 2021
- ✓ **High-quality asset with significant inventory depth**
  - Proven development from 10 distinct zones across the Northern and Southern Delaware
  - 15+ years of economic inventory<sup>1</sup>
- ✓ **FCF profile supports organic de-leveraging and strong liquidity profile**
  - Generated record FCF and reduced total debt outstanding in Q2
  - Expect net debt / LTM EBITDAX to be below 2.0x by YE'21
  - ~\$445mm of liquidity as of 6/30/21
  - No senior note maturities until early 2026
- ✓ **Continued focus on ESG initiatives**
  - Minimizing emissions through increased gas capture
  - Improvements in sustainability through water recycling program, minimizing water trucking and utilization of dual-fuel operations
  - Published inaugural Corporate Sustainability Report



(1) Assuming a two-rig flat program and \$45/Bbl oil pricing

# Centennial Resource Development Q2'21 Highlights

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- Generated record free cash flow of ~\$34mm, representing fourth consecutive quarter of positive FCF
  - Expect FY'21 FCF of ~\$140 - 170mm<sup>1</sup>
- Continued debt repayment and rapid organic de-leveraging
  - Repaid \$35mm of revolver borrowings<sup>2</sup>
  - Reduced net debt / LTM EBITDAX to 3.0x from 4.3x at 3/31/21
  - Reduced net debt / LQA EBITDAX to 2.1x from 2.7x at 3/31/21
- Increased average daily oil production 13% QoQ
- Delivered solid well results from both Northern and Southern Delaware Basins
- Continued to drive strong operational efficiencies
  - Reduced average spud to rig release days by 18% QoQ
- Initiated solid base of oil hedges for FY'22 at an average price of >\$64 / Bo WTI

(1) Assuming current strip prices

(2) Assumes 3/31/21 borrowings of \$290mm pro forma for the Senior Secured Second Lien note redemption that occurred on 4/14/21

# Progress Report on Key 2021 Targets

## Initial 2021 Targets<sup>1</sup>

- Generate \$55-75mm of FCF
- Operate two-rig drilling program
- Target < 2.5x leverage by YE'21

## Updated 2021 Targets<sup>2</sup>

- ✓ Expect to generate ~\$140 - 170mm of FCF
- ✓ Remain committed to current two-rig program despite increase in prices
- ✓ Targeting < 2.0x leverage by YE'21

***Centennial is outperforming original expectations for free cash flow and organic de-leveraging***

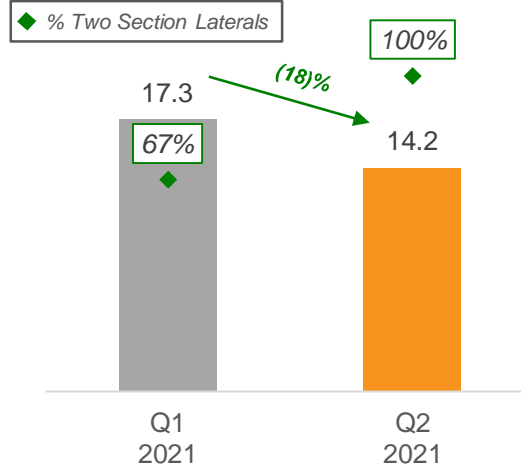
(1) Targets discussed during earnings release in February 2021  
(2) Assuming current strip prices

# Q2 2021 Operations Dashboard

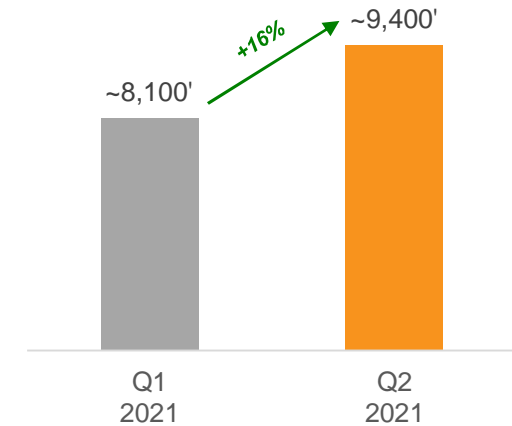
## Continuing to Drive Strong Operational Efficiencies

- Q2'21 wells delivered for average gross cost of ~\$800 / ft.<sup>1</sup>
  - 37% reduction compared to FY'19
- Continue to drive higher drilling efficiencies, resulting in significant reduction in cycle times
  - 18% decrease in spud to rig release days QoQ, while increasing lateral length by 16%
  - Recently set Company record of spud to TD in 8.6 days for ~22,500' well in New Mexico<sup>2</sup>
- Increased efficiencies without sacrificing well quality
  - ~97% in-zone during Q2'21
- D&C design / process refinement
  - Reduced down-days
  - Casing design improvements
  - Reduced mobilization times
  - Redesigned facilities
- Focused on driving additional efficiencies for remainder of the year

