

Section 1: 10-Q (10-Q 2ND QUARTER 2019)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2019
Commission File Number 1-8754



SILVERBOW RESOURCES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State of Incorporation)

20-3940661
(I.R.S. Employer Identification No.)

575 North Dairy Ashford, Suite 1200
Houston, Texas 77079
(281) 874-2700

(Address and telephone number of principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SBOW	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition 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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

□

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock (\$.01 Par Value) (Class of Stock)

11,758,317 Shares outstanding at August 1, 2019

SILVERBOW RESOURCES, INC.

FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019

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PART I. FINANCIAL INFORMATION**Condensed Consolidated Balance Sheets (Unaudited)**

SilverBow Resources, Inc. and Subsidiaries (in thousands, except share amounts)

	June 30, 2019	December 31, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,333	\$ 2,465
Accounts receivable, net	34,760	46,472
Fair value of commodity derivatives	21,738	15,261
Other current assets	3,241	2,126
Total Current Assets	<u>63,072</u>	<u>66,324</u>
Property and Equipment:		
Property and equipment, full cost method, including \$49,866 and \$56,715, respectively, of unproved property costs not being amortized at the end of each period	1,144,217	986,100
Less – Accumulated depreciation, depletion, amortization & impairment	(330,638)	(284,804)
Property and Equipment, Net	<u>813,579</u>	<u>701,296</u>
Right of Use Assets	12,568	—
Fair Value of Long-Term Commodity Derivatives	5,910	4,333
Deferred Tax Asset	21,164	—
Other Long-Term Assets	4,895	5,567
Total Assets	<u>\$ 921,188</u>	<u>\$ 777,520</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 33,320	\$ 48,921
Fair value of commodity derivatives	2,035	2,824
Accrued capital costs	28,166	38,073
Accrued interest	1,333	1,513
Current lease liability	7,006	—
Undistributed oil and gas revenues	11,755	14,681
Total Current Liabilities	<u>83,615</u>	<u>106,012</u>
Long-Term Debt, Net	466,433	387,988
Non-Current Lease Liability	5,605	—
Deferred Tax Liabilities	1,446	1,014
Asset Retirement Obligations	4,218	3,956
Fair Value of Long-Term Commodity Derivatives	987	3,723
Commitments and Contingencies (Note 11)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized, 11,838,397 and 11,757,972 shares issued, respectively, and 11,757,573 and 11,692,101 shares outstanding, respectively	118	118
Additional paid-in capital	289,899	286,281
Treasury stock, held at cost, 80,824 and 65,871 shares, respectively	(2,188)	(1,870)
Retained earnings (accumulated deficit)	71,055	(9,702)
Total Stockholders' Equity	<u>358,884</u>	<u>274,827</u>
Total Liabilities and Stockholders' Equity	<u>\$ 921,188</u>	<u>\$ 777,520</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)**Condensed Consolidated Statements of Operations (Unaudited)**

SilverBow Resources, Inc. and Subsidiaries (in thousands, except per-share amounts)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Revenues:		
Oil and gas sales	\$ 74,703	\$ 51,347
Operating Expenses:		
General and administrative, net	6,624	5,794
Depreciation, depletion, and amortization	24,029	13,096
Accretion of asset retirement obligations	86	84
Lease operating costs	5,035	3,760
Workovers	(127)	—
Transportation and gas processing	6,728	5,421
Severance and other taxes	3,950	2,662
Total Operating Expenses	46,325	30,817
Operating Income (Loss)	28,378	20,530
Non-Operating Income (Expense)		
Gain (loss) on commodity derivatives, net	24,925	(10,752)
Interest expense, net	(9,306)	(6,585)
Other income (expense), net	(28)	(546)
Income (Loss) Before Income Taxes	43,969	2,647
Provision (Benefit) for Income Taxes	(20,735)	328
Net Income (Loss)	\$ 64,704	\$ 2,319
Per Share Amounts		
Basic: Net Income (Loss)	\$ 5.51	\$ 0.20
Diluted: Net Income (Loss)	\$ 5.49	\$ 0.20
Weighted-Average Shares Outstanding - Basic	11,746	11,655
Weighted-Average Shares Outstanding - Diluted	11,780	11,757

See accompanying Notes to Condensed Consolidated Financial Statements.

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	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenues:		
Oil and gas sales	\$ 146,768	\$ 104,099
Operating Expenses:		
General and administrative, net	12,900	11,370
Depreciation, depletion, and amortization	45,834	26,228
Accretion of asset retirement obligations	168	243
Lease operating costs	9,567	8,721
Workovers	519	—
Transportation and gas processing	13,135	10,446
Severance and other taxes	7,266	5,692
Total Operating Expenses	89,389	62,700
Operating Income (Loss)	57,379	41,399
Non-Operating Income (Expense)		
Gain (loss) on commodity derivatives, net	20,903	(17,107)
Interest expense, net	(18,065)	(12,474)
Other income (expense), net	37	(703)
Income (Loss) Before Income Taxes	60,254	11,115
Provision (Benefit) for Income Taxes	(20,503)	328
Net Income (Loss)	\$ 80,757	\$ 10,787
Per Share Amounts		
Basic: Net Income (Loss)	\$ 6.89	\$ 0.93
Diluted: Net Income (Loss)	\$ 6.85	\$ 0.92
Weighted-Average Shares Outstanding - Basic	11,727	11,629
Weighted-Average Shares Outstanding - Diluted	11,786	11,742

See accompanying Notes to Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

SilverBow Resources, Inc. and Subsidiaries (in thousands, except share amounts)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total
Balance, December 31, 2017	\$ 116	\$ 279,111	\$ (1,452)	\$ (84,317)	\$ 193,458
Shares issued from option exercise (29,199 shares)	—	708	—	—	708
Purchase of treasury shares (10,458 shares)	—	—	(290)	—	(290)
Issuance of restricted stock (63,275 shares)	1	(1)	—	—	—
Share-based compensation	—	1,485	—	—	1,485
Net Income	—	—	—	8,466	8,466
Balance, March 31, 2018	\$ 117	\$ 281,303	\$ (1,742)	\$ (75,851)	\$ 203,827
Purchase of treasury shares (4,649 shares)	—	—	(128)	—	(128)
Issuance of restricted stock (19,177 shares)	—	—	—	—	—
Share-based compensation	—	1,423	—	—	1,423
Net Income	—	—	—	2,319	2,319
Balance, June 30, 2018	\$ 117	\$ 282,726	\$ (1,870)	\$ (73,532)	\$ 207,441
Balance, December 31, 2018	\$ 118	\$ 286,281	\$ (1,870)	\$ (9,702)	\$ 274,827
Purchase of treasury shares (11,076 shares)	—	—	(260)	—	(260)
Issuance of restricted stock (61,263 shares)	—	—	—	—	—
Share-based compensation	—	1,849	—	—	1,849
Net Income	—	—	—	16,053	16,053
Balance, March 31, 2019	\$ 118	\$ 288,130	\$ (2,130)	\$ 6,351	\$ 292,469
Purchase of treasury shares (3,877 shares)	—	—	(58)	—	(58)
Issuance of restricted stock (19,162 shares)	—	—	—	—	—
Share-based compensation	—	1,769	—	—	1,769
Net Income	—	—	—	64,704	64,704
Balance, June 30, 2019	\$ 118	\$ 289,899	\$ (2,188)	\$ 71,055	\$ 358,884

See accompanying Notes to Condensed Consolidated Financial Statements.

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Condensed Consolidated Statements of Cash Flows (Unaudited)

SilverBow Resources, Inc. and Subsidiaries (in thousands)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash Flows from Operating Activities:		
Net income (loss)	\$ 80,757	\$ 10,787
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation, depletion, and amortization	45,834	26,228
Accretion of asset retirement obligations	168	243
Deferred income taxes	(20,732)	328
Share-based compensation expense	3,339	2,675
(Gain) Loss on derivatives, net	(20,903)	17,107
Cash settlement (paid) received on derivatives	4,381	(1,935)
Settlements of asset retirement obligations	(47)	(144)
Other	1,160	3,374
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable and other current assets	13,411	2,332
Increase (decrease) in accounts payable and accrued liabilities	(6,928)	(8,439)
Increase (decrease) in accrued interest	(180)	491
Net Cash Provided by (Used in) Operating Activities	100,260	53,047
Cash Flows from Investing Activities:		
Additions to property and equipment	(174,138)	(84,097)
Proceeds from the sale of property and equipment	(96)	26,924
Payments on property sale obligations	(2,840)	(6,042)
Net Cash Provided by (Used in) Investing Activities	(177,074)	(63,215)
Cash Flows from Financing Activities:		
Proceeds from bank borrowings	227,000	122,300
Payments of bank borrowings	(149,000)	(113,300)
Net proceeds from issuances of common stock	—	708
Purchase of treasury shares	(318)	(418)
Payments of debt issuance costs	—	(317)
Net Cash Provided by (Used in) Financing Activities	77,682	8,973
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash		
	868	(1,195)
Cash, Cash Equivalents and Restricted Cash, at Beginning of Period	2,465	8,026
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 3,333	\$ 6,831
Supplemental Disclosures of Cash Flow Information:		
Cash paid during period for interest, net of amounts capitalized	\$ 17,128	\$ 10,926
Changes in capital accounts payable and capital accruals	\$ (16,521)	\$ 35,299
Changes in other long-term liabilities for capital expenditures	\$ —	\$ (2,500)

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements (Unaudited)

SilverBow Resources, Inc. and Subsidiaries

(1) General Information

SilverBow Resources, Inc. (“SilverBow,” the “Company,” or “we”) is a growth-oriented independent oil and gas company headquartered in Houston, Texas. The Company’s strategy is focused on acquiring and developing assets in the Eagle Ford Shale located in South Texas. Being a committed and long-term operator in South Texas, the Company possesses a significant understanding of the reservoirs in the region. We leverage this competitive understanding to assemble high quality drilling inventory while continuously enhancing our operations to maximize returns on capital invested.

The condensed consolidated financial statements included herein are unaudited and have been prepared by the Company and reflect necessary adjustments, all of which were of a recurring nature unless otherwise disclosed herein, and are in the opinion of our management necessary for a fair presentation. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission. We believe that the disclosures presented are adequate to allow the information presented not to be misleading. The condensed consolidated financial statements should be read in conjunction with the audited financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on February 28, 2019.

(2) Summary of Significant Accounting Policies

Basis of Presentation. The consolidated financial statements included herein have been prepared by SilverBow, and reflect necessary adjustments, all of which were of a recurring nature unless otherwise disclosed herein, and are in the opinion of our management necessary for a fair presentation.

Principles of Consolidation. The accompanying condensed consolidated financial statements include the accounts of SilverBow and its wholly-owned subsidiaries, which are engaged in the exploration, development, acquisition, and operation of oil and gas properties, with a focus on oil and natural gas reserves in the Eagle Ford trend in Texas. Our undivided interests in oil and gas properties are accounted for using the proportionate consolidation method, whereby our proportionate share of the assets, liabilities, revenues, and expenses are included in the appropriate classifications in the accompanying condensed consolidated financial statements. Intercompany balances and transactions have been eliminated in preparing the accompanying condensed consolidated financial statements.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the reported amounts of certain revenues and expenses during each reporting period. Such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates. Significant estimates and assumptions underlying these financial statements include:

- the estimated quantities of proved oil and natural gas reserves used to compute depletion of oil and natural gas properties, the related present value of estimated future net cash flows there-from, and the Ceiling Test impairment calculation,
- estimates related to the collectability of accounts receivable and the credit worthiness of our customers,
- estimates of the counterparty bank risk related to letters of credit that our customers may have issued on our behalf,
- estimates of future costs to develop and produce reserves,
- accruals related to oil and gas sales, capital expenditures and lease operating expenses,
- estimates in the calculation of share-based compensation expense,
- estimates of our ownership in properties prior to final division of interest determination,
- the estimated future cost and timing of asset retirement obligations,
- estimates made in our income tax calculations,
- estimates in the calculation of the fair value of commodity derivative assets and liabilities,
- estimates in the assessment of current litigation claims against the Company,
- estimates in amounts due with respect to open state regulatory audits, and
- estimates on future lease obligations.

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While we are not currently aware of any material revisions to any of our estimates, there will likely be future revisions to our estimates resulting from matters such as new accounting pronouncements, changes in ownership interests, payouts, joint venture audits, re-allocations by purchasers or pipelines, or other corrections and adjustments common in the oil and gas industry, many of which relate to prior periods. These types of adjustments cannot be currently estimated and are expected to be recorded in the period during which the adjustments are known.

We are subject to legal proceedings, claims, liabilities and environmental matters that arise in the ordinary course of business. We accrue for losses when such losses are considered probable and the amounts can be reasonably estimated.

Property and Equipment. We follow the “full-cost” method of accounting for oil and natural gas property and equipment costs. Under this method of accounting, all productive and nonproductive costs incurred in the exploration, development, and acquisition of oil and natural gas reserves are capitalized. Such costs may be incurred both prior to and after the acquisition of a property and include lease acquisitions, geological and geophysical services, drilling, completion, and equipment. Internal costs incurred that are directly identified with exploration, development, and acquisition activities undertaken by us for our own account, and which are not related to production, general corporate overhead, or similar activities, are also capitalized. For the three months ended June 30, 2019 and 2018, such internal costs when capitalized totaled \$1.3 million and \$1.0 million, respectively. For the six months ended June 30, 2019 and 2018, such internal costs capitalized totaled \$2.9 million and \$2.4 million, respectively. Interest costs are also capitalized to unproved oil and natural gas properties (refer to Note 6 of these Notes to Condensed Consolidated Financial Statements for further discussion on capitalized interest costs).

The “Property and Equipment” balances on the accompanying condensed consolidated balance sheets are summarized for presentation purposes. The following is a detailed breakout of our “Property and Equipment” balances (in thousands):

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Property and Equipment		
Proved oil and gas properties	\$ 1,090,496	\$ 925,865
Unproved oil and gas properties	49,866	56,715
Furniture, fixtures and other equipment	3,855	3,520
Less – Accumulated depreciation, depletion, amortization & impairment	(330,638)	(284,804)
Property and Equipment, Net	<u>\$ 813,579</u>	<u>\$ 701,296</u>

No gains or losses are recognized upon the sale or disposition of oil and natural gas properties, except in transactions involving a significant amount of reserves or where the proceeds from the sale of oil and natural gas properties would significantly alter the relationship between capitalized costs and proved reserves of oil and natural gas attributable to a cost center. Internal costs associated with selling properties are expensed as incurred.

We compute the provision for depreciation, depletion and amortization (“DD&A”) of oil and natural gas properties using the unit-of-production method. Under this method, we compute the provision by multiplying the total unamortized costs of oil and gas properties, including future development costs, gas processing facilities, and both capitalized asset retirement obligations and undiscounted abandonment costs of wells to be drilled, net of salvage values, but excluding costs of unproved properties, by an overall rate determined by dividing the physical units of oil and natural gas produced (which excludes natural gas consumed in operations) during the period by the total estimated units of proved oil and natural gas reserves (which excludes natural gas consumed in operations) at the beginning of the period. Future development costs are estimated on a property-by-property basis based on current economic conditions. The period over which we will amortize these properties is dependent on our production from these properties in future years. Furniture, fixtures and other equipment are recorded at cost and are depreciated by the straight-line method at rates based on the estimated useful lives of the property, which range between two and 20 years. Repairs and maintenance are charged to expense as incurred.

Geological and geophysical (“G&G”) costs incurred on developed properties are recorded in “Proved oil and gas properties” and therefore subject to amortization. G&G costs incurred that are associated with unproved properties are capitalized in “Unproved oil and gas properties” and evaluated as part of the total capitalized costs associated with a prospect. The cost of unproved properties not being amortized is assessed quarterly, on a property-by-property basis, to determine whether such properties have been impaired. In determining whether such costs should be impaired, we evaluate current drilling results, lease expiration dates, current oil and gas industry conditions, economic conditions, capital availability, and available geological and geophysical information. Any impairment assessed is added to the cost of proved properties being amortized.

Full-Cost Ceiling Test. At the end of each quarterly reporting period, the unamortized cost of oil and natural gas properties (including natural gas processing facilities, capitalized asset retirement obligations, net of related salvage values and deferred income taxes) is limited to the sum of the estimated future net revenues from proved properties (excluding cash outflows from recognized asset retirement obligations, including future development and abandonment costs of wells to be drilled, using the preceding 12-months' average price based on closing prices on the first day of each month, adjusted for price differentials, discounted at 10%, and the lower of cost or fair value of unproved properties) adjusted for related income tax effects ("Ceiling Test").

