

# SRC Energy Inc. Reports Second Quarter 2017 Financial and Operating Results

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DENVER, August 03, 2017 - [SRC Energy Inc.](#) (NYSE MKT: SRCI) (NYSE American: SRCI) ("SRC", the "Company", "we", "us" or "our"), a U.S. oil and gas exploration and production company with operations focused on the Greater Wattenberg Field in the Denver-Julesburg Basin, reports its financial and operating results for the three and six months ended June 30, 2017.

## Second Quarter 2017 Highlights

- Revenues were \$75.0 million for the three months ended June 30, 2017
- Net income was \$27.9 million or \$0.14 per diluted share for the three months ended June 30, 2017
- Adjusted EBITDA was \$55.9 million for the three months ended June 30, 2017 (see further discussion regarding the presentation of adjusted EBITDA in "About Non-GAAP Financial Measures" below)

## Second Quarter 2017 Financial Results

The following tables present certain per unit metrics that compare results of the corresponding reporting periods:

### Three Months Ended Six Months Ended

Net Volumes	6/30/2017	6/30/2016	% Chg.*	6/30/2017	6/30/2016	% Chg.*
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3-Stream	2-Stream	3-Stream	2-Stream
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Crude Oil (MBbls)	1,262	508	148%	1,942	1,035	88%
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Natural Gas Liquids (MBbls)	662	- NM	1,005	- NM		
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Natural Gas (MMcf)	6,264	3,015	108%	9,710	6,136	58%
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Sales Volumes: (MBOE)	2,969	1,010	194%	4,566	2,057	122%
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### Average Daily Volumes

Daily Production (BOE/day)	32,624	11,098	194%	25,224	11,304	123%
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### Product Price Received

Crude Oil (\$/Bbl)	\$41.15	\$35.06	17%	\$41.75	\$29.37	42%
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Natural Gas Liquids (\$/Bbl)	\$13.18	- NM	\$14.12	- NM		
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Natural Gas (\$/Mcf)	\$2.29	\$2.04	12%	\$2.42	\$1.93	25%
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Average Realized Price (\$/BOE)	\$25.28	\$23.71	7%	\$26.03	20.52	27%
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### Per Unit Cost Information (\$/BOE)

Lease Operating Exp.	\$1.69	\$6.77	(75)%	\$1.92	5.42	(65)%
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Production Tax	\$3.19	\$2.12	50%	\$2.39	1.93	24%
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DD&A Expense	\$8.90	\$11.16	(20)%	\$8.69	11.36	(24)%
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Total G&A Expense	\$2.56	\$7.45	(66)%	\$3.46	7.28	(52)%
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\* SRC began reporting on a 3-Stream basis in the first quarter of 2017 therefore some prior year comparisons may not be meaningful.

Oil, natural gas and natural gas liquids revenues for the three months ended June 30, 2017 increased 213% compared to the three months ended June 30, 2016. This was due to a 194% increase in sales volumes combined with a 7% improvement in average realized sales price per BOE. As of June 30, 2017, substantially all of SRC's production was from horizontal wells.

During the three months ended June 30, 2017, SRC experienced decreased production expenses compared to the three months ended June 30, 2016 on an aggregate and per-unit basis. Unit operating costs benefited from larger volumes of early production from horizontal wells turned to sales during the quarter. The consolidation of the Company's operations into a more centralized geographic operating area, and a 28% reduction in SRC's net number of vertical wells through divestitures and plugging activities also contributed to lower aggregate and per-unit LOE costs.

The Company's 2017 second quarter net income totaled \$27.9 million, or \$0.14 per diluted share compared

to a net loss of \$153.8 million or \$(0.89) per diluted share in the year ago quarter. The three months ended June 30, 2016 was impacted by an impairment charge of \$144.1 million. Adjusted EBITDA in the second quarter was \$55.9 million as compared to \$11.2 million in the year ago quarter.