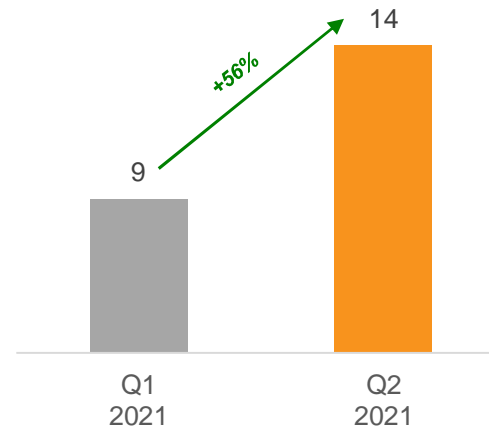
### Spud to Rig Release (Days)



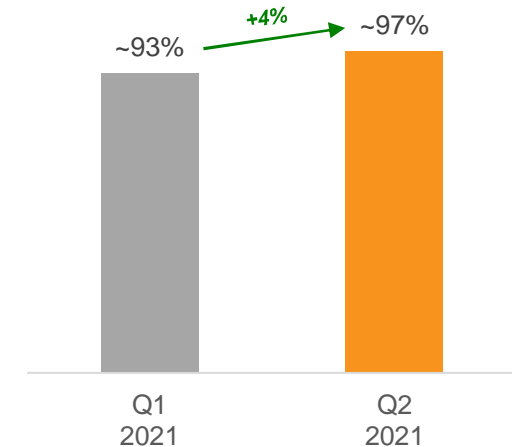
### Lateral Length (Feet)



### Total Spuds



### % of Lateral in Target Window<sup>3</sup>

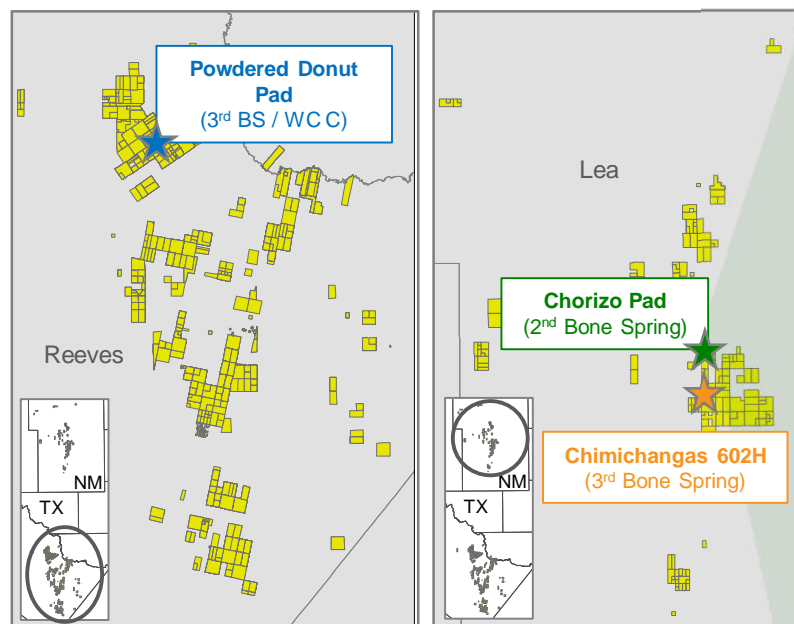


(1) Represents total completed well costs - including drilling, completion, facilities and flowback costs  
 (2) 22,500' represents total measured depth (includes both vertical and horizontal footage)  
 (3) Represents percentage within an approximately 30-foot target window

# Delivering Strong Well Results Across Position

## Q2 Well Highlights

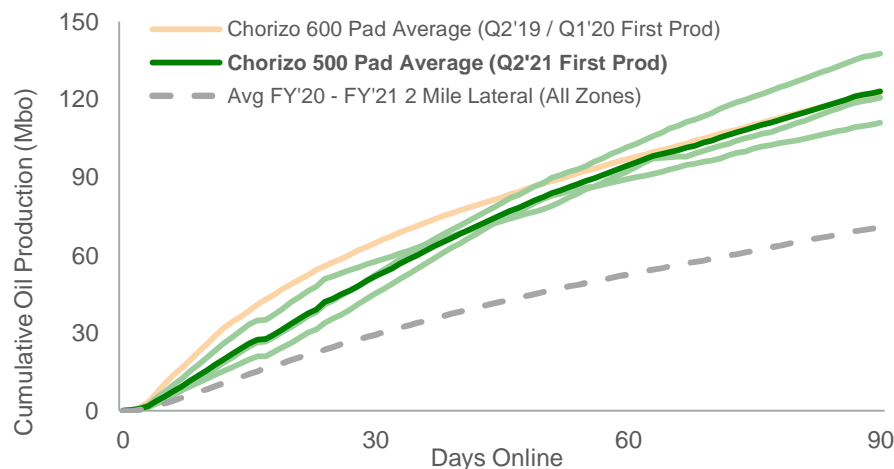
**Delivered strong Q2 results across multiple formations in the Northern and Southern Delaware**



|                      | Chorizo Pad Average | Chimichangas 602H | Powdered Donut Pad Average |
|----------------------|---------------------|-------------------|----------------------------|
| Lateral length (ft.) | 9,800'              | 9,800'            | 9,000'                     |
| IP30 (Boe/d)         | 2,295               | 2,722             | 2,530                      |
| IP60 (Boe/d)         | 1,957               | 2,132             | 2,175                      |
| % oil <sup>1</sup>   | 84%                 | 82%               | 43%                        |