The quarterly calculations of the Ceiling Test and provision for DD&A are based on estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production, timing, and plan of development. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and natural gas that are ultimately recovered. There was no write-down for each of the three and six months ended June 30, 2019 and the three and six months ended June 30, 2018.

If future capital expenditures outpace future discounted net cash flows in our reserve calculations, if we have significant declines in our oil and natural gas reserves volumes (which also reduces our estimate of discounted future net cash flows from proved oil and natural gas reserves) or if oil or natural gas prices decline, it is possible that non-cash write-downs of our oil and natural gas properties will occur in the future. We cannot control and cannot predict what future prices for oil and natural gas will be; therefore, we cannot estimate the amount of any potential future non-cash write-down of our oil and natural gas properties due to decreases in oil or natural gas prices.

Accounts Receivable, Net. We assess the collectability of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At both June 30, 2019 and December 31, 2018, we had an allowance for doubtful accounts of less than \$0.1 million. The allowance for doubtful accounts has been deducted from the total "Accounts receivable, net" balance on the accompanying condensed consolidated balance sheets.

At June 30, 2019, our "Accounts receivable, net" balance included \$25.5 million for oil and gas sales, \$0.8 million due from joint interest owners, \$4.1 million for severance tax credit receivables and \$4.4 million for other receivables. At December 31, 2018, our "Accounts receivable, net" balance included \$36.9 million for oil and gas sales, \$5.6 million due from joint interest owners, \$2.4 million for severance tax credit receivables and \$1.6 million for other receivables.

Supervision Fees. Consistent with industry practice, we charge a supervision fee to the wells we operate, including our wells, in which we own up to a 100% working interest. Supervision fees are recorded as a reduction to "General and administrative, net," on the accompanying condensed consolidated statements of operations. The amount of supervision fees charged for each of the six months ended June 30, 2019 and 2018 did not exceed our actual costs incurred. The total amount of supervision fees charged to the wells we operated was \$1.3 million and \$1.1 million for the three months ended June 30, 2019 and 2018, and \$2.6 million and \$2.2 million for the six months ended June 30, 2019 and 2018, respectively.

Income Taxes. Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of the enacted tax laws.

Tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our policy is to record interest and penalties relating to uncertain tax positions in income tax expense. At June 30, 2019, we did not have any accrued liability for uncertain tax positions and do not anticipate recognition of any significant liabilities for uncertain tax positions during the next 12 months.

The Company was in a net deferred tax asset position prior to valuation allowance considerations, at both June 30, 2019 and December 31, 2018. In prior periods, management had determined that it was not more likely than not that the Company would realize future cash benefits from its remaining federal carryover items and, accordingly, had maintained a full valuation allowance to offset its deferred tax assets. During the quarter ended June 30, 2019, the Company completed several operational initiatives that resulted in increased production, lower development costs and an expanded inventory of development prospects. The successful results attributable to these initiatives led to management's determination, after weighing both positive and negative evidence, that the Company will more likely than not be able to realize the benefits of its deferred tax assets. Accordingly, the Company released \$21.2 million of the valuation allowance, resulting in a net deferred tax benefit of \$20.7 million and \$20.5 million for the three and six months ended June 30, 2019, respectively. The Company recognized state income tax expense of \$0.3 million and \$0.5

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million for the three and six months ended June 30, 2019, respectively. The Company recognized \$0.3 million of state income tax expense for the three and six months ended June 30, 2018.

Revenue Recognition. Our reported oil and gas sales are comprised of revenues from oil, natural gas and natural gas liquids (“NGLs”) sales. Revenues from each product stream are recognized at the point when control of the product is transferred to the customer and collectability is reasonably assured. Prices for our products are either negotiated on a monthly basis or tied to market indices. The Company has determined that these contracts represent performance obligations which are satisfied when control of the commodity transfers to the customer, typically through the delivery of the specified commodity to a designated delivery point. Natural gas revenues are recognized based on the actual volume of natural gas sold to the purchasers.

The following table provides information regarding our oil and gas sales, by product, reported on the Statements of Operations for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 (in thousands):

	<u>Three Months Ended June 30, 2019</u>	<u>Three Months Ended June 30, 2018</u>	<u>Six Months Ended June 30, 2019</u>	<u>Six Months Ended June 30, 2018</u>
Oil, natural gas and NGLs sales:				
Oil	\$ 24,940	\$ 9,638	\$ 39,547	\$ 21,078
Natural gas	43,587	36,369	94,874	72,136
NGLs	6,166	5,339	12,319	10,900
Other	10	—	28	(14)
Total	<u>\$ 74,703</u>	<u>\$ 51,347</u>	<u>\$ 146,768</u>	<u>\$ 104,099</u>

Accounts Payable and Accrued Liabilities. The “Accounts payable and accrued liabilities” balances on the accompanying condensed consolidated balance sheets are summarized below (in thousands):

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Trade accounts payable	\$ 18,560	\$ 32,683
Accrued operating expenses	3,410	3,549
Accrued compensation costs	3,175	4,785
Asset retirement obligations – current portion	270	302
Accrued non-income based taxes	4,279	3,583
Accrued corporate and legal fees	239	534
Other payables	3,387	3,485
Total accounts payable and accrued liabilities	<u>\$ 33,320</u>	<u>\$ 48,921</u>

Cash and Cash Equivalents. We consider all highly liquid instruments with an initial maturity of three months or less to be cash equivalents. These amounts do not include cash balances that are contractually restricted.

Treasury Stock. Our treasury stock repurchases are reported at cost and are included in “Treasury stock held, at cost” on the accompanying condensed consolidated balance sheets. For the six months ended June 30, 2019, we purchased 14,953 treasury shares to satisfy withholding tax obligations arising upon the vesting of restricted shares.

New Accounting Pronouncements. In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-02, which requires lessees to record most leases on the balance sheet. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. The guidance was effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted this standard on January 1, 2019, using the modified retrospective transition approach. 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 Company has made an accounting policy election to keep leases with an initial term of 12 months or less off the Consolidated Balance Sheet. We have elected to not account for lease and non-lease components separately.

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As a result of the adoption, the Company's 2019 opening balances for right-of-use assets and lease liabilities was \$2.2 million, attributable to operating leases. During the second quarter of 2019, the Company recorded additions to right of use assets of \$11.5 million, primarily for equipment leases entered into during the second quarter of 2019. See Note 3 for more information.

(3) Leases

SilverBow Resources has contractual agreements for its corporate office lease, vehicle fleet, drilling rigs, compressors, treating equipment, and for surface use rights. For leases with a primary term of more than 12 months, a right-of-use ("ROU") asset and the corresponding lease liability is recorded. The Company determines at inception if an arrangement is an operating or financing lease. As of June 30, 2019 all of the Company's leases were operating leases.

The initial asset and liability balances are recorded at the present value of the payment obligations over the lease term. If lease terms include options to extend the lease and it is reasonably certain that the Company will exercise that option, the lease term used for capitalization includes the expected renewal periods. Most leases do not provide an implicit interest rate. Unless the lease contract contains an implicit interest rate, the Company uses its incremental borrowing rate at the time of lease inception to compute the fair value of the lease payments. The ROU asset balance and current and non-current lease liabilities are reported separately on the accompanying Condensed Consolidated Balance Sheet. Certain leases have payment terms that vary based on the usage of the underlying assets. Variable lease payments are not included in ROU assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense on a straight-line basis over the lease term.

Lease costs represent the straight-line lease expense of ROU assets and short-term leases. The components of lease cost are classified as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease Costs Included in the Asset Additions in the Condensed Consolidated Balance Sheets		
Property, plant and equipment acquisitions - short-term leases	\$ 2,184	\$ 6,168
Property, plant and equipment acquisitions - operating leases	11	18
Total lease costs in property, plant and equipment additions	<u>\$ 2,195</u>	<u>\$ 6,186</u>
	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Lease Costs Included in the Condensed Consolidated Statement of Operations		
Lease operating costs - short-term leases	\$ 329	\$ 1,664
Lease operating costs - operating leases	1,084	1,138
General and administrative, net - operating leases	175	331
Total lease cost expensed	<u>\$ 1,588</u>	<u>\$ 3,133</u>

The lease term and the discount rate related to the Company's leases are as follows:

	As of June 30, 2019
Weighted-average remaining lease term (in years)	2.1
Weighted-average discount rate	5.0%

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As of June 30, 2019, the Company's future undiscounted cash payment obligation for its operating lease liabilities are as follows (in thousands):

	June 30, 2019	
2019 (remaining after June 30, 2019)	\$	3,503
2020		7,091
2021		2,344
2022		40
2023		40
Thereafter		348
Total undiscounted lease payments	\$	13,366
Present value adjustment		
Net operating lease liabilities	\$	13,366

Supplement cash flow information related to leases was as follows (in thousands):

	Six Months Ended June 30, 2019	
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	1,457
Investing cash flows from operating leases	\$	18

(4) Share-Based Compensation

Share-Based Compensation Plans

In 2016, the Company adopted the 2016 Equity Incentive Plan (as amended from time to time, the "2016 Plan"). The Company also adopted the Inducement Plan (as amended from time to time, the "Inducement Plan," and, together with the 2016 Plan, the "Plans") on December 15, 2016. Under the Plans, the Company does not estimate the forfeiture rate during the initial calculation of compensation cost but rather has elected to account for forfeitures in compensation cost when they occur.

The Company computes a deferred tax benefit for restricted stock awards ("RSUs"), performance-based stock units ("PSUs") and stock options expected to generate future tax deductions by applying its effective tax rate to the expense recorded. For restricted stock units, the Company's actual tax deduction is based on the value of the units at the time of vesting.

The expense for awards issued to both employees and non-employees, which was recorded in "General and administrative, net" in the accompanying condensed consolidated statements of operations was \$1.6 million and \$1.3 million for the three months ended June 30, 2019 and 2018, respectively, and \$3.3 million and \$2.7 million for the six months ended June 30, 2019 and 2018, respectively. Capitalized share-based compensation was \$0.1 million for each of the three months ended June 30, 2019 and 2018, and \$0.3 million and \$0.2 million for the six months ended June 30, 2019 and 2018, respectively.

We view stock option awards and restricted stock unit awards with graded vesting as single awards with an expected life equal to the average expected life of component awards, and we amortize the awards on a straight-line basis over the life of the awards.

On April 2, 2019, our Board of Directors authorized a one-time grant of market-based awards (both RSUs and PSUs) in exchange for the cancellation of special equity awards (both RSUs and stock options) made to our named executive officers on August 9, 2018 (the "Equity Award Exchange"). As required under the terms of the 2016 Plan, this Equity Award Exchange was subject to shareholder approval. Pursuant to the Equity Award Exchange our executives were given the opportunity to exchange out-of-the-money or "underwater" stock options that were granted in August 2018 and certain RSUs also granted in August 2018 to receive a new equity award that consists of 50% time-based RSUs and 50% PSUs, granted under the 2016 Plan. The incremental compensation cost associated with the Equity Award Exchange was determined to be \$1.2 million. This incremental cost was measured as the excess of the fair value of each new equity award, measured as of the date the new equity awards were granted,

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over the fair value of the stock options and RSUs surrendered in exchange for the new equity awards, measured immediately prior to the cancellation. This incremental compensation cost is being recognized ratably over the vesting period or performance period, as applicable, of the new equity awards.

Stock Option Awards

The compensation cost related to stock option awards is based on the grant date fair value and is typically expensed over the vesting period (generally one to five years). We use the Black-Scholes option pricing model to estimate the fair value of stock option awards.

At June 30, 2019, we had \$2.2 million of unrecognized compensation cost related to stock option awards. The following table provides information regarding stock option award activity for the six months ended June 30, 2019:

	Shares	Wtd. Avg. Exer. Price
Options outstanding, beginning of period	644,575	\$ 28.28
Options forfeited	(4,197)	\$ 27.00
Options canceled in Equity Award Exchange	(201,406)	\$ 31.14
Options expired	(68,987)	\$ 23.69
Options outstanding, end of period	<u>369,985</u>	<u>\$ 27.59</u>
Options exercisable, end of period	<u>130,601</u>	<u>\$ 28.42</u>

Our outstanding stock option awards at June 30, 2019 had no measurable aggregate intrinsic value. At June 30, 2019, the weighted-average remaining contract life of stock option awards outstanding was 6.5 years and exercisable was 5.0 years. The total intrinsic value of stock option awards exercisable had no value for the six months ended June 30, 2019.

Restricted Stock Units

The 2016 Plan and Inducement Plan allow for the issuance of restricted stock unit awards that generally may not be sold or otherwise transferred until certain restrictions have lapsed. The compensation cost related to these awards is based on the grant date fair value and is typically expensed over the requisite service period (generally one to five years).

As of June 30, 2019, we had unrecognized compensation expense of \$7.1 million related to our restricted stock units which is expected to be recognized over a weighted-average period of 2.2 years.

The following table provides information regarding restricted stock unit award activity for the six months ended June 30, 2019:

	Shares	Grant Date Price
Restricted stock units outstanding, beginning of period	340,678	\$ 27.64
Restricted stock units granted	115,957	\$ 20.13
Restricted stock units granted under Equity Award Exchange	99,500	\$ 16.70
Restricted stock units canceled under Equity Award Exchange	(24,622)	\$ 31.14
Restricted stock units forfeited	(16,342)	\$ 26.81
Restricted stock units vested	(80,425)	\$ 26.46
Restricted stock units outstanding, end of period	<u>434,746</u>	<u>\$ 23.14</u>

Performance-Based Stock Units

On February 20, 2018, the Company granted 30,700 performance-based stock units for which the number of shares earned is based on the total shareholder return ("TSR") of the Company's common stock relative to the TSR of its selected peers during the performance period from January 1, 2018 to December 31, 2020. The awards contain market conditions which allow a payout ranging between 0% payout and 200% of the target payout. The fair value as of the grant date was \$41.66 per unit or 150.6% of the stock price. The compensation expense for these awards is based on the per unit grant date valuation using a Monte-Carlo

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simulation multiplied by the target payout level. The payout level is calculated based on actual stock price performance achieved during the performance period. The awards have a cliff-vesting period of three years.

On May 21, 2019, the Company granted an additional 99,500 performance-based stock units (as part of the Equity Award Exchange discussed above) for which the number of shares earned is based on the TSR of the Company's common stock relative to the TSR of its selected peers during the performance period from January 1, 2019 to December 31, 2021. The awards contain market conditions which allow a payout ranging between 0% payout and 200% of the target payout. The fair value as of the grant date was \$18.86 per unit or 112.9% of stock price. The awards have a cliff-vesting period of three years.

As of June 30, 2019, we had unrecognized compensation expense of \$3.5 million related to our performance-based stock units based on the assumption of 100% target payout. The remaining weighted-average performance period is 2.3 years. No shares vested during the six months ended June 30, 2019.

(5) Earnings Per Share

Basic earnings per share ("Basic EPS") has been computed using the weighted-average number of common shares outstanding during each period. Diluted earnings per share ("Diluted EPS") assumes, as of the beginning of the period, exercise of stock options and restricted stock grants using the treasury stock method. Diluted EPS also assumes conversion of performance-based restricted stock units to common shares based on the number of shares (if any) that would be issuable, according to predetermined performance and market goals, if the end of the reporting period was the end of the performance period. Certain of our stock options and restricted stock grants that would potentially dilute Basic EPS in the future were also antidilutive for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 are discussed below.