## Operational Highlights

### Second Quarter 2017 Operating Activity

	Lateral Length	# of wells on Pad	WI %	# of Wells Drilled	# of Wells Completed	# of Wells Turned to Sales
Evans West Pad 2	LL/ 3	XL 11	96%	5		
Williams ML	8	100%	8			
Kawata Pad ML	10	67%	6	10		
Orr Pad ML	12	96%	12			
Orr State Pad ML	12	95%	6			
Goetzel Pad ML	12	77%	11	4		
Hood Pad ML	12	84%	12			
Beebe Pad ML	12	71%	6			
Leffler Pad LL	12	84%	3			
Total wells	32	36	23			
ML	~7,500'	LL	~10,000'	XL	~12,000'	

SRC has entered into an agreement with another operator to trade approximately 4,000 net acres of the Company's non-contiguous acreage for a like number of acres within the Company's core acreage position, further consolidating SRC's development area. This transaction is expected to close in the third quarter of 2017.

## Management Comment

Lynn A. Peterson, Chairman and CEO of SRC Energy Inc., commented, "although we discuss it frequently at conferences and in meetings, the quality of our acreage and the strength of our team is now very evident in our production growth over the last few quarters. As we press forward with our development plan, we will continue to search for opportunities to enhance the value of our assets while maintaining the ability to flex our activity levels up or down, which is a critical strategic objective. We continue to believe that the Company is well positioned to respond to changing market conditions going forward."

Concluding, Mr. Peterson added, "Our execution year-to-date has been outstanding, and I want to commend our entire team as well as the service providers we depend upon. Looking forward, as the midstream infrastructure evolves in the DJ Basin, we continue to work closely with SRC's partners to ensure our plans can continue to be executed in a timely manner. The expansion of the natural gas processing and oil gathering infrastructure over the next few months and years are crucial steps for all active operators in the DJ Basin, and we look forward to the added predictability that it will bring."

## Conference Call

The Company will host a conference call on Friday, August 4, 2017 at 11:00 a.m. Eastern time (9:00 a.m. Mountain time) to discuss the results. The call will be conducted by Chairman and CEO Lynn A. Peterson, CFO James Henderson, Chief Development Officer Nick Spence, Chief Operations Officer Mike Eberhard, and Manager of Investor Relations John Richardson. A Q&A session will immediately follow the discussion of the results for the quarter. Please refer to SRC's website at [www.srcenergy.com](http://www.srcenergy.com) for the most recent corporate presentation and other news and information.

Dial-in (Toll-Free): (877) 407-9122  
Dial-in (International): (201) 493-6747

Replay Information:

Conference ID #: 411931  
Replay Dial-In (Toll Free): 877-660-6853  
Replay Dial-In (International): 201-612-7415  
Expiration Date: 8/18/17

Webcast URL: <http://syrginfo.equisolvewebcast.com/q2-2017>

## About SRC Energy Inc.

SRC Energy Inc. is a domestic oil and natural gas exploration and production company. SRC's core area of operations is in the Wattenberg Field of the Denver-Julesburg Basin. The Denver-Julesburg Basin encompasses parts of Colorado, Wyoming, Kansas and Nebraska. The Company's corporate offices are located in Denver, Colorado. More company news and information about SRC is available at [www.srcenergy.com](http://www.srcenergy.com).

## Important Cautions Regarding Forward Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely", "guidance" or similar expressions indicates a forward-looking statement. Forward-looking statements herein include statements regarding future transactions, plans and midstream issues. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management, and information currently available to management. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. The identification in this press release of factors that may affect the Company's future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Factors that could cause the Company's actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: the success of the Company's exploration and development efforts; the price of oil and gas; worldwide economic situation; change in interest rates or inflation; willingness and ability of third parties to honor their contractual commitments; the availability of adequate midstream infrastructure, the Company's ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital; the Company's capital costs, which may be affected by delays or cost overruns; costs of production; environmental and other regulations, as the same presently exist or may later be amended; the Company's ability to identify, finance and integrate any future acquisitions; the volatility of the Company's stock price; and the other factors described in the "Risk Factors" sections of the Company's filings with the Securities and Exchange Commission, all of which are incorporated by reference in this release.