## Chorizo 500 Pad Review

- Chorizo 500 pad: returned to an existing producing unit with significant stacked pay
  - Previously drilled the Chorizo 600 pads in the 3rd Bone Spring in Q2'19 / Q1'20
- Drilled and completed for an average well cost of ~\$675 / lateral foot
  - ~45% improvement in DC&F costs vs prior Chorizo 600 pads
- Exhibits Centennial's continued focus on capital efficiency and rate of return, driving costs lower while maintaining overall well productivity



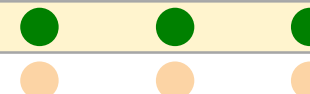
- New CDEV Development
- Existing Producers

### Formation

- 1<sup>st</sup> Bone Spring Sand
- 2<sup>nd</sup> Bone Spring Sand
- 3<sup>rd</sup> Bone Spring Sand

### Illustrative Chorizo Unit

2<sup>nd</sup> Bone Spring development, offsetting existing 3<sup>rd</sup> Bone Spring producers

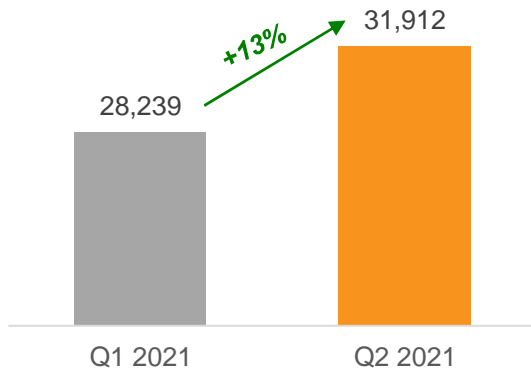


Note: Cumulative oil production curves shown on a non-normalized basis  
 (1) Oil cut figures shown on a two-stream basis, based on IP30 rate

# Q2 2021: Executing on Game Plan

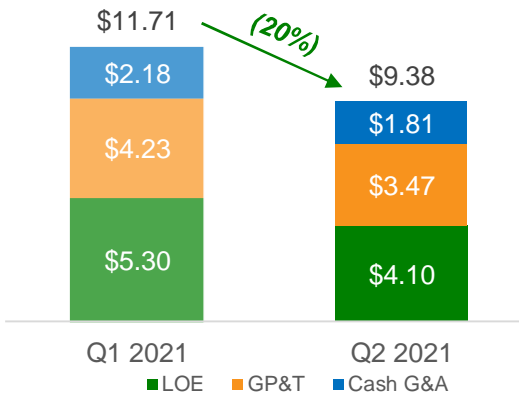
## 1 Normalized Oil Production (Bo/d)

Returned to normalized production levels after disruption from Winter Storm Uri in Q1'21



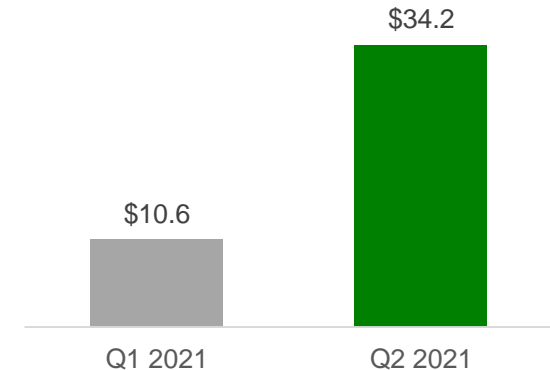
## 2 Significant Reduction in Unit Costs (\$ / Boe)

Decreased total unit costs, driven by higher production levels and continued corporate and operational efficiency



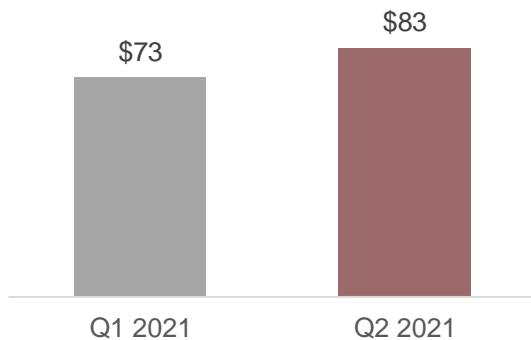
## 3 Free Cash Flow Supporting De-leveraging

Generated \$34mm of free cash flow which supported a ~1.3x reduction in leverage

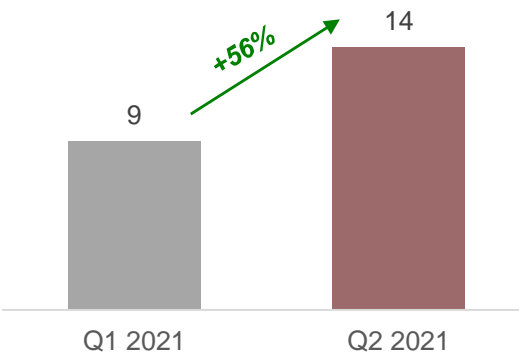


## 4 Continuing to Deliver on Capital Efficient Program

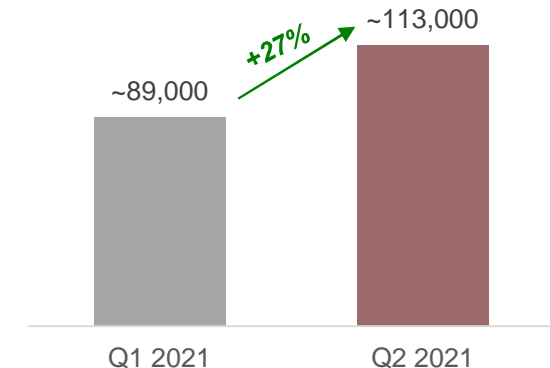
### Total Capital (\$ mm)