The following is a reconciliation of the numerators and denominators used in the calculation of Basic EPS and Diluted EPS for the periods indicated below (in thousands, except per share amounts):

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Net Income (Loss)	Shares	Per Share Amount	Net Income (Loss)	Shares	Per Share Amount
Basic EPS:						
Net Income (Loss) and Share Amounts	\$ 64,704	11,746	\$ 5.51	\$ 2,319	11,655	\$ 0.20
Dilutive Securities:						
Restricted Stock Awards		—			—	
Restricted Stock Unit Awards		34			16	
Stock Option Awards		—			86	
Diluted EPS:						
Net Income (Loss) and Assumed Share Conversions	\$ 64,704	11,780	\$ 5.49	\$ 2,319	11,757	\$ 0.20
	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Net Income (Loss)	Shares	Per Share Amount	Net Income (Loss)	Shares	Per Share Amount
Basic EPS:						
Net Income (Loss) and Share Amounts	\$ 80,757	11,727	\$ 6.89	\$ 10,787	11,629	\$ 0.93
Dilutive Securities:						
Restricted Stock Awards		—			—	
Restricted Stock Unit Awards		59			17	
Stock Option Awards		—			96	
Diluted EPS:						
Net Income (Loss) and Assumed Share Conversions	\$ 80,757	11,786	\$ 6.85	\$ 10,787	11,742	\$ 0.92

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Approximately 0.5 million and 0.4 million stock options to purchase shares were not included in the computation of Diluted EPS for the three months ended June 30, 2019 and 2018, respectively, and 0.6 million and 0.4 million for the six months ended June 30, 2019 and 2018, respectively, because these stock options were antidilutive.

Approximately 0.2 million and less than 0.1 million shares of restricted stock units that could be converted to common shares were not included in the computation of Diluted EPS for both the three months ended June 30, 2019 and 2018 because they were antidilutive. There were approximately 0.1 million and less than 0.1 million antidilutive shares of restricted stock units for both the six months ended June 30, 2019 and 2018.

Approximately 0.1 million and less than 0.1 million shares of performance-based restricted stock units were not included in the computation of Diluted EPS for the three and six months ended June 30, 2019, respectively, and less than 0.1 million shares of performance-based restricted stock units were not included for both the three and six months ended June 30, 2018 because they were antidilutive.

Approximately 2.1 million warrants to purchase common stock were not included in the computation of Diluted EPS for both the three and six months ended June 30, 2019 and 4.3 million warrants for both the three and six months ended June 30, 2018 because these warrants were antidilutive.

(6) Long-Term Debt

The Company's long-term debt consisted of the following (in thousands):

	June 30, 2019	December 31, 2018
Credit Facility Borrowings ⁽¹⁾	\$ 273,000	\$ 195,000
Second Lien Notes due 2024	200,000	200,000
	473,000	395,000
Unamortized discount on Second Lien Notes due 2024	(1,668)	(1,782)
Unamortized debt issuance cost on Second Lien Notes due 2024	(4,899)	(5,230)
Long-Term Debt, net	\$ 466,433	\$ 387,988

(1) Unamortized debt issuance costs on our Credit Facility borrowings are included in "Other Long-Term Assets" in our consolidated balance sheet. As of June 30, 2019 and December 31, 2018, we had \$3.8 million and \$4.5 million, respectively, in unamortized debt issuance costs on our Credit Facility borrowings.

Revolving Credit Facility. Amounts outstanding under our Credit Facility (defined below) were \$273.0 million and \$195.0 million as of June 30, 2019 and December 31, 2018, respectively. On April 19, 2017, the Company entered into a First Amended and Restated Senior Secured Revolving Credit Agreement among the Company, as borrower, JPMorgan Chase Bank, National Association, as administrative agent, and certain lenders party thereto, as amended, including the Fourth Amendment, effective November 6, 2018 (the "Fourth Amendment to Credit Agreement"), to the First Amended and Restated Senior Secured Credit Agreement (as so amended, the "Credit Agreement" and such facility, the "Credit Facility"). The Fourth Amendment to Credit Agreement increased the borrowing base from \$330 million to \$410 million and decreased the applicable margins used to calculate the interest rate under the Credit Agreement by 25 basis points.

The Credit Facility matures April 19, 2022, and provides for a maximum credit amount of \$600 million and a current borrowing base of \$410 million. The borrowing base is regularly redetermined on or about May and November of each calendar year and is subject to additional adjustments from time to time, including for asset sales, elimination or reduction of hedge positions and incurrence of other debt. Additionally, each of the Company and the administrative agent may request an unscheduled redetermination of the borrowing base between scheduled redeterminations. The amount of the borrowing base is determined by the lenders, in their discretion, in accordance with their oil and gas lending criteria at the time of the relevant redetermination. The Company may also request the issuance of letters of credit under the Credit Agreement in an aggregate amount up to \$25 million, which reduces the amount of available borrowings under the borrowing base in the amount of such issued and outstanding letters of credit.

Interest under the Credit Facility accrues at the Company's option either at an Alternative Base Rate plus the applicable margin ("ABR Loans") or the LIBOR Rate plus the applicable margin ("Eurodollar Loans"). Since November 6, 2018, the

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applicable margin ranged from 1.00% to 2.00% for ABR Loans and 2.00% to 3.00% for Eurodollar Loans. The Alternate Base Rate and LIBOR Rate are defined, and the applicable margins are set forth, in the Credit Agreement. Undrawn amounts under the Credit Facility are subject to a 0.50% commitment fee. To the extent that a payment default exists and is continuing, all amounts outstanding under the Credit Facility will bear interest at 2.00% per annum above the rate and margin otherwise applicable thereto.

The obligations under the Credit Agreement are secured, subject to certain exceptions, by a first priority lien on substantially all assets of the Company and certain of its subsidiaries, including a first priority lien on properties attributed with at least 85% of estimated proved reserves of the Company and its subsidiaries.

The Credit Agreement contains the following financial covenants:

- a ratio of total debt to earnings before interest, tax, depreciation and amortization (“EBITDA”), as defined in the Credit Agreement, for the most recently completed four fiscal quarters, not to exceed 4.0 to 1.0 as of the last day of each fiscal quarter; and
- a current ratio, as defined in the Credit Agreement, which includes in the numerator available borrowings undrawn under the borrowing base, of not less than 1.0 to 1.0 as of the last day of each fiscal quarter.

As of June 30, 2019, the Company was in compliance with all financial covenants under the Credit Agreement. Maintaining or increasing our borrowing base under our Credit Facility is dependent on many factors, including commodities pricing, our hedge positions and our ability to raise capital to drill wells to replace produced reserves.

Additionally, the Credit Agreement contains certain representations, warranties and covenants, including but not limited to, limitations on incurring debt and liens, limitations on making certain restricted payments, limitations on investments, limitations on asset sales and hedge unwinds, limitations on transactions with affiliates and limitations on modifying organizational documents and material contracts. The Credit Agreement contains customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Credit Facility to be immediately due and payable.

Total interest expense on the Credit Facility, which includes commitment fees and amortization of debt issuance costs, was \$4.0 million and \$1.6 million for the three months ended June 30, 2019 and 2018, respectively, and \$7.5 million and \$3.1 million for the six months ended June 30, 2019 and 2018, respectively.

We capitalized interest on our unproved properties in the amount of \$0.1 million and \$0.3 million for the three months ended June 30, 2019 and 2018, respectively and \$0.2 million and \$0.7 million for the six months ended June 30, 2019 and 2018.

Senior Secured Second Lien Notes. On December 15, 2017, the Company entered into a Note Purchase Agreement for Senior Secured Second Lien Notes (as amended, the “Note Purchase Agreement,” and such second lien facility the “Second Lien”) among the Company as issuer, U.S. Bank National Association as agent and collateral agent, and certain holders that are a party thereto, and issued notes in an initial principal amount of \$200.0 million, with a \$2.0 million discount, for net proceeds of \$198.0 million. The Company has the ability, subject to the satisfaction of certain conditions (including compliance with the Asset Coverage Ratio described below and the agreement of the holders to purchase such additional notes), to issue additional notes in a principal amount not to exceed \$100.0 million. The Second Lien matures on December 15, 2024.

Interest on the Second Lien is payable quarterly and accrues at LIBOR plus 7.5%; provided that if LIBOR ceases to be available, the Second Lien provides for a mechanism to use ABR (an alternate base rate) plus 6.5% as the applicable interest rate. The definitions of LIBOR and ABR are set forth in the Second Lien. To the extent that a payment, insolvency, or, at the holders’ election, another default exists and is continuing, all amounts outstanding under the Second Lien will bear interest at 2.0% per annum above the rate and margin otherwise applicable thereto. Additionally, to the extent the Company were to default on the Second Lien, this would potentially trigger a cross-default under our Credit Facility.

The Company has the right, to the extent permitted under the Credit Facility and subject to the terms and conditions of the Second Lien, to optionally prepay the notes, subject to the following repayment fees: during years one and two, a customary “make-whole” amount (which is equal to the present value of the remaining interest payments through the 24 month anniversary of the issuance of the Second Lien, discounted at a rate equal to the U.S. Treasury rate plus 50 basis points) plus 2.0% of the principal amount of the notes repaid; during year three, 2.0% of the principal amount of the Second Lien being prepaid; during year four, 1.0% of the principal amount of the Second Lien being prepaid; and thereafter, no premium. Additionally, the Second Lien contains customary mandatory prepayment obligations upon asset sales (including hedge terminations), casualty events and

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incurrences of certain debt, subject to, in certain circumstances, reinvestment periods. Management believes the probability of mandatory prepayment due to default is remote.

The obligations under the Second Lien are secured, subject to certain exceptions and other permitted liens (including the liens created under the Credit Facility), by a perfected security interest, second in priority to the liens securing our Credit Facility, and mortgage lien on substantially all assets of the Company and certain of its subsidiaries, including a mortgage lien on oil and gas properties attributed with at least 85% of estimated PV-9 of proved reserves of the Company and its subsidiaries and 85% of the book value attributed to the PV-9 of the non-proved oil and gas properties of the Company. PV-9 is determined using commodity price assumptions by the administrative agent of the Credit Facility.

The Second Lien contains an Asset Coverage Ratio, which is only tested (i) as a condition to issuance of additional notes and (ii) in connection with certain asset sales in order to determine whether the proceeds of such asset sale must be applied as a prepayment of the notes and includes in the numerator of the PV-10 (defined below), based on forward strip pricing, plus the swap mark-to-market value of the commodity derivative contracts of the Company and its restricted subsidiaries and in the denominator the total net indebtedness of the Company and its restricted subsidiaries, of not less than 1.25 to 1.0 as of each date of determination (the “Asset Coverage Ratio”). PV-10 value is the estimated future net revenues to be generated from the production of proved reserves discounted to present value using an annual discount rate of 10%.

The Second Lien also contains a financial covenant measuring the ratio of total net debt to EBITDA, as defined in the Note Purchase Agreement, for the most recently completed four fiscal quarters, not to exceed 4.5 to 1.0 as of the last day of each fiscal quarter. As of June 30, 2019, the Company was in compliance with all financial covenants under the Second Lien.

The Second Lien contains certain customary representations, warranties and covenants, including but not limited to, limitations on incurring debt and liens, limitations on making certain restricted payments, limitations on investments, limitations on asset sales and hedge unwinds, limitations on transactions with affiliates and limitations on modifying organizational documents and material contracts. The Second Lien contains customary events of default. If an event of default occurs and is continuing, the lenders may declare all amounts outstanding under the Second Lien to be immediately due and payable.

As of June 30, 2019, total net amounts recorded for the Second Lien were \$193.4 million, net of unamortized debt discount and debt issuance costs. Interest expense on the Second Lien totaled \$5.5 million and \$10.8 million for the three and six months ended June 30, 2019, respectively, and \$5.2 million and \$10.0 million for the three and six months ended June 30, 2018 respectively.

Debt Issuance Costs. Our policy is to capitalize upfront commitment fees and other direct expenses associated with our line of credit arrangement and then amortize such costs ratably over the term of the arrangement, regardless of whether there are any outstanding borrowings.

(7) Acquisitions and Dispositions

On March 1, 2018, the Company closed the sale of certain wells in its AWP Olmos field for proceeds, net of selling expenses, of \$27.0 million, with an effective date of January 1, 2018. The buyer assumed approximately \$6.3 million in asset retirement obligations. No gain or loss was recorded on the sale of this property.

Effective December 22, 2017, the Company closed a purchase and sale contract to sell the Company's wellbores and facilities in the Bay De Chene field and recorded a \$16.3 million obligation related to the funding of certain plugging and abandonment costs. Of the \$16.3 million original obligation, \$2.8 million was paid during the six months ended June 30, 2019. The remaining obligation under this contract is \$4.6 million and is carried in the accompanying condensed consolidated balance sheet current liability in “Accounts payable and accrued liabilities” as of June 30, 2019.

There were no material acquisitions or dispositions of developed properties during the three and six months ended June 30, 2019.

(8) Price-Risk Management Activities

Derivatives are recorded on the balance sheet at fair value with changes in fair value recognized in earnings. The changes in the fair value of our derivatives are recognized in “Gain (loss) on commodity derivatives, net” on the accompanying condensed consolidated statements of operations. We have a price-risk management policy to use derivative instruments to protect against declines in oil and natural gas prices, primarily through the purchase of commodity price swaps and collars as well as basis swaps.

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During the three months ended June 30, 2019 and 2018, the Company recorded gains of \$25.0 million and losses of \$10.8 million, respectively, on its commodity derivatives. During the six months ended June 30, 2019 and 2018, the Company recorded gains of \$20.9 million and losses of \$17.1 million, respectively, on its commodity derivatives. The Company collected cash payments of \$4.4 million and made cash payments of \$1.9 million for settled derivative contracts during the six months ended June 30, 2019 and 2018, respectively.

At June 30, 2019, there were \$3.6 million in receivables for settled derivatives while at December 31, 2018 we had \$0.7 million in receivables for settled derivatives which were included on the accompanying condensed consolidated balance sheet in “Accounts receivable, net” and were subsequently collected in July 2019 and January 2019, respectively. At June 30, 2019 and December 31, 2018, we also had \$0.2 million and \$2.2 million, respectively, in payables for settled derivatives which were included on the accompanying condensed consolidated balance sheet in “Accounts payable and accrued liabilities” and were subsequently paid in July 2019 and January 2019, respectively.

The fair values of our swap contracts are computed using observable market data whereas our collar contracts are valued using a Black-Scholes pricing model and are periodically verified against quotes from brokers. At June 30, 2019, there was \$21.7 million and \$5.9 million in current unsettled derivative assets and long-term unsettled derivative assets, respectively, and \$2.0 million and \$1.0 million in current and long-term unsettled derivative liabilities, respectively. At December 31, 2018, there was \$15.3 million and \$4.3 million in current and long-term unsettled derivative assets, respectively, and \$2.8 million and \$3.7 million in current and long-term unsettled derivative liabilities, respectively.

The Company uses an International Swap and Derivatives Association master agreement for our derivative contracts. This is an industry-standardized contract containing the general conditions of our derivative transactions including provisions relating to netting derivative settlement payments under certain circumstances (such as default). For reporting purposes, the Company has elected to not offset the asset and liability fair value amounts of its derivatives on the accompanying balance sheets. Under the right of set-off, there was a \$24.6 million net fair value asset at June 30, 2019 and a \$13.0 million net fair value asset at December 31, 2018. For further discussion related to the fair value of the Company's derivatives, refer to Note 9 of these Notes to Condensed Consolidated Financial Statements.

The following tables summarize the weighted-average prices as well as future production volumes for our future derivative contracts in place as of June 30, 2019:

Oil Derivative Swaps (New York Mercantile Exchange (“NYMEX”) West Texas Intermediate (“WTI”) Settlements)	Total Volumes (Bbls)	Weighted-Average Price
2019 Contracts		
3Q19	314,500	\$ 60.41
4Q19	249,000	\$ 59.52
2020 Contracts		
1Q20	194,800	\$ 58.16
2Q20	191,350	\$ 58.32
3Q20	189,200	\$ 58.43
4Q20	118,000	\$ 55.65
2021 Contracts		
1Q21	56,175	\$ 55.23
2Q21	52,325	\$ 57.00

Natural Gas Derivative Contracts (NYMEX Henry Hub Settlements)	Total Volumes (MMBtu)	Weighted- Average Price	Weighted- Average Collar Floor Price	Weighted- Average Collar Call Price
2019 Contracts				
3Q19	12,680,000	\$ 2.81		
4Q19	11,486,000	\$ 2.89		
2020 Contracts				
1Q20	6,280,000	\$ 2.87		
2Q20	3,688,000	\$ 2.76		
3Q20	3,585,000	\$ 2.76		
4Q20	3,362,000	\$ 2.77		
Collar Contracts				
2021 Contracts				
1Q21	4,354,800		\$ 2.50	\$ 3.52
2Q21	3,791,000		\$ 2.20	\$ 2.75
NGL Contracts				
		Total Volumes (Bbls)	Weighted-Average Price	
2019 Contracts				
3Q19		180,000	\$	27.93
4Q19		180,000	\$	27.93
Natural Gas Basis Derivative Swap (East Texas Houston Ship Channel vs. NYMEX Settlements)				
		Total Volumes (MMBtu)	Weighted-Average Price	
2019 Contracts				
3Q19		14,625,000	\$	0.04
4Q19		14,625,000	\$	(0.02)
2020 Contracts				
1Q20		11,739,000	\$	(0.03)
2Q20		11,739,000	\$	(0.04)
3Q20		11,868,000	\$	(0.03)
4Q20		11,868,000	\$	(0.04)
2021 Contracts				
1Q21		7,200,000	\$	(0.003)
2Q21		7,280,000	\$	(0.003)
3Q21		7,360,000	\$	(0.003)
4Q21		7,360,000	\$	(0.003)
Oil Basis Contracts (Argus Cushing (WTI) and Louisiana Light Sweet Settlements)				
		Total Volumes (Bbls)	Weighted-Average Price	
2019 Contracts				
3Q19		75,000	\$	3.73
4Q19		75,000	\$	3.73

(9) Fair Value Measurements

Fair Value on a Recurring Basis. Our financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, the Credit Facility and the Second Lien. The carrying amounts of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the highly liquid or short-term nature of these instruments.

The carrying value of our Credit Facility and Second Lien approximates fair value because the respective borrowing rates do not materially differ from market rates for similar borrowings. These are considered Level 3 valuations (defined below).

The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value (in millions):

Level 1 – Uses quoted prices in active markets for identical, unrestricted assets or liabilities. Instruments in this category have comparable fair values for identical instruments in active markets.

Level 2 – Uses quoted prices for similar assets or liabilities in active markets or observable inputs for assets or liabilities in non-active markets. Instruments in this category are periodically verified against quotes from brokers and include our commodity derivatives that we value using commonly accepted industry-standard models which contain inputs such as contract prices, risk-free rates, volatility measurements and other observable market data that are obtained from independent third-party sources.

Level 3 – Uses unobservable inputs for assets or liabilities that are in non-active markets.

The following table presents our assets and liabilities that are measured on a recurring basis at fair value as of each of June 30, 2019 and December 31, 2018, and are categorized using the fair value hierarchy. For additional discussion related to the fair value of the Company's derivatives, refer to Note 8 of these Notes to Condensed Consolidated Financial Statements.

(in millions)	Fair Value Measurements at			
	Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2019				
<i>Assets</i>				
Natural Gas Derivatives	\$ 13.9	\$ —	\$ 13.9	\$ —
Natural Gas Basis Derivatives	\$ 5.8	\$ —	\$ 5.8	\$ —
Oil Derivatives	\$ 4.4	\$ —	\$ 4.4	\$ —
Oil Basis Derivatives	\$ 0.1	\$ —	\$ 0.1	\$ —
NGL Derivatives	\$ 3.4	\$ —	\$ 3.4	\$ —
<i>Liabilities</i>				
Natural Gas Derivatives	\$ 0.3	\$ —	\$ 0.3	\$ —
Natural Gas Basis Derivatives	\$ 0.6	\$ —	\$ 0.6	\$ —
Oil Derivatives	\$ 2.1	\$ —	\$ 2.1	\$ —
December 31, 2018				
<i>Assets</i>				
Natural Gas Derivatives	\$ 7.5	\$ —	\$ 7.5	\$ —
Natural Gas Basis Derivatives	\$ 0.4	\$ —	\$ 0.4	\$ —
Oil Derivatives	\$ 6.9	\$ —	\$ 6.9	\$ —
NGL Derivatives	\$ 4.7	\$ —	\$ 4.7	\$ —
<i>Liabilities</i>				
Natural Gas Derivatives	\$ 1.0	\$ —	\$ 1.0	\$ —
Natural Gas Basis Derivatives	\$ 5.3	\$ —	\$ 5.3	\$ —
NGL Derivatives	\$ 0.2	\$ —	\$ 0.2	\$ —

Our current and long-term unsettled derivative assets and liabilities in the table above are measured at gross fair value and are shown on the accompanying condensed consolidated balance sheets in “Fair value of commodity derivatives” and “Fair Value of Long-Term Commodity Derivatives,” respectively.

(10) Asset Retirement Obligations

Liabilities for legal obligations associated with the retirement obligations of tangible long-lived assets are initially recorded at fair value in the period in which they are incurred. When a liability is initially recorded, the carrying amount of the related asset is increased. The liability is discounted from the expected date of abandonment. Over time, accretion of the liability is recognized each period, and the capitalized cost is amortized on a unit-of-production basis as part of depreciation, depletion, and amortization expense for our oil and gas properties. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement which is included in the “Property and Equipment” balance on our accompanying condensed consolidated balance sheets. This guidance requires us to record a liability for the fair value of our dismantlement and abandonment costs, excluding salvage values.

The following provides a roll-forward of our asset retirement obligations for the year ended December 31, 2018 and the six months ended June 30, 2019 (in thousands):

Asset Retirement Obligations as of December 31, 2017	\$ 10,787
Accretion expense	419
Liabilities incurred for new wells and facilities construction	93
Reductions due to sold wells and facilities	(6,298)
Reductions due to plugged wells and facilities	(180)
Revisions in estimates	(562)
Asset Retirement Obligations as of December 31, 2018	\$ 4,259
Accretion expense	168
Liabilities incurred for new wells and facilities construction	102
Reductions due to sold wells and facilities	—
Reductions due to plugged wells and facilities	(47)
Revisions in estimates	7
Asset Retirement Obligations as of June 30, 2019	\$ 4,489

At both June 30, 2019 and December 31, 2018, approximately \$0.3 million of our asset retirement obligations were classified as a current liability in “Accounts payable and accrued liabilities” on the accompanying consolidated balance sheets. The 2018 reductions due to sold wells and facilities are primarily attributable to the disposition of our assets from our AWP Olmos field.

(11) Commitments and Contingencies

In the ordinary course of business, we are party to various legal actions, which arise primarily from our activities as an operator of oil and natural gas wells. In our management's opinion, the outcome of any such currently pending legal actions will not have a material adverse effect on our financial position or results of operations. During the second quarter of 2019, the Company entered into new leases for compressors and operating equipment. Payment obligations under these leases are \$3.0 million for the remainder of 2019, \$6.1 million for 2020 and \$1.8 million for 2021. There have been no other material changes to the Company's contractual obligations described in our December 31, 2018 Form 10-K.

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Future minimum rental commitments under non-cancelable leases in effect at December 31, 2018 are as follows (in thousands):

	December 31, 2018	
2019	\$	4,470
2020		838
2021		332
Thereafter		—
Total undiscounted lease payments	\$	5,640

The table above was prepared under the guidance of FASB Topic 840. As discussed in Note 3 above and in “Critical Accounting Policies and New Accounting Pronouncements,” the Company adopted the guidance of Topic 842, effective January 1, 2019.

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

You should read the following discussion and analysis in conjunction with the Company's financial information and its consolidated financial statements and accompanying notes included in this report and its Annual Report on Form 10-K for the year ended December 31, 2018. The following information contains forward-looking statements; see "Forward-Looking Statements" on page 37 of this report.

Company Overview

SilverBow Resources is a growth-oriented independent oil and gas company headquartered in Houston, Texas. The Company's strategy is focused on acquiring and developing assets in the Eagle Ford Shale located in South Texas where the Company has assembled over 100,000 net acres across four operating areas. The Company's acreage position in each of its operating areas is highly contiguous and designed for optimal and efficient horizontal well development. The Company has built a balanced portfolio of properties with a significant base of current production and reserves coupled with low-risk development drilling opportunities and meaningful upside from newer operating areas.

Being a committed and long-term operator in South Texas, the Company possesses a significant understanding of the reservoir characteristics, geology, landowners and competitive landscape in the region. The Company leverages this in-depth knowledge to continue to assemble high quality drilling inventory while continuously enhancing its operations to maximize returns on capital invested.

Operational Results

Total production for the six months ended June 30, 2019 increased 40% from the six months ended June 30, 2018 to 225 MMcfe/d due to increased production from new wells in the Eagle Ford Shale, partially offset by normal production declines. Oil and natural gas liquids production for the six months ended June 30, 2019 was 7,760 Boe/d, an increase of 81% from the six months ended June 30, 2018, primarily driven by drilling in the La Salle Condensate area and McMullen Oil area.

During the second quarter, the Company drilled six gross (six net) wells while completing 12 gross (12 net) wells and bringing 16 gross (15 net) wells online. Activity primarily focused on the La Salle Condensate area where seven net wells were completed during the quarter. The Company remains focused on capital efficiencies while optimizing well designs. For the second quarter, the Company realized a 28% improvement in drilling times over the full-year 2018 average, resulting in an average cost per lateral foot of \$267, a 27% decrease over the same time frame. On the completions side, the Company averaged eight stages per day, an 80% increase over the full-year 2018 average, and lowered completion costs per well by 43% over the same time frame.

The Company continues to see strong results in its McMullen Oil and La Salle Condensate assets. The Hayes two-well pad in the McMullen Oil area was brought online early in the second quarter, and produced a 30-day per well average of 1,280 Boe/d (85% liquids). Both Hayes wells exceeded 11,000 feet in lateral length, while utilizing 2,400 pounds of proppant and 50 barrels of fluid per lateral foot. To date, both wells are performing in-line with the McMullen Oil area type curve on a per lateral foot basis. The Company plans to complete three additional McMullen Oil wells in the second half of the year. In the La Salle Condensate area, the Company completed its Briggs three-well pad, which was brought online in late May and produced a 30-day per well average of 977 Boe/d (75% liquids). The Company completed the three wells in an average of nine days, with costs coming in 10% below expectations.

Through the first half of 2019, the Company successfully added to its acreage position through an organic leasing campaign. This includes approximately 1,000 net acres directly offsetting the Company's prolific Fasken property, which provides for 12 high-return, long-lateral locations. In addition, the Company is well-positioned to further its operational and technical efficiencies.

2019 cost reduction initiatives: The Company continues to focus on cost reduction measures. Initiatives include the use of regional sand in completions, improved utilization of existing facilities, elimination of redundant equipment, and replacement of rental equipment with company-owned equipment. As previously mentioned, the Company continues to improve its process for drilling and completing wells. The Company's procurement team takes a process-oriented approach to reducing the total delivered costs of purchased services by examining costs at their most detailed level. Services are commonly sourced directly from the suppliers, which has led to a significant reduction in the Company's overall lease operating expenses at the field level. For example, the Company's lease operating expenses were \$0.25/Mcfe for the first six months of 2019, as compared to \$0.30/Mcfe for the same period in 2018.

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The Company's cash general and administrative costs were \$9.6 million (a non-GAAP financial measure calculated as \$12.9 million in net general and administrative costs less \$3.3 million of share based compensation) for the first six months of 2019, or \$0.23 per Mcfe, compared to \$8.7 million (a non-GAAP financial measure calculated as \$11.4 million in net general and administrative costs less \$2.7 million of share based compensation), or \$0.30/Mcfe, for the six months ended June 30, 2018.

Liquidity and Capital Resources

The Company's primary use of cash has been to fund capital expenditures to develop its oil and gas properties. As of June 30, 2019, the Company's liquidity consisted of approximately \$3.3 million of cash-on-hand and \$137.0 million in available borrowings on the Credit Facility, which has a \$410.0 million borrowing base. Management believes the Company has sufficient liquidity to meet its obligations and fund our planned capital expenditures for at least the next 12 months and execute its long-term development plans. See Note 6 to the Company's condensed consolidated financial statements for more information on its Credit Facility.

Contractual Commitments and Obligations

During the second quarter of 2019, the Company entered into new leases for compressors and operating equipment. Payment obligations under these leases are \$3.0 million for the remainder of 2019, \$6.1 million for 2020 and \$1.8 million for 2021.

There were no other material changes in the Company's contractual commitments during the six months ended June 30, 2019 from amounts referenced under "Contractual Commitments and Obligations" in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2018.

Off-Balance Sheet Arrangements

As of June 30, 2019, we had no off-balance sheet arrangements requiring disclosure pursuant to Item 303(a) of Regulation S-K.

Summary of First-Half 2019 Financial Results

- Revenues and net income (loss): The Company's oil and gas revenues were \$146.8 million for the six months ended June 30, 2019, compared to \$104.1 million for the six months ended June 30, 2018. Revenues were higher primarily due to overall increased production, partially offset by lower commodity pricing. The Company's net income was \$80.8 million for the six months ended June 30, 2019, compared to \$10.8 million for the six months ended June 30, 2018. The increase was primarily due to overall increased production during the current period compared to the prior period and gains on commodity derivatives and a benefit recorded for income tax expense for reversal of a valuation allowance for the company's deferred tax assets.
- Capital expenditures: The Company's capital expenditures on an accrual basis were \$158 million for the six months ended June 30, 2019 compared to \$117.1 million for the six months ended June 30, 2018. The expenditures for the six months ended June 30, 2019 and 2018 were attributable to drilling and completion activity.
- Working capital: The Company had a working capital deficit of \$20.5 million at June 30, 2019 and a deficit of \$39.7 million at December 31, 2018. The working capital computation does not include available liquidity through our Credit Facility.
- Cash Flows: For the six months ended June 30, 2019, the Company generated cash from operating activities of \$100.3 million, of which \$6.3 million was attributable to changes in working capital. Cash used for property additions was \$174.1 million. This included \$16.5 million attributable to a net decrease of capital-related payables and accrued costs. Additionally, \$2.8 million was paid during the six months ended June 30, 2019, for property sale obligations related to the sale of our former Bay De Chene field. The Company's net borrowings on the revolving Credit Facility were \$78.0 million during the six months ended June 30, 2019.

For the six months ended June 30, 2018, the Company generated cash from operating activities of \$53.0 million, of which \$5.6 million was attributable to changes in working capital. Cash used for property additions was \$84.1 million. This excluded \$35.3 million attributable to a net increase of capital-related payables and accrued costs. Additionally, \$6.0 million was paid during the six months ended June 30, 2018 for property sale obligations related to the sale of our former Bay De Chene field. The Company's net payments on the revolving Credit Facility were \$9.0 million, which includes the pay-down on Credit Facility borrowings with proceeds from our AWP Olmos field sale.

Results of Operations

Revenues — Three Months Ended June 30, 2019 and Three Months Ended June 30, 2018

Natural gas production was 77% and 86% of the Company's production volumes for the three months ended June 30, 2019 and 2018, respectively. Natural gas sales were 58% and 71% of oil and gas sales for the three months ended June 30, 2019 and 2018, respectively.

Crude oil production was 11% and 6% of the Company's production volumes for the three months ended June 30, 2019 and 2018, respectively. Crude oil sales were 33% and 19% of oil and gas sales for the three months ended June 30, 2019 and 2018, respectively.

NGL production was 12% and 8% of the Company's production volumes for the three months ended June 30, 2019 and 2018, respectively. NGL sales were 8% and 10% of oil and gas sales for the three months ended June 30, 2019 and 2018, respectively.

The following table provides additional information regarding the Company's oil and gas sales, by area, excluding any effects of the Company's hedging activities, for the three months ended June 30, 2019 and 2018:

Fields	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	Oil and Gas Sales (In Millions)	Net Oil and Gas Production Volumes (MMcfe)	Oil and Gas Sales (In Millions)	Net Oil and Gas Production Volumes (MMcfe)
Artesia Wells	\$ 19.9	4,829	\$ 11.6	2,290
AWP	21.4	4,107	8.8	1,665
Fasken	21.5	7,984	25.3	8,644
Other ⁽¹⁾	11.9	4,465	5.6	1,941
Total	\$ 74.7	21,385	\$ 51.3	14,540

(1) Primarily composed of the Company's Oro Grande and Uno Mas fields.

The sales volumes increase from 2018 to 2019 was primarily due to increased natural gas production as a result of increased drilling and completion activity.

In the second quarter of 2019, our \$23.3 million, or 45% increase, in oil, NGL and natural gas sales from the prior year period resulted from:

- Price variances that had an approximately \$11.8 million unfavorable impact on sales due to overall lower commodity pricing; and
- Volume variances that had an approximately \$35.2 million favorable impact on sales due to overall increased commodity production.