### Wells Spud



### Lateral Feet Completed<sup>1</sup>



Total capital increased as expected (+14% from Q1'21) while drilling and completion activity increased by ~56% and ~27%, respectively

(1) Represents total gross lateral feet of wells brought online during the quarter

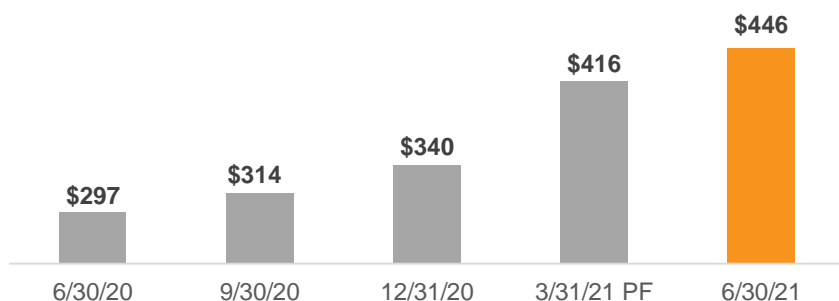


# Capital Structure & Liquidity Overview

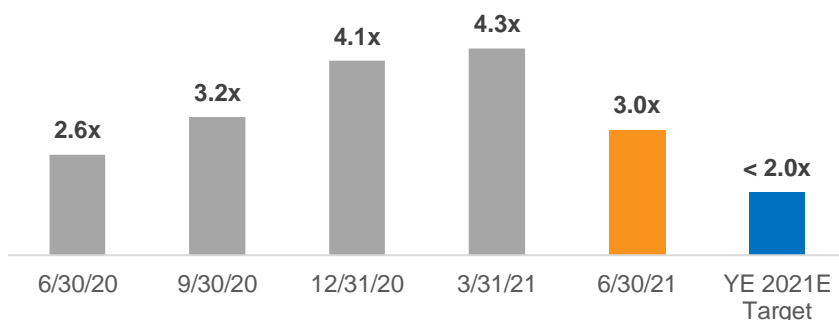
## Overview

- Borrowings of \$255mm drawn on Credit Facility as of 6/30/21
- \$446mm of liquidity at 6/30/21
- 6/30/21 leverage:
  - Net Debt / LTM EBITDAX of 3.0x
  - Net Debt / LQA EBITDAX of 2.1x

## Liquidity Evolution (\$ mm)



## Net Debt / LTM EBITDAX



## Capitalization and Liquidity (\$ mm)

|   | Q1 Pro Forma         | Q2 Actual        |
|---|----------------------|------------------|
| <b>Capitalization</b>                                     | 3/31/21 <sup>1</sup> | 6/30/21          |
| Cash and cash equivalents                                 | \$10.9               | \$4.7            |
| Revolving Credit Facility                                 | 290.8                | 255.0            |
| Senior Unsecured Notes due 2026 <sup>2</sup>              | 289.4                | 289.4            |
| Senior Unsecured Notes due 2027 <sup>2</sup>              | 356.4                | 356.4            |
| Senior Unsecured Exchangeable Notes due 2028 <sup>2</sup> | 170.0                | 170.0            |
| <b>Total Debt</b>   | <b>\$1,106.6</b>     | <b>\$1,070.8</b> |
| Book Equity   | \$2,558.9            | 2,538.3          |
| <b>Total Capitalization</b>                               | <b>\$3,665.5</b>     | <b>\$3,609.1</b> |
| <b>Credit Statistics</b>                                  |                      |                  |
| Net Debt / LTM EBITDAX                                    | 4.3x                 | 3.0x             |
| Net Debt / LQA EBITDAX                                    | 2.7x                 | 2.1x             |
| <b>Liquidity (\$mm)</b>                                   |                      |                  |
| Borrowing Base  | \$700.0              | \$700.0          |
| Facility Availability <sup>3</sup>                        | 700.0                | 700.0            |
| Less: RCF Borrowings                                      | (290.8)              | (255.0)          |
| Less: Letters of Credit                                   | (4.3)                | (4.0)            |
| Plus: Cash  | 10.9                 | 4.7              |
| <b>Liquidity<sup>3</sup></b>                              | <b>\$415.8</b>       | <b>\$445.7</b>   |
| <i>Facility availability utilization</i>                  | <i>42%</i>           | <i>36%</i>       |

(1) Senior Secured Second Lien note redemption occurred on 4/14/21, Pro forma metrics reflect redemption