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The following table provides additional information regarding our oil and gas sales, by commodity type, as well as the effects of our hedging activities for derivative contracts held to settlement, for the three months ended June 30, 2019 and 2018 (in thousands, except per-dollar amounts):

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Production volumes:		
Oil (MBbl) ⁽¹⁾	405	141
Natural gas (MMcf)	16,409	12,433
Natural gas liquids (MBbl) ⁽¹⁾	424	211
Total (MMcfe)	21,385	14,540
Oil, natural gas and natural gas liquids sales:		
Oil	\$ 24,940	\$ 9,638
Natural gas	43,597	36,369
Natural gas liquids	6,166	5,339
Total	\$ 74,703	\$ 51,347
Average realized price:		
Oil (per Bbl)	\$ 61.60	\$ 68.53
Natural gas (per Mcf)	2.66	2.93
Natural gas liquids (per Bbl)	14.53	25.36
Average per Mcfe	\$ 3.49	\$ 3.53
Price impact of cash-settled derivatives:		
Oil (per Bbl)	\$ (0.01)	\$ (14.76)
Natural gas (per Mcf)	0.17	(0.06)
Natural gas liquids (per Bbl)	3.78	(2.11)
Average per Mcfe	\$ 0.20	\$ (0.22)
Average realized price including impact of cash-settled derivatives:		
Oil (per Bbl)	\$ 61.59	\$ 53.76
Natural gas (per Mcf)	2.82	2.87
Natural gas liquids (per Bbl)	18.31	23.25
Average per Mcfe	\$ 3.69	\$ 3.31

(1) Oil and natural gas liquids are converted at the rate of one barrel to six Mcfe.

For the three months ended June 30, 2019 and 2018, the Company recorded net gains of \$25.0 million and net losses of \$10.8 million from our derivatives activities, respectively. Hedging activity is recorded in "Gain (loss) on commodity derivatives, net" on the accompanying condensed consolidated statements of operations.

Costs and Expenses — Three Months Ended June 30, 2019 and Three Months Ended June 30, 2018

The following table provides additional information regarding our expenses for the three months ended June 30, 2019 and 2018:

Costs and Expenses	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
General and administrative, net	\$ 6,624	\$ 5,794
Depreciation, depletion, and amortization	24,029	13,096
Accretion of asset retirement obligations	86	84
Lease operating cost	5,035	3,760
Workovers	(127)	—
Transportation and gas processing	6,728	5,421
Severance and other taxes	3,950	2,662
Interest expense, net	9,306	6,585

General and Administrative Expenses, Net. These expenses on a per-Mcfe basis were \$0.31 and \$0.40 for the three months ended June 30, 2019 and 2018, respectively. The decrease per Mcfe was due to higher production while the increase in costs was primarily due to higher temporary labor, higher salaries and burdens and higher computer operation expenses. Included in general and administrative expenses is \$1.6 million and \$1.3 million in share based compensation for the three months ended June 30, 2019 and 2018, respectively.

Depreciation, Depletion and Amortization. These expenses on a per-Mcfe basis were \$1.12 and \$0.90 for the three months ended June 30, 2019 and 2018, respectively. The increase in the rate per unit is primarily due to a higher depletable base relative to reserves. The higher depletion expense is due to a higher production and a higher per unit rate.

Lease Operating Cost. These expenses on a per-Mcfe basis were \$0.23 and \$0.26 for the three months ended June 30, 2019 and 2018, respectively. The decrease per Mcfe was primarily due to a concentrated effort by the Company to reduce overall operating costs, along with higher production.

Transportation and Gas Processing. These expenses are related to natural gas and NGL sales. These expenses on a per Mcfe basis were \$0.31 and \$0.37 for the three months ended June 30, 2019 and 2018, respectively.

Severance and Other Taxes. These expenses on a per-Mcfe basis were \$0.18 for each of the three months ended June 30, 2019 and 2018. Severance and other taxes, as a percentage of oil and gas sales, were approximately 5.3% and 5.2% for the three months ended June 30, 2019 and 2018, respectively.

Interest. Our gross interest cost was \$9.4 million and \$6.8 million for the three months ended June 30, 2019 and 2018, respectively. The increase in gross interest cost is primarily due to increased Credit Facility borrowings. Interest cost of \$0.1 million and \$0.3 million was capitalized for the three months ended June 30, 2019 and 2018.

Income Taxes. There was no expense for federal income taxes in three months ended June 30, 2018 as the Company had significant deferred tax assets in excess of deferred tax liabilities. In prior periods, management had determined that it was not more likely than not that the Company would realize future cash benefits from its remaining federal carryover items and, accordingly, had taken a full valuation allowance to offset its tax assets. During the second quarter of 2019, the Company was able to complete several operational initiatives that resulted in increased production, lower development costs and expanded inventory of development prospects. The results of these initiatives led management to determine, after weighing both positive and negative evidence, that the Company will more likely than not be able to realize the benefits of its deferred tax assets. Accordingly, the Company released the valuation allowance, resulting in a net deferred tax benefit of \$20.7 million for the three months ended June 30, 2019. State income tax expense of \$0.3 million was recognized for the three months ended June 30, 2018.

Results of Operations

Revenues — Six Months Ended June 30, 2019 and Six Months Ended June 30, 2018

Natural gas production was 79% and 84% of the Company's production volumes for the six months ended June 30, 2019 and 2018, respectively. Natural gas sales were 65% and 69% of oil and gas sales for the six months ended June 30, 2019 and 2018, respectively.

Crude oil production was 10% and 7% of the Company's production volumes for the six months ended June 30, 2019 and 2018, respectively. Crude oil sales were 27% and 20% of oil and gas sales for the six months ended June 30, 2019 and 2018, respectively.

NGL production was 11% and 9% of the Company's production volumes for the six months ended June 30, 2019 and 2018, respectively. NGL sales were 8% and 11% of oil and gas sales for the six months ended June 30, 2019 and 2018, respectively.

The following table provides additional information regarding the Company's oil and gas sales, by area, excluding any effects of the Company's hedging activities, for the six months ended June 30, 2019 and 2018:

Fields	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Oil and Gas Sales (In Millions)	Net Oil and Gas Production Volumes (MMcfe)	Oil and Gas Sales (In Millions)	Net Oil and Gas Production Volumes (MMcfe)
Artesia Wells	\$ 33.0	7,884	\$ 23.9	4,814
AWP	37.5	7,127	20.9	4,117
Fasken	46.9	15,817	49.0	16,632
Other ⁽¹⁾	29.4	9,916	10.3	3,446
Total	\$ 146.8	40,744	\$ 104.1	29,009

(1) Primarily composed of the Company's Oro Grande and Uno Mas fields.

The sales volumes increase from 2018 to 2019 was primarily due to increased natural gas production as a result of increased drilling and completion activity.

In the first six months of 2019, our \$42.6 million, or 41% increase, in oil, NGL and natural gas sales from the prior year period resulted from:

- Price variances that had an approximately \$10.5 million unfavorable impact on sales due to overall lower commodity pricing; and
- Volume variances that had an approximately \$53.2 million favorable impact on sales due to overall increased commodity production.

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The following table provides additional information regarding our oil and gas sales, by commodity type, as well as the effects of our hedging activities for derivative contracts held to settlement, for the six months ended June 30, 2019 and 2018 (in thousands, except per-dollar amounts):

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
Production volumes:				
Oil (MBbl) ⁽¹⁾		661		318
Natural gas (MMcf)		32,316		24,349
Natural gas liquids (MBbl) ⁽¹⁾		743		459
Total (MMcfe)		40,744		29,009
Oil, natural gas and natural gas liquids sales:				
Oil	\$	39,547	\$	21,078
Natural gas		94,902		72,122
Natural gas liquids		12,319		10,900
Total	\$	146,768	\$	104,099
Average realized price:				
Oil (per Bbl)	\$	59.79	\$	66.33
Natural gas (per Mcf)		2.94		2.96
Natural gas liquids (per Bbl)		16.58		23.75
Average per Mcfe	\$	3.60	\$	3.59
Price impact of cash-settled derivatives:				
Oil (per Bbl)	\$	(0.19)	\$	(11.20)
Natural gas (per Mcf)		0.09		0.07
Natural gas liquids (per Bbl)		3.33		(1.38)
Average per Mcfe	\$	0.13	\$	(0.09)
Average realized price including impact of cash-settled derivatives:				
Oil (per Bbl)	\$	59.60	\$	55.13
Natural gas (per Mcf)		3.03		3.03
Natural gas liquids (per Bbl)		19.91		22.38
Average per Mcfe	\$	3.73	\$	3.50

(1) Oil and natural gas liquids are converted at the rate of one barrel to six Mcfe.

For the six months ended June 30, 2019 and 2018, the Company recorded net gains of \$20.9 million and net losses of \$17.1 million from our derivative activities, respectively. Hedging activity is recorded in "Gain (loss) on commodity derivatives, net" on the accompanying condensed consolidated statements of operations.

Costs and Expenses — Six Months Ended June 30, 2019 and Six Months Ended June 30, 2018

The following table provides additional information regarding our expenses for the six months ended June 30, 2019 and 2018:

Costs and Expenses	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
General and administrative, net	\$ 12,900	\$ 11,370
Depreciation, depletion, and amortization	45,834	26,228
Accretion of asset retirement obligations	168	243
Lease operating cost	9,567	8,721
Workovers	519	—
Transportation and gas processing	13,135	10,446
Severance and other taxes	7,266	5,692
Interest expense, net	18,065	12,474

General and Administrative Expenses, Net. These expenses on a per-Mcfe basis were \$0.32 and \$0.39 for the six months ended June 30, 2019 and 2018, respectively. The decrease per Mcfe was due to higher production while the increase in costs was primarily due to higher temporary labor, higher salaries and burdens and higher computer operation expenses. Included in general and administrative expenses is \$3.3 million and \$2.7 million in share based compensation for the six months ended June 30, 2019 and 2018, respectively.

Depreciation, Depletion and Amortization. These expenses on a per-Mcfe basis were \$1.12 and \$0.90 for the six months ended June 30, 2019 and 2018, respectively. The increase in the rate per unit is primarily due to a higher depletable base relative to reserves. The higher depletion expense is due to a higher production and a higher per unit rate.

Lease Operating Cost. These expenses on a per-Mcfe basis were \$0.25 and \$0.30 for the six months ended June 30, 2019 and 2018, respectively. The decrease per Mcfe was primarily due to divestitures of assets and a concentrated effort by the Company to reduce overall operating costs, along with higher production.

Transportation and Gas Processing. These expenses are related to natural gas and NGL sales. These expenses on a per Mcfe basis were \$0.32 and \$0.36 for the six months ended June 30, 2019 and 2018, respectively.

Severance and Other Taxes. These expenses on a per Mcfe basis were \$0.18 and \$0.20 for the six months ended June 30, 2019 and 2018, respectively. Severance and other taxes, as a percentage of oil and gas sales, were approximately 5.0% and 5.5% for the six months ended June 30, 2019 and 2018, respectively.

Interest. Our gross interest cost was \$18.3 million and \$13.1 million for the six months ended June 30, 2019 and 2018, respectively. The increase in gross interest cost is primarily due to increased Credit Facility borrowings. Interest cost of \$0.2 million and \$0.7 million was capitalized for the six months ended June 30, 2019 and 2018.

Income Taxes. There was no expense for federal income taxes in six months ended June 30, 2018 as the Company had significant deferred tax assets in excess of deferred tax liabilities. In prior periods, management had determined that it was not more likely than not that the Company would realize future cash benefits from its remaining federal carryover items and, accordingly, had taken a full valuation allowance to offset its tax assets. During the second quarter of 2019, the Company was able to complete several operational initiatives that resulted in increased production, lower development costs and expanded inventory of development prospects. The results of these initiatives led management to determine, after weighing both positive and negative evidence, that the Company will more likely than not be able to realize the benefits of its deferred tax assets. Accordingly, the Company released the valuation allowance, resulting in a net deferred tax benefit of \$20.5 million for the six months ended June 30, 2019. State income tax of \$0.3 million was recognized for the six months ended June 30, 2018.

Non-GAAP Financial Measures

Adjusted EBITDA

We present adjusted EBITDA attributable to common stockholders (“Adjusted EBITDA”) in addition to our reported net income (loss) in accordance with U.S. GAAP. Adjusted EBITDA is a non-GAAP financial measure that is used as a supplemental financial measure by our management and by external users of our financial statements, such as investors, commercial banks and others, to assess our operating performance as compared to that of other companies in our industry, without regard to financing methods, capital structure or historical cost basis. It is also used to assess our ability to incur and service debt and fund capital expenditures. We define Adjusted EBITDA as net income (loss):

Plus/(Less):

- Depreciation, depletion and amortization;
- Accretion of asset retirement obligations;
- Interest expense;
- Impairment of oil and natural gas properties;
- Net losses (gains) on commodity derivative contracts;
- Amounts collected (paid) for commodity derivative contracts held to settlement;
- Income tax expense (benefit); and
- Share-based compensation expense.

Our Adjusted EBITDA should not be considered an alternative to net income (loss), operating income (loss), cash flows provided by (used in) operating activities or any other measure of financial performance or liquidity presented in accordance with U.S. GAAP. Our Adjusted EBITDA may not be comparable to similarly titled measures of another company because all companies may not calculate Adjusted EBITDA in the same manner.

The following tables present reconciliations of our net income (loss) to Adjusted EBITDA for the periods indicated (in thousands):

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Net Income (Loss)	\$ 64,704	\$ 2,319
Plus:		
Depreciation, depletion and amortization	24,029	13,096
Accretion of asset retirement obligations	86	84
Interest expense	9,306	6,585
Derivative (gain)/loss	(24,925)	10,752
Derivative cash settlements collected/(paid) ⁽¹⁾	4,319	(3,212)
Income tax expense/(benefit)	(20,735)	328
Share-based compensation expense	1,648	1,316
Adjusted EBITDA	\$ 58,432	\$ 31,268

(1) This includes accruals for settled contracts covering commodity deliveries during the period where the actual cash settlements occur outside of the period.

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	Six Months Ended June 30, Six Months Ended June 30,	
	2019	2018
Net Income (Loss)	\$ 80,757	\$ 10,787
Plus:		
Depreciation, depletion and amortization	45,834	26,228
Accretion of asset retirement obligations	168	243
Interest expense	18,065	12,474
Derivative (gain)/loss	(20,903)	17,107
Derivative cash settlements collected/(paid) ⁽¹⁾	5,366	(2,476)
Income tax expense/(benefit)	(20,503)	328
Share-based compensation expense	3,339	2,675
Adjusted EBITDA	\$ 112,123	\$ 67,366

(1) This includes accruals for settled contracts covering commodity deliveries during the period where the actual cash settlements occur outside of the period.

Critical Accounting Policies and New Accounting Pronouncements

There have been no changes in the critical accounting policies disclosed in our 2018 Annual Report on Form 10-K.

New Accounting Pronouncements. In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to record certain leases on the balance sheet. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted the guidance on January 1, 2019, with no significant impact on the company's financial statements resulting from implementation. See Note 3 to our consolidated financial statements for more information.

Forward-Looking Statements

This report includes forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements, other than statements of historical fact included in this report, regarding our strategy, future operations, financial position, estimated production levels, expected oil and natural gas pricing, estimated oil and natural gas reserves or the present value thereof, reserve increases, capital expenditures, budget, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words "could," "believe," "anticipate," "intend," "estimate," "budgeted," "expect," "may," "continue," "predict," "potential," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following risks and uncertainties:

- volatility in natural gas, oil and NGL prices;
- future cash flows and their adequacy to maintain our ongoing operations;
- liquidity, including our ability to satisfy our short- or long-term liquidity needs;
- our borrowing capacity, future covenant compliance, cash flows and liquidity;
- operating results;
- asset disposition efforts or the timing or outcome thereof;
- ongoing and prospective joint ventures, their structure and substance, and the likelihood of their finalization or the timing thereof;
- the amount, nature and timing of capital expenditures, including future development costs;
- timing, cost and amount of future production of oil and natural gas;
- availability of drilling and production equipment or availability of oil field labor;
- availability, cost and terms of capital;
- drilling of wells;
- availability and cost for transportation of oil and natural gas;
- costs of exploiting and developing our properties and conducting other operations;
- competition in the oil and natural gas industry;
- general economic conditions;
- opportunities to monetize assets;
- effectiveness of our risk management activities;
- environmental liabilities;
- counterparty credit risk;
- governmental regulation and taxation of the oil and natural gas industry;
- developments in world oil and gas markets and in oil and natural gas-producing countries;
- uncertainty regarding our future operating results; and
- other risks and uncertainties described in Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2018.

All forward-looking statements speak only as of the date they are made. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. We undertake no obligation to publicly release the results of any revisions

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to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Risk. Our major market risk exposure is the commodity pricing applicable to our oil and natural gas production. Realized commodity prices received for such production are primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to natural gas. This commodity pricing volatility has continued with unpredictable price swings in recent periods.

Our price risk management policy permits the utilization of agreements and financial instruments (such as futures, forward contracts, swaps and options contracts) to mitigate price risk associated with fluctuations in oil and natural gas prices. We do not utilize these agreements and financial instruments for trading and only enter into derivative agreements with banks in our Credit Facility. For additional discussion related to our price risk management policy, refer to Note 8 of our condensed consolidated financial statements included in Item 1 of this report.

Customer Credit Risk. We are exposed to the risk of financial non-performance by customers. Our ability to collect on sales to our customers is dependent on the liquidity of our customer base. Continued volatility in both credit and commodity markets may reduce the liquidity of our customer base. To manage customer credit risk, we monitor credit ratings of customers and, when considered necessary, we also obtain letters of credit from certain customers, parent company guarantees if applicable, and other collateral as considered necessary to reduce risk of loss. Due to availability of other purchasers, we do not believe the loss of any single oil or natural gas customer would have a material adverse effect on our results of operations.

Concentration of Sales Risk. A large portion of our oil and gas sales are made to Kinder Morgan, Inc. and its affiliates and we expect to continue this relationship in the future. We believe that the business risk of this relationship is mitigated by the reputation and nature of their business and the availability of other purchasers.

Interest Rate Risk. At June 30, 2019, we had a combined \$473.0 million drawn under our Credit Facility and our Second Lien, which bear floating rates of interest and therefore are susceptible to interest rate fluctuations. These variable interest rate borrowings are also impacted by changes in short-term interest rates. A hypothetical one percentage point increase in interest rates on our borrowings outstanding under our Credit Facility and Second Lien at June 30, 2019 would increase our annual interest expense by \$4.7 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, consisting of controls and other procedures designed to give reasonable assurance that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding such required disclosure.

As of the end of the period covered by this Form 10-Q, the Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of result of the material weakness in our internal control over financial reporting more fully described below, our disclosure controls and procedures were not effective at a level that provides reasonable assurance as of the last day of the period covered by this report.

However, the Company concluded that the existence of this material weakness did not result in material misstatement of the Company's financial statements included in this Quarterly Report or of those of any prior period.

Income Taxes

In connection with the preparation of our financial statements for the three months ended June 30, 2019, we identified a material weakness over certain aspects of accounting for income taxes. More specifically, we have determined that the design and operation of the controls over our income tax accounting process related to the review and analysis of the allocation of intra-period adjustments to deferred income tax expense resulting from significant, unusual and infrequent transactions were not effective. Due to the infrequency and nature of accounting for adjustments to deferred income tax expense, the Company does not have the expertise in-house and engaged a third-party accounting firm to assist. Following closing of the Company's books and records for the three months ended June 30, 2019 but before this Quarterly Report was filed, the Company's independent registered public accounting firm notified the Company of the improper accounting treatment of the deferred income tax adjustment. Until this material weakness is remediated, there is a reasonable possibility that a material misstatement of our interim financial statements will not be prevented or detected on a timely basis.

Remediation Measures

We are committed to remediating the control deficiency that gave rise to the material weakness described above. Management is responsible for implementing changes and improvements to internal control over financial reporting and for remediating the control deficiency that gave rise to the material weakness.

With oversight from the Audit Committee, we intend to take the necessary steps to remediate the material weakness by enhancing our internal controls to ensure proper review by and communication between our external tax advisors and internal accounting personnel. Our efforts will consist primarily of strengthening our tax organization through continuing training and education and designing controls related to the components of our income tax process to enhance our management review controls over income taxes.

As part of the key remediation actions, we will:

- Review our income tax processes and controls and enhance the overall design and procedures performed upon the review and analysis of the allocation of intra-period adjustments to deferred income tax expense resulting from significant, unusual and infrequent transactions;
- Re-design our management review controls and enhance the precision of review around the key income tax areas relating to the allocation of intra-period adjustments to deferred income tax expense; and
- Evaluate the sufficiency of our income tax resources and personnel to determine whether additional resources are needed.

The material weakness will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Except as noted above, there was no change in our internal control over financial reporting during the three months ended June 30, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

No material legal proceedings are pending other than ordinary, routine litigation incidental to the Company's business.

Item 1A. Risk Factors.

A description of our risk factors can be found in "Item 1A. Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. There were no material changes to those risk factors during the six months ended June 30, 2019, except that the below risk factor is hereby added:

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our financial statements or cause us to fail to meet our periodic reporting obligations.

In connection with a review of our financial statements for the three months ended June 30, 2019, we identified a material weakness in allocation of our intra-period adjustments to deferred income tax expense. We have determined that the design and operation of the controls over our income tax accounting process related to the review and analysis of the allocation of intra-period adjustments to deferred income tax expense resulting from significant, unusual and infrequent transactions were not effective. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Although this material weakness did not result in a material misstatement to our consolidated financial statements for the quarter ended June 30, 2019 or for any prior period, this material weakness could result in a misstatement of income tax expense for interim periods that, if not remediated, could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

With oversight from the Audit Committee, we intend to take the necessary steps to remediate the material weakness by enhancing our internal controls to ensure proper review by and communication between our external tax advisors and internal accounting personnel. Our efforts will consist primarily of strengthening our tax organization through continuing education and designing controls related to the components of our income tax process to enhance our management review controls over income taxes.

The material weakness described above or any newly identified material weakness could limit our ability to prevent or detect a misstatement of our accounts or disclosures that could result in a material misstatement of our annual or interim financial statements. We cannot assure you that any measures we may take will be sufficient to remediate the control deficiencies that led to the material weakness in our internal control over financial reporting described above or to avoid potential future material weaknesses.

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we are unable to successfully remediate our existing or any future material weakness in our internal control over financial reporting, or identify any additional material weaknesses that may exist, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, we may be unable to prevent fraud, investors may lose confidence in our financial reporting, and our stock price may decline as a result.

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

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

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Item 6. Exhibits.

The following exhibits in this index are required by Item 601 of Regulation S-K and are filed herewith or are incorporated herein by reference:

- 3.1 [First Amended and Restated Certificate of Incorporation of SilverBow Resources, Inc., effective May 5, 2017 \(incorporated by reference as Exhibit 3.1 to SilverBow Resources, Inc.'s Form 10-Q filed May 8, 2017, File No. 001-087541\).](#)
- 3.2 [First Amended and Restated Bylaws of SilverBow Resources, Inc., effective May 5, 2017 \(incorporated by reference as Exhibit 3.2 to SilverBow Resources, Inc.'s Form 10-Q filed May 8, 2017, File No. 001-08754\).](#)
- 10.1+ [Second Amendment to the SilverBow Resources, Inc. 2016 Equity Incentive Plan effective April 2, 2019 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed May 22, 2019, File No. 00108754\).](#)

- 10.2+ [Amendment to Employment Agreement, effective as of April 2, 2019, by and between SilverBow Resources, Inc. and Sean C. Woolverton \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754\).](#)
- 10.3+ [Amendment to Employment Agreement, effective as of April 2, 2019, by and between SilverBow Resources, Inc. and G. Gleeson Van Riet \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754\).](#)
- 10.4+ [Amendment to Employment Agreement, effective as of April 2, 2019, by and between SilverBow Resources, Inc. and Steven W. Adam \(incorporated by reference as Exhibit 10.3 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754\).](#)

- 10.5+ [Amendment to Employment Agreement, effective as of April 2, 2019, by and between SilverBow Resources, Inc. and Christopher M. Abundis \(incorporated by reference as Exhibit 10.4 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754\).](#)
- 10.6+* [Form of Restricted Stock Unit Agreement - Officers 2019.](#)
- 10.7+* [Form of Performance Restricted Stock Unit Agreement - Officers 2019.](#)
- 10.8+* [Form of Restricted Stock Unit Agreement - Non-Employee Directors 2019.](#)

- 31.1* [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1# [Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Schema Document
- 101.CAL* XBRL Calculation Linkbase Document
- 101.LAB* XBRL Label Linkbase Document
- 101.PRE* XBRL Presentation Linkbase Document
- 101.DEF* XBRL Definition Linkbase Document

*Filed herewith

Furnished herewith. Not considered to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section.

+ Management contract or compensatory plan or arrangement.

SIGNATURES

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

Date: <u>August 9, 2019</u>	SILVERBOW RESOURCES, INC. (Registrant)
	By: <u>/s/ G. Gleeson Van Riet</u> G. Gleeson Van Riet Executive Vice President and Chief Financial Officer
Date: <u>August 9, 2019</u>	By: <u>/s/ Gary G. Buchta</u> Gary G. Buchta Controller

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Section 2: EX-10.6 (EXHIBIT 10.6)

**SILVERBOW RESOURCES, INC.
2016 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT**

* * * * *

Participant: **[[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]** (the "Participant")

Grant Date: **[[GRANTDATE]]** (the "Grant Date")

Number of Restricted Stock Units: **[[SHARESGRANTED]]**

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between SilverBow Resources, Inc., a Delaware corporation (the "Company"), and the Participant specified above, pursuant to the SilverBow Resources, Inc. 2016 Equity Incentive Plan (the "Plan"), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the Restricted Stock Units ("RSUs") provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the grant of the RSUs hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same

meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its contents. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

2. **Grant of Restricted Stock Unit Award**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the

Company for any reason. The Participant shall have no rights as a stockholder with respect to any of the shares of Stock underlying this Award unless and until such shares of Stock are delivered to the Participant in accordance with Section 4.

3. Vesting.

(a) General. Except as otherwise provided in this Section 3, RSUs subject to this grant shall vest as follows:

[[ALLVESTSEGS]]

such that, for the avoidance of doubt, the RSUs shall become vested as to 100% of the Shares **[LAST VEST DATE]**; provided, however, that if the Participant is an employee on the Grant Date, and the Participant has been continuously employed by the Company or an Affiliate of the Company through each such vesting date. Continuous employment, or the continuous provision of services, shall not be considered interrupted or terminated in the case of transfers between locations of the Company and its Affiliates.

(b) Committee Discretion to Accelerate Vesting. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the RSUs at any time and for any reason.

(c) Acceleration of Vesting Following Termination of Employment and/or a Change of Control. Participant shall have rights to acceleration of all unvested RSUs underlying this Agreement following (a) certain termination events as provided for in Section 6(d) of Participant's employment agreement and (b) a Change of Control as provided for in Section 3(e) of Participant's employment agreement.

(d) Other Terminations. Except as otherwise set forth in this Agreement, all unvested RSUs that are held by the Participant shall immediately terminate and be forfeited upon a termination of the Participant's employment or service relationship. For the avoidance of doubt, if the Participant is an employee on the Grant Date and experiences a termination of employment, except as set forth above, all unvested RSUs that are held by the Participant shall immediately terminate and be forfeited upon such termination of employment without regard to any consulting or other arrangement entered into between the Participant and the Company or an Affiliate of the Company for services to be provided by the Participant following such termination of employment.

4. Delivery of Shares.

(a) The Company shall deliver to the Participant the shares of Stock underlying the outstanding RSUs within thirty (30) days following each date such RSUs vest. In no event shall the Participant be entitled to receive any shares of Stock with respect to any unvested or forfeited portion of the RSUs.

(b) The Company's obligations to the Participant with respect to the RSUs will be satisfied in full upon the issuance of Common Shares corresponding to such RSUs.

(c) In the event an amount becomes payable pursuant to this Section 4 on account of the termination of the Participant's employment or service relationship due to death, or the Participant becomes entitled to receive an amount pursuant to this Section and the Participant dies prior to receiving any or all of the amounts to which the Participant is due, then the amounts payable pursuant to this Section 4 shall be made to the beneficiary or beneficiaries (which may include individuals, trusts or other legal entities) designated by the Participant on the form attached hereto as Attachment 1 or as otherwise provided by and filed with the Company prior to the Participant's death (the "Beneficiary Designation Form"). If the Participant fails to designate a beneficiary or fails to file the Beneficiary Designation Form with the Company prior to the Participant's death, such amounts shall be made to the Participant's estate. If a named beneficiary entitled to receive payments pursuant to the Beneficiary Designation Form dies at a time when additional payments still remain to be paid, then and in any such event, such remaining payments shall be paid to the other primary beneficiary or beneficiaries named by the Participant who shall then be living or in existence, if any, otherwise to the contingent beneficiary or beneficiaries named by the Participant who shall then be living or in existence, if any; otherwise to the estate of the Participant.

5. Dividend Equivalents; Voting and Other Rights.

(a) The Participant shall have no rights of ownership in the shares of Stock underlying the RSUs and no right to vote the shares of Stock underlying the RSUs until the date on which the shares of Stock underlying the RSUs are issued or transferred to the Participant pursuant to Section 4 above.

(b) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Stock in the future, and the rights of the Participant will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

6. **Plan Restrictions.** The Participant acknowledges and agrees that the RSUs granted under this Agreement and any shares of Stock received in settlement thereof, shall be subject to all applicable provisions of the Plan, including but not limited to the restrictions on transferability set forth in Section 14.6 of the Plan.

7. **Securities Representations.** Upon the delivery of the shares of Stock prior to the registration of the shares of Stock to be issued hereunder pursuant to the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Securities Act"), the Participant shall be deemed to acknowledge and make the following representations and warranties and as otherwise may be requested by the Company for compliance with applicable laws, and any issuances of shares of Stock by the Company hereunder shall be made in reliance upon the express representations and warranties of the Participant:

(a) The Participant is acquiring and will hold the shares of Stock to be issued hereunder for investment for the Participant's account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant will not transfer the shares of Stock deliverable with respect to the RSUs in violation of the Plan, this Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or under any other applicable securities laws. The Participant agrees that the Participant will not dispose of the shares of Stock to be issued hereunder unless and until the Participant has complied with all requirements of the Plan and this Agreement applicable to the disposition of such shares of Stock.

(c) The Participant has been furnished with, and has had access to, such information as the Participant considers necessary or appropriate for deciding whether to invest in the shares of Stock to be issued hereunder, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of such shares of Stock.

(d) The Participant is aware that an investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing the Participant's financial condition, to hold the shares of Stock to be issued hereunder for an indefinite period and to suffer a complete loss of the Participant's investment in such shares of Stock.

8. **Entire Agreement; Amendment.** This Agreement, together with the Plan and, to the extent applicable, the Participant's employment agreement with the Company, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

10. **Withholding of Tax.** To the extent the Company is required to withhold any taxes in connection with any payment made or benefit realized under this Agreement, and the amounts available to the Company are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other applicable person shall make arrangements satisfactory to the Company for payment of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If such benefit is to be in the form

of shares of Stock and the Participant fails to make arrangements for the payment of tax, unless otherwise determined by the Committee, the Company will withhold shares of Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, if the Participant is required to pay an amount required to be withheld, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares of Stock required to be delivered hereunder, shares of Stock having a value equal to the amount required to be withheld or by delivering to the Company other Shares held by the Participant. Shares of Stock used for withholding will be valued at the market value of such shares of Stock on the date the benefit is to be included in Participant's income and such market value will in no event exceed the minimum amount of taxes required to be withheld. Further, to the extent that the Company is not required to withhold any taxes in connection with any payment made or benefit realized under this Agreement, the Participant acknowledges and agrees that the Participant is responsible for all tax obligations that arise in connection with the grant, vesting or settlement of the RSUs granted under this Agreement.

11. **No Right to Employment or Service.** Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate the Participant's employment or service relationship at any time, for any reason and, to the extent applicable, with or without Cause. Any questions as to whether and when there has been a termination of such employment or service relationship and the cause of such termination shall be determined in the good faith of the Committee.

12. **Notices.** Any notice which may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If such notice is to the Company, to the attention of the General Counsel of the Company or at such other address as the Company, by notice to the Participant, shall designate in writing from time to time.

(b) If such notice is to the Participant, at his/her address as shown on the Company's records, or at such other address as the Participant, by notice to the Company, shall designate in writing from time to time.

13. **Transfer of Personal Data.** The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Affiliate) of any personal data information related to the RSU awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

14. **Compliance with Laws.** This issuance of RSUs (and the shares of Stock underlying the RSUs) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations and any other law or regulation applicable thereto. The Company

shall not be obligated to issue this RSU or any of the shares of Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the issuance of the RSUs, upon delivery of the shares of Stock underlying the RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

15. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the RSUs are intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and shall be limited, construed and interpreted in accordance with such intent.