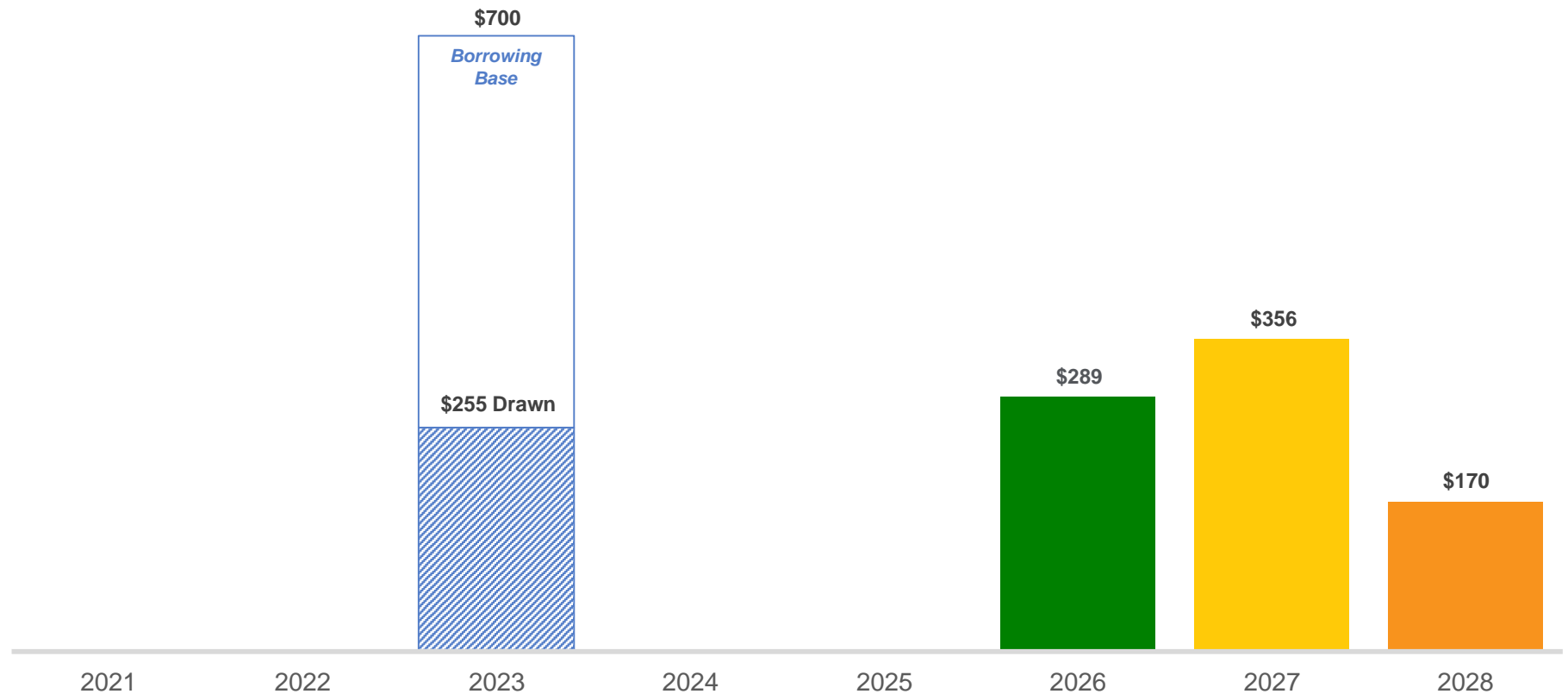
(2) Reflects the aggregate principal amount and is not adjusted for unamortized debt issuance costs and discounts

(3) Q1'21 facility availability & liquidity shown pro forma for Senior Secured Second Lien note redemption (which occurred after quarter-end) and reflects the elimination of the ~\$32mm availability blocker associated with Second Lien Notes

# No Near-Term Senior Note Maturities

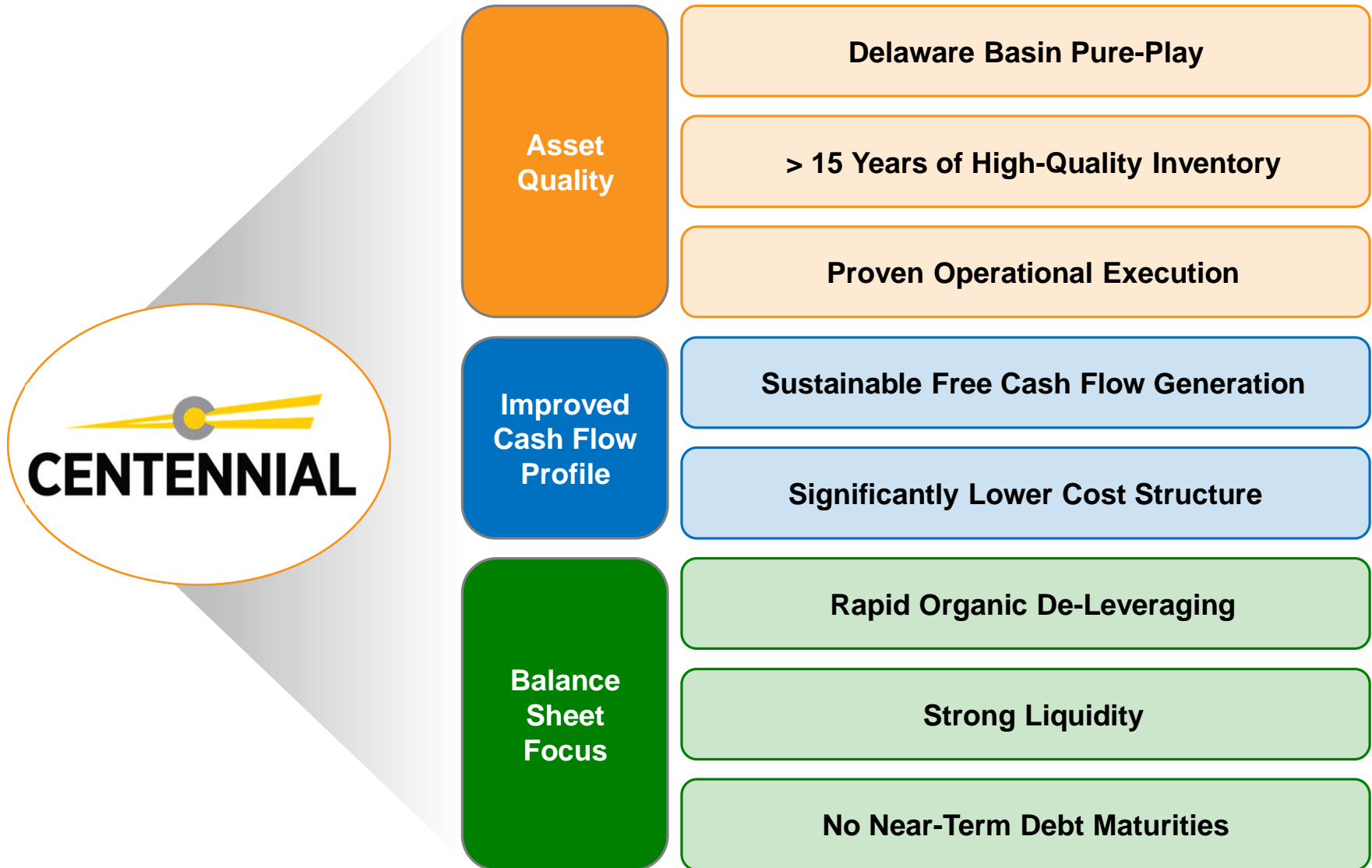
## Debt Maturity Profile as of 6/30/21 (\$mm)<sup>1</sup>

- Credit Facility Borrowings
- 5.375% Sr. Unsecured Notes
- 6.875% Sr. Unsecured Notes
- 3.250% Sr. Unsecured Convertible Notes



(1) Reflects the aggregate principal amount and is not adjusted for unamortized debt issuance costs and discounts

# Centennial 2.0: Investment Highlights





Appendix

# Quarterly Financial Results

## Financial Summary (\$mm, unless otherwise noted)<sup>1</sup>

| (\$ in millions, unless specified)     | FY 2020   |           |           |           | FY 2021   |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | Q1        | Q2        | Q3        | Q4        | Q1        | Q2        |
| Average Daily Production (Boe/d)       | 71,820    | 68,245    | 68,934    | 59,708    | 54,202    | 61,647    |
| Average Daily Oil Production (Bo/d)    | 41,512    | 37,411    | 35,292    | 30,196    | 28,239    | 31,912    |
| % Oil                                  | 58%       | 55%       | 51%       | 51%       | 52%       | 52%       |
| <b>Financial highlights</b>            |           |           |           |           |           |           |
| Total Revenue                          | \$192.8   | \$90.5    | \$149.1   | \$148.1   | \$192.4   | \$232.6   |
| Pre-Hedge Realized Oil Price (\$/Bbl)  | \$45.14   | \$21.47   | \$36.95   | \$40.36   | \$52.62   | \$60.99   |
| Adjusted EBITDAX <sup>2</sup>          | \$113.5   | \$24.4    | \$50.9    | \$79.1    | \$99.8    | \$126.8   |
| Net Income (loss) <sup>3</sup>         | (\$548.0) | \$5.3     | (\$51.5)  | (\$88.7)  | (\$34.6)  | (\$25.1)  |
| <b>Unit Costs (\$/Boe)</b>             |           |           |           |           |           |           |
| Lease Operating Expense                | \$4.99    | \$4.16    | \$3.87    | \$4.78    | \$5.30    | \$4.10    |
| Gathering, Processing & Transportation | 2.59      | 2.78      | 3.02      | 3.27      | 4.23      | 3.47      |
| Severance & Ad Valorem Taxes           | 2.54      | 0.92      | 1.24      | 1.69      | 2.58      | 2.81      |
| Cash G&A                               | 1.99      | 2.21      | 1.94      | 1.96      | 2.18      | 1.81      |
| Depreciation, Depletion & Amortization | 15.49     | 14.98     | 14.10     | 13.62     | 13.08     | 13.09     |
| <b>Capital Expenditures Incurred</b>   |           |           |           |           |           |           |
| Drilling, Completion & Facilities      | \$162.2   | \$23.7    | \$20.3    | \$27.8    | \$70.6    | \$82.3    |
| Infrastructure, Land & Other           | 13.2      | 4.3       | 1.2       | 2.1       | 2.3       | 0.9       |
| Total Capital Expenditures             | \$175.4   | \$28.0    | \$21.5    | \$29.9    | \$72.9    | \$83.2    |
| Cash and Cash Equivalents              | \$3.8     | \$7.2     | \$5.2     | \$5.8     | \$10.9    | \$4.7     |
| Total Debt Outstanding <sup>4</sup>    | \$1,135.0 | \$1,142.9 | \$1,127.9 | \$1,102.9 | \$1,102.9 | \$1,070.8 |
| Liquidity <sup>5</sup>                 | \$468.1   | \$297.2   | \$314.1   | \$339.7   | \$514.8   | \$445.7   |