16. **Binding Agreement; Assignment.** This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 14.6 of the Plan) any part of this Agreement without the prior express written consent of the Company.

17. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

18. **Headings.** The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

19. **Further Assurances.** Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

20. **Severability.** The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SILVERBOW RESOURCES, INC.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PARTICIPANT

[[SIGNATURE]]

[[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]

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Section 3: EX-10.7 (EXHIBIT 10.7)

**SILVERBOW RESOURCES, INC.
2016 EQUITY INCENTIVE PLAN
PERFORMANCE SHARE UNIT GRANT NOTICE**

Pursuant to the terms and conditions of the SilverBow Resources, Inc. 2016 Equity Incentive Plan, as amended from time to time (the "Plan"), SilverBow Resources, Inc. (the "Company") hereby grants to the individual listed below ("you" or the "Participant") the number of performance share units (the "PSUs") set forth below. This award of PSUs (this "Award") is subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Appendix A (the "Agreement") and the Plan, each of which is incorporated herein by reference. Capitalized terms used but not defined herein shall have the meanings set forth in the Plan.

Participant: [[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]

Date of Grant: [[GRANTDATE]]

Award Type and Description: Performance Award granted pursuant to Article X of the Plan. This Award represents the right to receive Shares in an amount up to 200% of the Target PSUs (defined below), subject to the terms and conditions set forth herein and in the Agreement.
Your right to receive settlement of this Award in an amount ranging from 0% to 200% of the Target PSUs shall vest and become earned and nonforfeitable upon (i) your satisfaction of the continued employment or service requirements described below under "*Service Requirement*" and (ii) the Committee's certification of the level of achievement of the Performance Goal (defined below). The portion of the Target PSUs actually earned upon satisfaction of the foregoing requirements is referred to herein as the "Earned PSUs."

Target Number of PSUs: [[SHARESGRANTED]] (the "Target PSUs").

Performance Period: [[BEGIN DATE]] (the "Performance Period Commencement Date") through [[END DATE]] (the "Performance Period End Date").

Service Requirement: Except as expressly provided in Section 3 of the Agreement, you must remain continuously employed by, or continuously provide services to, the Company or an Affiliate, as applicable, from the Date of Grant through the Performance Period End Date to be eligible to receive payment of this Award, which payment is based on the level of achievement with respect to the Performance Goal (as defined below).

Performance Goal: The "Performance Goal" for the Performance Period is based on the Company's achievement with respect to relative total stockholder return, as

described in Appendix B attached hereto.

Settlement:

Settlement of the Earned PSUs shall be made solely in Shares, which shall be delivered to you in accordance with Section 4 of the Agreement.

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement and this Performance Share Unit Grant Notice (this "Grant Notice"). You acknowledge that you have reviewed the Agreement, the Plan and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan and this Grant Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Grant Notice to be executed by an officer thereunto duly authorized, effective for all purposes as provided above.

SILVERBOW RESOURCES, INC.

IN WITNESS WHEREOF, the Participant has executed this Grant Notice, effective for all purposes as provided above.

PARTICIPANT

[[SIGNATURE]]

[[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]

APPENDIX A
PERFORMANCE SHARE UNIT AGREEMENT

This Performance Share Unit Agreement (together with the Grant Notice to which this Agreement is attached, this "Agreement") is made as of the Date of Grant set forth in the Grant Notice to which this Agreement is attached by and between SilverBow Resources, Inc., a Delaware corporation (the "Company"), and [FIRSTNAME] [LASTNAME] (the "Participant"). Capitalized terms used but not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1. **Award**. In consideration of the Participant's past and/or continued employment with, or service to, the Company or its Affiliates and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Date of Grant set forth in the Grant Notice (the "Date of Grant"), the Company hereby grants to the Participant the target number of PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement and the Plan, which is incorporated herein by reference as a part of this Agreement. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control. To the extent vested, each PSU represents the right to receive one Share, subject to the terms and conditions set forth in the Grant Notice, this Agreement and the Plan; provided, however, that, depending on the level of performance determined to be attained with respect to the Performance Goal, the number of Shares that may be earned hereunder in respect of this Award may range from 0% to 200% of the Target PSUs. Unless and until the PSUs have become vested in the manner set forth in the Grant Notice, the Participant will have no right to receive any Shares or other payments in respect of the PSUs. Prior to settlement of this Award, the PSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

2. **Vesting of PSUs**. Except as otherwise set forth in Section 3, the PSUs shall vest and become Earned PSUs based on the extent to which the Company has satisfied the Performance Goal set forth in the Grant Notice, which shall be determined by the Committee in its sole discretion following the end of the Performance Period, subject to the Participant's satisfaction of the Service Requirement set forth in the Grant Notice. Any PSUs that do not become Earned PSUs shall be automatically forfeited. Unless and until the PSUs have vested and become Earned PSUs as described in this Section 2, the Participant will have no right to receive any dividends or other distribution with respect to the PSUs.

3. **Effect of Termination of Employment or Service; Effect of Change in Control.**

(a) ***Acceleration of Vesting Following Termination of Employment and/or a Change of Control***. Participant shall have right to acceleration of the pro-rata portion of all unvested PSUs underlying this Agreement following certain termination events as provided for in Section 6(d) of the Participant's employment agreement, subject to the

satisfaction of the performance conditions set forth in this Award and based on the actual level of achievement through the Termination Date. Participant shall have right to acceleration of all unvested PSUs underlying this Agreement following a Change of Control as provided for in Section 3(e) of a Participant's employment agreement, subject to the satisfaction of the performance conditions set forth in this Award and based on the actual level of achievement through the date of the Change of Control.

(b) **Other Termination of Employment or Service.** Except as otherwise provided in Section 3(a), if the Participant has not satisfied the Service Requirement, then upon the termination of the Participant's employment or other service relationship with the Company or an Affiliate for any reason, any unearned PSUs (and all rights arising from such PSUs and from being a holder thereof) will terminate automatically without any further action by the Company and will be forfeited without further notice and at no cost to the Company.

4. **Settlement of PSUs.** As soon as administratively practicable following the Committee's certification of the level of attainment of the Performance Goal, but in no event later than 60 days following the Performance Period End Date, the Company shall deliver to the Participant (or the Participant's permitted transferee, if applicable), a number of Shares equal to the number of Earned PSUs; provided, however, that any fractional PSU that becomes earned hereunder shall be rounded down at the time Shares are issued in settlement of such PSU. No fractional Shares, nor the cash value of any fractional Shares, shall be issuable or payable to the Participant pursuant to this Agreement. All Shares, if any, issued hereunder shall be delivered either by delivering one or more certificates for such Shares to the Participant or by entering such Shares in book-entry form, as determined by the Committee in its sole discretion. The value of Shares shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

5. **Tax Withholding.** To the extent that the receipt, vesting or settlement of this Award results in compensation income or wages to the Participant for federal, state, local and/or foreign tax purposes, the Participant shall make arrangements satisfactory to the Company for the satisfaction of obligations for the payment of withholding taxes and other tax obligations relating to this Award, which arrangements include the delivery of cash or cash equivalents, Shares (including previously owned Shares, net settlement, a broker-assisted sale, or other cashless withholding or reduction of the amount of Shares otherwise issuable or delivered pursuant to this Award), other property, or any other legal consideration the Committee deems appropriate. If such tax obligations are satisfied through net settlement or the surrender of previously owned Shares, the maximum number of Shares that may be so withheld (or surrendered) shall be the number of Shares that have an aggregate Fair Market Value on the date of withholding or surrender equal to the aggregate amount of such tax liabilities determined based on the greatest withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that may be utilized without creating adverse accounting treatment for the Company with respect to

this Award, as determined by the Committee. The Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying Shares and that the Participant has been advised, and hereby is advised, to consult a tax advisor. The Participant represents that the Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including, without limitation, attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

6. **Plan Restrictions.** The Participant acknowledges and agrees that the PSUs granted under this Agreement and any Shares received in settlement thereof, shall be subject to all applicable provisions of the Plan, including but not limited to the restrictions on transferability set forth in Section 14.6 of the Plan.

7. **Compliance with Applicable Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of Shares hereunder will be subject to compliance with all applicable requirements of applicable law with respect to such securities and with the requirements of any stock exchange or market system upon which the Shares may then be listed. No Shares will be issued hereunder if such issuance would constitute a violation of any applicable law or regulation or the requirements of any stock exchange or market system upon which the Shares may then be listed. In addition, Shares will not be issued hereunder unless (a) a registration statement under the Securities Act of 1933, as amended, is in effect at the time of such issuance with respect to the Shares to be issued or (b) in the opinion of legal counsel to the Company, the Shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act of 1933, as amended. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any Shares hereunder will relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority has not been obtained. As a condition to any issuance of Shares hereunder, the Company may require the Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company.

8. **Legends.** If a stock certificate is issued with respect to Shares issued hereunder, such certificate shall bear such legend or legends as the Committee deems appropriate in order to reflect the restrictions set forth in this Agreement and to ensure compliance with the terms and provisions of this Agreement, the rules, regulations and other requirements of the Securities and Exchange Commission, any applicable laws or the requirements of any stock exchange on which the Shares are then listed. If the Shares issued hereunder are held in book-entry form, then such entry will reflect that the shares are subject to the restrictions set forth in this Agreement.

9. **Rights as a Stockholder.** The Participant shall have no rights as a stockholder of the Company with respect to any Shares that may become deliverable hereunder unless and until the Participant has become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares, except as otherwise specifically provided for in the Plan or this Agreement.

10. **Execution of Receipts and Releases.** Any issuance or transfer of Shares or other property to the Participant or the Participant's legal representative, heir, legatee or distributee, in accordance with this Agreement shall be in full satisfaction of all claims of such person hereunder. As a condition precedent to such payment or issuance, the Company may require the Participant or the Participant's legal representative, heir, legatee or distributee to execute (and not revoke within any time provided to do so) a release and receipt therefor in such form as it shall determine appropriate; provided, however, that any review period under such release will not modify the date of settlement with respect to Earned PSUs.

11. **No Right to Continued Employment, Service or Awards.** Nothing in the adoption of the Plan, nor the award of the PSUs thereunder pursuant to the Grant Notice and this Agreement, shall confer upon the Participant the right to continued employment by, or a continued service relationship with, the Company or any Affiliate, or any other entity, or affect in any way the right of the Company or any such Affiliate, or any other entity to terminate such employment or other service relationship at any time. The grant of the PSUs is a one-time benefit and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted at the sole discretion of the Company.

12. **Notices.** Any notice which may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If such notice is to the Company, to the attention of the General Counsel of the Company or at such other address as the Company, by notice to the Participant, shall designate in writing from time to time.

(b) If such notice is to the Participant, at his/her address as shown on the Company's records, or at such other address as the Participant, by notice to the Company, shall designate in writing from time to time.

13. **Consent to Electronic Delivery; Electronic Signature.** In lieu of receiving documents in paper format, the Participant agrees, to the fullest extent permitted by law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or

offered by the Company. Electronic delivery may be via a Company electronic mail system or by reference to a location on a Company intranet to which the Participant has access. The Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that his or her electronic signature is the same as, and shall have the same force and effect as, his or her manual signature.

14. **Agreement to Furnish Information.** The Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any applicable statute or regulation.

15. **Entire Agreement; Amendment.** This Agreement constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the PSUs granted hereby; provided, however, that the terms of this Agreement shall not modify and shall be subject to the terms and conditions of any employment, consulting and/or severance agreement between the Company (or an Affiliate or other entity) and the Participant in effect as of the date a determination is to be made under this Agreement. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or this Agreement, any such amendment that materially reduces the rights of the Participant shall be effective only if it is in writing and signed by both the Participant and an authorized officer of the Company.

16. **Severability; Waiver.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such rights continues.

17. **Clawback.** Notwithstanding any provision in the Grant Notice, this Agreement or the Plan to the contrary, to the extent required by (a) applicable law, including, without limitation, the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, any Securities and Exchange Commission rule or any applicable securities exchange listing standards and/or (b) any policy that may be adopted or amended by the Board from time to time, all Shares issued hereunder shall be subject to forfeiture,

repurchase, recoupment and/or cancellation to the extent necessary to comply with such law(s) and/or policy.

18. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

19. **Successors and Assigns.** The Company may assign any of its rights under this Agreement without the Participant's consent. This Agreement will be binding upon and inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth herein and in the Plan, this Agreement will be binding upon the Participant and the Participant's beneficiaries, executors, administrators and the person(s) to whom the PSUs may be transferred by will or the laws of descent or distribution.

20. **Headings.** The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

21. **Counterparts.** The Grant Notice may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Delivery of an executed counterpart of the Grant Notice by facsimile or portable document format (.pdf) attachment to electronic mail shall be effective as delivery of a manually executed counterpart of the Grant Notice.

22. **Section 409A.** Notwithstanding anything herein or in the Plan to the contrary, the PSUs granted pursuant to this Agreement are intended to be exempt from the applicable requirements of Section 409A of the Code, as amended from time to time, including the guidance and regulations promulgated thereunder and successor provisions, guidance and regulations thereto (the "**Nonqualified Deferred Compensation Rules**"), and shall be construed and interpreted in accordance with such intent. Nevertheless, to the extent that the Committee determines that the PSUs may not be exempt from the Nonqualified Deferred Compensation Rules, then, if the Participant is deemed to be a "specified employee" within the meaning of the Nonqualified Deferred Compensation Rules, as determined by the Committee, at a time when the Participant becomes eligible for settlement of the PSUs upon his "separation from service" within the meaning of the Nonqualified Deferred Compensation Rules, then to the extent necessary to prevent any accelerated or additional tax under the Nonqualified Deferred Compensation Rules, such settlement will be delayed until the earlier of: (a) the date that is six months following the Participant's separation from service and (b) the Participant's death. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the PSUs provided under this Agreement are exempt from or compliant with the Nonqualified Deferred Compensation Rules and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with the Nonqualified Deferred Compensation Rules.

APPENDIX B

PERFORMANCE GOAL FOR PERFORMANCE SHARE UNITS

The performance goal for the PSUs shall be based on the relative total stockholder return ("**TSR**") percentile ranking of the Company as compared to the Company's Performance Peer Group (as defined below) during the Performance Period. Subject to the satisfaction of the Service Requirement, you will earn and become vested in a number of PSUs (i.e., the Earned PSUs) as determined in accordance with the table below. The Committee, in its sole discretion, will review, analyze and certify the achievement of the Company's relative TSR percentile ranking for the Performance Period as compared to the Company's Performance Peer Group and will determine the number of Earned PSUs in accordance with the terms of this Agreement, the Grant Notice and the Plan.

Determination of Earned PSUs

Performance Level	Relative TSR Performance (Percentile Rank vs. Peers)	Earned PSUs (% of Target)*
Below Threshold	Below 25 th Percentile	0%
Threshold	≥ 25 th Percentile	50%
Target	≥ 50 th Percentile	100%

*The percentage of Target PSUs that become Earned PSUs for performance between the threshold, target, and stretch achievement levels shall be calculated using linear interpolation.

Performance Peer Group

The Company's "Performance Peer Group" for purposes of this Agreement will consist of the following companies:

[Table of ticker symbols/names of peer group]

Determination of Relative TSR Rank

The TSR for the Company and each member of the Performance Peer Group shall be equal to:

("X" plus "Y") *divided by* "Z," where:

"X" is the difference between (i) the volume weighted average closing price (the "VWAP") of such entity's common stock or other equity securities for the month of [month] [year], *minus* (ii) the VWAP of such entity's common stock or other equity securities for the month of [month] [year];

"Y" is the cumulative amount of dividends paid in respect of such entity's common stock or other equity securities during the Performance Period; and

"Z" is the VWAP of such entity's common stock or other equity securities for the month of [month] [year].

Notwithstanding the foregoing, the following events shall be used to adjust the Performance Peer Group in response to changes in the corporate structure of an entity in the Performance Peer Group:

1. If an entity in the Performance Peer Group spins-off a subsidiary, such spin-off should be treated as a dividend.
2. If two entities in the Performance Peer Group merge, the TSR of the target entity shall be measured on the effective date of the merger. The TSR of the surviving entity shall continue to be measured as if the acquisition did not occur.
3. If an entity in the Performance Peer Group merges with another entity that is not in the Performance Peer Group, the TSR of the target entity shall be measured on the effective date of the merger.
4. If an entity in the Performance Peer Group becomes a private company, the TSR of such entity shall be measured on the date such entity goes private.
5. If an entity in the Performance Peer Group goes bankrupt, the TSR of such entity shall be deemed to be negative 100%.