(1) Amounts may not sum due to rounding

(2) Adjusted EBITDAX is not presented in accordance with generally accepted accounting principles in the United States

(3) Net income (loss) attributable to common shareholders

(4) Reflects the aggregate principal amount

(5) Liquidity defined as cash, plus availability under the revolving credit facility (elected commitment amount in prior year and borrowing base in current year), less availability blocker and letters of credit (Q3'20 liquidity adjusted for letters of credit outstanding at time of Q3'20 earnings announcement of \$4.3mm). Q1'20 liquidity calculation shown pro forma for Spring 2020 Borrowing Base reduction to \$700mm that occurred in April 2020

# Hedge Position Overview

## Hedge Position Overview (as of July 31, 2021)

|                                       |           |           | Bal. 2021 | FY 2022   |           |           |           |           |
|---------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                                       | Q3        | Q4        |           | Q1        | Q2        | Q3        | Q4        | 2022      |
| <b>WTI Fixed Price Swaps</b>          |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | 782,000   | 828,000   | 1,610,000 | 1,035,000 | 819,000   | 552,000   | 460,000   | 2,866,000 |
| Daily Volume (Bbl/d)                  | 8,500     | 9,000     | 8,750     | 11,500    | 9,000     | 6,000     | 5,000     | 7,852     |
| Weighted Average Price (\$ / Bbl)     | \$47.01   | \$49.82   | \$48.46   | \$64.89   | \$64.22   | \$63.50   | \$63.56   | \$64.22   |
| <b>Brent Fixed Price Swaps</b>        |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | 276,000   | 322,000   | 598,000   | --        | --        | --        | --        | --        |
| Daily Volume (Bbl/d)                  | 3,000     | 3,500     | 3,250     | --        | --        | --        | --        | --        |
| Weighted Average Price (\$ / Bbl)     | \$54.85   | \$58.10   | \$56.60   | --        | --        | --        | --        | --        |
| <b>WTI Collars</b>                    |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | 184,000   | 92,000    | 276,000   | --        | --        | --        | --        | --        |
| Daily Volume (Bbl/d)                  | 2,000     | 1,000     | 1,500     | --        | --        | --        | --        | --        |
| Weighted Average Floor (\$ / Bbl)     | \$49.75   | \$42.00   | \$47.17   | --        | --        | --        | --        | --        |
| Weighted Average Ceiling (\$ / Bbl)   | \$58.51   | \$50.10   | \$55.71   | --        | --        | --        | --        | --        |
| <b>Brent Collars</b>                  |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | 230,000   | 138,000   | 368,000   | --        | --        | --        | --        | --        |
| Daily Volume (Bbl/d)                  | 2,500     | 1,500     | 2,000     | --        | --        | --        | --        | --        |
| Weighted Average Floor (\$ / Bbl)     | \$65.00   | \$66.67   | \$65.63   | --        | --        | --        | --        | --        |
| Weighted Average Ceiling (\$ / Bbl)   | \$73.17   | \$74.80   | \$73.78   | --        | --        | --        | --        | --        |
| <b>Mid-Cush Basis Swaps</b>           |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | 736,000   | 644,000   | 1,380,000 | --        | --        | --        | --        | --        |
| Daily Volume (Bbl/d)                  | 8,000     | 7,000     | 7,500     | --        | --        | --        | --        | --        |
| Weighted Average Price (\$ / Bbl)     | \$0.26    | \$0.26    | \$0.26    | --        | --        | --        | --        | --        |
| <b>WTI Roll Fixed Price Swaps</b>     |           |           |           |           |           |           |           |           |
| Total Volume (Bbl)                    | --        | --        | --        | 450,000   | 455,000   | 460,000   | 460,000   | 1,825,000 |
| Daily Volume (Bbl/d)                  | --        | --        | --        | 5,000     | 5,000     | 5,000     | 5,000     | 5,000     |
| Weighted Average Price (\$ / Bbl)     | --        | --        | --        | \$0.60    | \$0.60    | \$0.60    | \$0.60    | \$0.60    |
| <b>Henry Hub Fixed Price Swaps</b>    |           |           |           |           |           |           |           |           |
| Total Volume (MMBtu)                  | 3,680,000 | 3,680,000 | 7,360,000 | 2,700,000 | 1,820,000 | 1,840,000 | 1,230,000 | 7,590,000 |
| Daily Volume (MMBtu/d)                | 40,000    | 40,000    | 40,000    | 30,000    | 20,000    | 20,000    | 13,370    | 20,795    |
| Weighted Average Price (\$ / MMBtu)   | \$2.89    | \$2.95    | \$2.92    | \$3.00    | \$3.01    | \$3.01    | \$3.00    | \$3.00    |
| <b>Henry Hub Collars</b>              |           |           |           |           |           |           |           |           |
| Total Volume (MMBtu)                  | --        | 1,220,000 | 1,220,000 | 1,800,000 | --        | --        | --        | 1,800,000 |
| Daily Volume (MMBtu/d)                | --        | 13,261    | 6,630     | 20,000    | --        | --        | --        | 4,932     |
| Weighted Average Floor (\$ / MMBtu)   | --        | \$3.15    | \$3.15    | \$3.15    | --        | --        | --        | \$3.15    |
| Weighted Average Ceiling (\$ / MMBtu) | --        | \$4.65    | \$4.65    | \$4.65    | --        | --        | --        | \$4.65    |
| <b>Waha Differential Basis Swaps</b>  |           |           |           |           |           |           |           |           |
| Total Volume (MMBtu)                  | 3,680,000 | 4,290,000 | 7,970,000 | 2,700,000 | --        | --        | --        | 2,700,000 |
| Daily Volume (MMBtu/d)                | 40,000    | 46,630    | 43,315    | 30,000    | --        | --        | --        | 7,397     |
| Weighted Average Price (\$ / MMBtu)   | (\$0.30)  | (\$0.24)  | (\$0.27)  | (\$0.18)  | --        | --        | --        | (\$0.18)  |

# Reconciliation of Adjusted EBITDAX to Net Income (Loss)

## Adjusted EBITDAX reconciliation (\$ thousands)<sup>1</sup>

| (\$ in thousands, unless specified)                       | FY 2020          |                 |                 |                 | FY 2021         |                  |
|---|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
|   | Q1               | Q2              | Q3              | Q4              | Q1              | Q2               |
| Net income (loss) attributable to Class A Common Stock    | (\$547,983)      | \$5,330         | (\$51,529)      | (\$88,655)      | (\$34,645)      | (\$25,055)       |
| Net income (loss) attributable to noncontrolling interest | (2,362)          | 0               | 0               | 0               | 0               | 0                |
| Interest expense  | 16,421           | 17,371          | 17,718          | 17,682          | 17,485          | 15,182           |
| Income tax expense (benefit)                              | (83,208)         | (1,916)         | 0               | 0               | 0               | 0                |
| Depreciation, depletion and amortization                  | 101,258          | 93,020          | 89,444          | 74,832          | 63,783          | 73,429           |
| Impairment and abandonment expenses                       | 611,300          | 19,425          | 19,904          | 40,561          | 9,200           | 9,199            |
| (Gain) loss on extinguishment of debt                     | 0                | (143,443)       | 0               | 0               | 0               | 22,156           |
| Non-cash derivative (gain) loss                           | 8,452            | 22,963          | (32,518)        | 18,987          | 28,313          | 17,446           |
| Stock-based compensation expense <sup>2</sup>             | 5,892            | 4,270           | 4,772           | 8,111           | 14,624          | 18,681           |
| Exploration and other expenses                            | 4,009            | 4,051           | 2,670           | 7,625           | 1,095           | 1,764            |
| Workforce reduction severance payments                    | 0                | 2,884           | 582             | 0               | 0               | 0                |
| Transaction costs   | 0                | 476             | 0               | 0               | 0               | 0                |
| (Gain) loss on sale of long-lived assets                  | (245)            | 2               | (145)           | (10)            | (44)            | 8                |
| Proceeds from terminated sale of assets                   | 0                | 0               | 0               | 0               | 0               | (5,983)          |
| <b>Adjusted EBITDAX</b>                                   | <b>\$113,534</b> | <b>\$24,433</b> | <b>\$50,898</b> | <b>\$79,133</b> | <b>\$99,811</b> | <b>\$126,827</b> |

(1) Adjusted EBITDAX is a non-GAAP financial measure

(2) Includes stock-based compensation for equity awards and also for cash-based liability awards that have not yet been settled in cash, both of which relate to general and administrative employees only. Stock-based compensation amounts for geographical and geophysical personnel are included within the Exploration and other expenses line item

## Reconciliation of Free Cash Flow to Operating Cash Flow

| Free Cash Flow (Deficit) reconciliation (\$ thousands) <sup>1</sup> |                             |            |
|---|-----------------------------|------------|
| (\$ in thousands)   | Three Months Ended June 30, |            |
|   | 2021                        | 2020       |
| Net cash provided by operating activities                           | \$107,279                   | (\$16,315) |
| Changes in working capital:   |                             |            |
| Accounts receivable   | \$18,486                    | \$4,961    |
| Prepaid and other assets  | (\$255)                     | (\$304)    |
| Accounts payable and other liabilities                              | (\$8,147)                   | \$13,301   |
| Discretionary cash flow   | \$117,363                   | \$1,643    |
| Less: total capital expenditures incurred                           | (\$83,200)                  | (\$28,000) |
| Free cash flow (deficit)  | \$34,163                    | (\$26,357) |

(1) Free cash flow is a non-GAAP financial measure