To determine the Company's applicable percentile ranking for the Performance Period, TSR will be calculated for the Company and each entity in the Performance Peer Group as of the Performance Period End Date. The entities in the Performance Peer Group will be arranged by their respective TSR (highest to lowest) excluding the Company. The Company's percentile rank will be interpolated between the entity with the next highest TSR and the entity with the next lowest TSR based on the differential between the Company's TSR and the TSR of such entities. Notwithstanding the foregoing, in the event the Company's TSR for the Performance Period is negative, the percentage of Target PSUs that become Earned PSUs shall not exceed 100%, regardless of Company's actual percentile ranking for the Performance Period.

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Section 4: EX-10.8 (EXHIBIT 10.8)

**SILVERBOW RESOURCES, INC.
2016 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AGREEMENT
NON-EMPLOYEE DIRECTORS**

* * * * *

Participant: **[[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]** (the "Participant")

Grant Date: **[[GRANTDATE]]** (the "Grant Date")

Number of Restricted Stock Units: **[[SHARESGRANTED]]**

* * * * *

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of the Grant Date specified above, is entered into by and between SilverBow Resources, Inc., a Delaware corporation (the "Company"), and the Participant specified above, pursuant to the SilverBow Resources, Inc. 2016 Equity Incentive Plan (the "Plan"), which is administered by the Committee; and

WHEREAS, it has been determined under the Plan that it would be in the best interests of the Company to grant the Restricted Stock Units ("RSUs") provided herein to the Participant.

NOW, THEREFORE, in consideration of the mutual covenants and promises hereinafter set forth and for other good and valuable consideration, the parties hereto hereby mutually covenant and agree as follows:

1. **Incorporation By Reference; Plan Document Receipt.** This Agreement is subject in all respects to the terms and provisions of the Plan (including, without limitation, any amendments thereto adopted at any time and from time to time unless such amendments are expressly intended not to apply to the grant of the RSUs hereunder), all of which terms and provisions are made a part of and incorporated in this Agreement as if they were each expressly set forth herein. Any capitalized term not defined in this Agreement shall have the same meaning as is ascribed thereto in the Plan. The Participant hereby acknowledges receipt of a true copy of the Plan and that the Participant has read the Plan carefully and fully understands its contents. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall control.

(a) "Cause" means, with respect to the Participant's Termination from and after the date hereof, the following: (i) commission of fraud or material dishonesty in performance of Participant's duties against the Company, its Subsidiaries and/or Affiliates; (ii) conviction of, or plea of guilty or nolo contendere to, a felony; (iii) a malfeasance or misconduct by Participant in performance of Participant's service or any wrongful act or omission (other than in the good faith performance of duties) that is materially injurious to the financial condition or business reputation of the Company; (iv) a material breach of a confidentiality covenant that is not cured within thirty (30) days following a notice from the Company; (v) a material breach of a non-disparagement covenant that is not cured within thirty (30) days following a notice from the Company; (vi) Participant's breach of a non-compete or non-solicitation covenant to which the Participant is subject; or (vii) a material breach or a material violation of the Company's code of conduct or any other material policy; and

(b) "CIC Severance Protection Period" means the time period commencing on the date of the

occurrence of a Change in Control and continuing until the 6-month anniversary of such Change in Control.

2. **Grant of Restricted Stock Unit Award**. The Company hereby grants to the Participant, as of the Grant Date specified above, the number of RSUs specified above. Except as otherwise provided by the Plan, the Participant agrees and understands that nothing contained in this Agreement provides, or is intended to provide, the Participant with any protection against potential future dilution of the Participant's interest in the Company for any reason. The Participant shall have no rights as a stockholder with respect to any of the shares of Stock underlying this Award unless and until such shares of Stock are delivered to the Participant in accordance with Section 4.

3. **Vesting**.

(a) **General**. Except as otherwise provided in this Section 3, RSUs subject to this grant shall vest as follows:

[[ALLVESTSEGS]]

such that, for the avoidance of doubt, the RSUs shall become vested as to 100% of the Shares [vest date]; provided, that, the Participant is continuously serving as a Director on the Vest Date.

(b) **Committee Discretion to Accelerate Vesting**. Notwithstanding the foregoing, the Committee may, in its sole discretion, provide for accelerated vesting of the RSUs at any time and for any reason.

(c) **Termination by Reason of Death or Disability**. If the Participant's Termination is by reason of death or Disability, all RSUs that are held by such Participant at the time of the Participant's Termination that have not otherwise vested shall be immediately fully vested as of the date of such Termination.

(d) **Termination of Service other than for Cause**. If a Participant's Termination is pursuant to Section 4 of Article V of the Certificate of Incorporation of the Company or Section 2.2(d) of the Director Nomination Agreement made and entered into as of April 22, 2016 by and among the Company and certain parties identified therein, in either case, for a reason other than Cause (as defined herein) all RSUs that are held by such Participant at the time of the Participant's Termination that have not otherwise vested shall be immediately fully vested as of the date of such Termination.

(e) **Change in Control**. If the Participant's Termination is by the Company other than for Cause (as such term is defined herein) during the CIC Severance Protection Period (as such term is defined herein), the RSUs shall become fully vested upon the later of the occurrence of a Change in Control or such Termination.

(f) **Other Terminations**. Except as otherwise set forth above, all unvested RSUs that are held by a Participant shall immediately terminate and be forfeited upon a Termination.

4. **Delivery of Shares**.

(a) Except as provided in Section 4(b) or 4(c), the Company shall deliver to the Participant the shares of Stock underlying the outstanding RSUs within thirty (30) days following each date such RSUs vest. In no event shall the Participant be entitled to receive any shares of Stock with respect to any unvested or forfeited portion of the RSUs.

(b) If the RSUs become nonforfeitable (i) by reason of the occurrence of a Change in Control as described in Section 3(e), and if the Change in Control does not constitute a change in control event for purposes of Section 409A(a)(2)(A)(v) of the Code, or (ii) by reason of a termination of the Participant's service, and if such termination does not constitute a "separation from service" for purposes of Section 409A(a)(2)(A)(i) of the Code, then payment for the RSUs will be made upon the earliest of the date of (A) the Participant's "separation from service" with the Company and its Subsidiaries (determined in accordance with Section 409A(a)(2)(A)(i) of the Code), (B) within thirty (30) days following the date the RSUs would have become nonforfeitable under Section 4(a) had the Participant remained in continuous service, (C) the Participant's death, (D) the occurrence of a Change in Control that constitutes a "change in control" for purposes of Section 409A(a)(2)(A)(v) of the Code, or (E) the

Participant's Termination due to the Participant's Disability.

(c) If the RSUs become payable on the Participant's "separation from service" with the Company and its Subsidiaries within the meaning of Section 409A(a)(2)(A)(i) of the Code and the Participant is a "specified employee" as determined pursuant to procedures adopted by the Company in compliance with Section 409A of the Code, then payment for the RSUs shall be made on the earlier of (i) the fifth (5th) business day of the seventh month after the date of the Participant's "separation from service" with the Company and its Subsidiaries within the meaning of Section 409A(a)(2)(A)(i) of the Code or (ii) the Participant's death.

(d) Except to the extent provided by Section 409 A of the Code and permitted by the Committee, no Shares may be issued to the Participant at a time earlier than otherwise expressly provided in this Agreement.

(e) The Company's obligations to the Participant with respect to the RSUs will be satisfied in full upon the issuance of Common Shares corresponding to such RSUs.

(f) In the event an amount becomes payable pursuant to this Section 4 on account of the Participant's Termination of service due to death, or the Participant becomes entitled to receive an amount pursuant to this Section and the Participant dies prior to receiving any or all of the amounts to which the Participant is due, then the amounts payable pursuant to this Section 4 shall be made to the beneficiary or beneficiaries (which may include individuals, trusts or other legal entities) designated by the Participant on the Company's beneficiary designation form filed with the Company prior to the Participant's death (the "Beneficiary Designation Form"). If the Participant fails to designate a beneficiary or fails to file the Beneficiary Designation Form with the Company prior to the Participant's death, such amounts shall be made to the Participant's estate. If a named beneficiary entitled to receive payments pursuant to the Beneficiary Designation Form dies at a time when additional payments still remain to be paid, then and in any such event, such remaining payments shall be paid to the other primary beneficiary or beneficiaries named by the Participant who shall then be living or in existence, if any, otherwise to the contingent beneficiary or beneficiaries named by the Participant who shall then be living or in existence, if any; otherwise to the estate of the Participant.

5. Dividend Equivalents; Voting and Other Rights.

(a) The Participant shall have no rights of ownership in the shares of Stock underlying the RSUs and no right to vote the shares of Stock underlying the RSUs until the date on which the shares of Stock underlying the RSUs are issued or transferred to the Participant pursuant to Section 4 above.

(b) The obligations of the Company under this Agreement will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Stock in the future, and the rights of the Participant will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company under this Agreement.

6. Plan Restrictions. The Participant acknowledges and agrees that the RSUs granted under this Agreement and any shares of Stock received in settlement thereof, shall be subject to all applicable provisions of the Plan, including but not limited to the restrictions on transferability set forth in Section 14.6 of the Plan.

7. Securities Representations. Upon the delivery of the shares of Stock prior to the registration of the shares of Stock to be issued hereunder pursuant to the Securities Act of 1933, as amended, and the rules and regulations thereunder (the "Securities Act"), the Participant shall be deemed to acknowledge and make the following representations and warranties and as otherwise may be requested by the Company for compliance with applicable laws, and any issuances of shares of Stock by the Company hereunder shall be made in reliance upon the express representations and warranties of the Participant:

(a) The Participant is acquiring and will hold the shares of Stock to be issued hereunder for investment for the Participant's account only and not with a view to, or for resale in connection with, any "distribution" thereof within the meaning of the Securities Act or other applicable securities laws.

(b) The Participant will not transfer the shares of Stock deliverable with respect to the RSUs in violation of the Plan, this Agreement, the Securities Act (or the rules and regulations promulgated thereunder) or

under any other applicable securities laws. The Participant agrees that the Participant will not dispose of the shares of Stock to be issued hereunder unless and until the Participant has complied with all requirements of the Plan and this Agreement applicable to the disposition of such shares of Stock.

(c) The Participant has been furnished with, and has had access to, such information as the Participant considers necessary or appropriate for deciding whether to invest in the shares of Stock to be issued hereunder, and the Participant has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the issuance of such shares of Stock.

(d) The Participant is aware that an investment in the Company is a speculative investment that has limited liquidity and is subject to the risk of complete loss. The Participant is able, without impairing the Participant's financial condition, to hold the shares of Stock to be issued hereunder for an indefinite period and to suffer a complete loss of the Participant's investment in such shares of Stock.

8. **Entire Agreement; Amendment.** This Agreement, together with the Plan, contains the entire agreement between the parties hereto with respect to the subject matter contained herein, and supersedes all prior agreements or prior understandings, whether written or oral, between the parties relating to such subject matter. The Committee shall have the right, in its sole discretion, to modify or amend this Agreement from time to time in accordance with and as provided in the Plan. This Agreement may also be modified or amended by a writing signed by both the Company and the Participant. The Company shall give written notice to the Participant of any such modification or amendment of this Agreement as soon as practicable after the adoption thereof.

9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws thereof.

10. **Withholding of Tax.** To the extent the Company is required to withhold any taxes in connection with any payment made or benefit realized under this Agreement, and the amounts available to the Company are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other applicable person shall make arrangements satisfactory to the Company for payment of such taxes required to be withheld, which arrangements (in the discretion of the Committee) may include relinquishment of a portion of such benefit. If such benefit is to be in the form of shares of Stock and the Participant fails to make arrangements for the payment of tax, unless otherwise determined by the Committee, the Company will withhold shares of Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, if the Participant is required to pay an amount required to be withheld, the Participant may elect, unless otherwise determined by the Committee, to satisfy the obligation, in whole or in part, by having withheld, from the shares of Stock required to be delivered hereunder, shares of Stock having a value equal to the amount required to be withheld or by delivering to the Company other Shares held by the Participant. Shares of Stock used for withholding will be valued at the market value of such shares of Stock on the date the benefit is to be included in Participant's income and such market value will in no event exceed the minimum amount of taxes required to be withheld. Further, to the extent that the Company is not required to withhold any taxes in connection with any payment made or benefit realized under this Agreement, the Participant acknowledges and agrees that the Participant is responsible for all tax obligations that arise in connection with the grant, vesting or settlement of the RSUs granted under this Agreement.

11. **No Right to Employment or Service.** Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate the Participant's service at any time, for any reason and with or without Cause. Any questions as to whether and when there has been a termination of such service and the cause of such termination shall be determined in the good faith of the Committee.

12. **Notices.** Any notice which may be required or permitted under this Agreement shall be in writing, and shall be delivered in person or via facsimile transmission, overnight courier service or certified mail, return receipt requested, postage prepaid, properly addressed as follows:

(a) If such notice is to the Company, to the attention of the General Counsel of the Company or at such other address as the Company, by notice to the Participant, shall designate in writing from time to time.

(b) If such notice is to the Participant, at his/her address as shown on the Company's records, or at

such other address as the Participant, by notice to the Company, shall designate in writing from time to time.

13. **Transfer of Personal Data**. The Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary and/or Affiliate) of any personal data information related to the RSU awarded under this Agreement for legitimate business purposes (including, without limitation, the administration of the Plan). This authorization and consent is freely given by the Participant.

14. **Compliance with Laws**. This issuance of RSUs (and the shares of Stock underlying the RSUs) pursuant to this Agreement shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules and regulations and any other law or regulation applicable thereto. The Company shall not be obligated to issue this RSU or any of the shares of Stock pursuant to this Agreement if any such issuance would violate any such requirements. As a condition to the issuance of the RSUs, upon delivery of the shares of Stock underlying the RSUs, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation.

15. **Section 409A**. Notwithstanding anything herein or in the Plan to the contrary, the RSUs are intended to be exempt from the applicable requirements of the Nonqualified Deferred Compensation Rules and shall be limited, construed and interpreted in accordance with such intent.

16. **Binding Agreement; Assignment**. This Agreement shall inure to the benefit of, be binding upon, and be enforceable by the Company and its successors and assigns. The Participant shall not assign (except in accordance with Section 14.6 of the Plan) any part of this Agreement without the prior express written consent of the Company.

17. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument.

18. **Headings**. The titles and headings of the various sections of this Agreement have been inserted for convenience of reference only and shall not be deemed to be a part of this Agreement.

19. **Further Assurances**. Each party hereto shall do and perform (or shall cause to be done and performed) all such further acts and shall execute and deliver all such other agreements, certificates, instruments and documents as either party hereto reasonably may request in order to carry out the intent and accomplish the purposes of this Agreement and the Plan and the consummation of the transactions contemplated thereunder.

20. **Severability**. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of any provision of this Agreement in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

SILVERBOW RESOURCES, INC.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

PARTICIPANT

[[SIGNATURE]]

[[FIRSTNAME]] [[MIDDLENAME]] [[LASTNAME]]

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Section 5: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Sean C. Woolverton, certify that:

I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019, of SilverBow Resources, Inc. (the “registrant”);

1. 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;
2. 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;
3. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
4. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably

likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ Sean C. Woolverton

Sean C. Woolverton
Chief Executive Officer

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Section 6: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) AND RULE 15D-14(A)
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, G. Gleeson Van Riet, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019, of SilverBow Resources, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting, to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

/s/ G. Gleeson Van Riet

G. Gleeson Van Riet
Executive Vice President and

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Section 7: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

Certification of the Chief Executive Officer and Chief Financial Officer

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2019 of SilverBow Resources, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Sean C. Woolverton, the Chief Executive Officer of the Company, and G. Gleeson Van Riet, the Executive Vice President and Chief Financial Officer of the Company, each certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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: August 9, 2019

/s/ Sean C. Woolverton

Sean C. Woolverton Chief Executive Officer

Date: August 9, 2019

/s/ G. Gleeson Van Riet

G. Gleeson Van Riet Executive Vice President and Chief Financial Officer

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