## Reconciliation of Non-GAAP Financial Measures

We define adjusted EBITDA, a non-GAAP financial measure, as net income (loss) adjusted to exclude the impact of the items set forth in the table below. We exclude those items because they can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures, and the method by which the assets were acquired. We believe that adjusted EBITDA is widely used in our industry as a measure of operating performance and may also be used by investors to measure our ability to meet debt covenant requirements. The following table presents a reconciliation of adjusted EBITDA to net income (loss), its nearest GAAP measure:

SRC ENERGY INC.  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES  
(unaudited, in thousands)

Three Months Ended June 30,  
2017 2016

Adjusted EBITDA:

Net income (loss) \$ 27,936 \$ (153,848 )

Depreciation, depletion, and accretion 26,427 11,274

Full cost ceiling impairment - 144,149

Income tax expense - 101

Stock-based compensation 2,685 2,392

Mark-to-market of commodity derivative contracts:

Total gain on commodity derivatives contracts (1,328 ) 5,704

Cash settlements on commodity derivative contracts 153 1,592

Cash premiums paid for commodity derivative contracts - -

Interest income, net of interest expense (20 ) (167 )

Adjusted EBITDA \$ 55,853 \$ 11,197

## Condensed Consolidated Financial Statements

Condensed consolidated financial statements are included below. Additional financial information, including footnotes that are considered an integral part of the condensed consolidated financial statements, can be found in SRC's Quarterly Report on Form 10-Q for the period ended June 30, 2017, which is available at [www.sec.gov](http://www.sec.gov).

### SRC ENERGY INC. CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited; in thousands)

ASSETS June 30, 2017 December 31, 2016

Current assets:

Cash and cash equivalents	\$ 36,677	\$ 18,615
Other current assets	72,011	35,569
Total current assets	108,688	54,184

Oil and gas properties and other equipment 1,062,428 908,736

Goodwill 40,711 40,711

Other assets 21,806 20,482

Total assets \$ 1,233,633 \$ 1,024,113

### LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities 158,297 92,240

Revolving credit facility 90,000 -

Notes payable, net of issuance costs 76,010 75,614

Asset retirement obligations 12,673 13,775

Other liabilities 2,286 1,745

Total liabilities 339,266 183,374

Shareholders' equity:

Common stock and paid-in capital 1,155,113 1,149,199

Retained deficit (260,746 ) (308,460 )

Total shareholders' equity 894,367 840,739

Total liabilities and shareholders' equity \$ 1,233,633 \$ 1,024,113

### SRC ENERGY INC.

### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited; in thousands)

Six Months Ended June 30,  
2017 2016

Cash flows from operating activities:

Net income (loss) \$ 47,816 \$ (205,249 )

Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Depletion, depreciation, and accretion 39,656 23,366

Full cost ceiling impairment - 189,770

Other, non-cash items 887 13,586

Changes in operating assets and liabilities (13,901 ) (9,238 )

Net cash provided by operating activities 74,458 12,235

Cash flows from investing activities:

Acquisitions of oil and gas properties and leaseholds (29,998 ) (498,701 )

Capital expenditures for drilling and completion activities (178,606 ) (46,009 )

Other capital expenditures (12,695 ) (1,402 )

Cash held in escrow (1,546 ) (18,212 )

Proceeds from sales of oil and gas properties 77,155 23,496

Net cash used in investing activities (145,690 ) (540,828 )

Cash flows from financing activities:

Equity financing activities (451 ) 543,092

Debt financing activities 89,745 (2,364 )

Net cash provided by financing activities 89,294 540,728

Net increase in cash and equivalents 18,062 12,135  
Cash and equivalents at beginning of period 18,615 66,499  
Cash and equivalents at end of period \$ 36,677 \$ 78,634

**SRC ENERGY INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited; in thousands, except share and per share data)

Three Months Ended June 30, Six Months Ended June 30,  
2017 2016 2017 2016  
Oil, natural gas, and NGL revenues \$ 75,036 \$ 23,947 \$ 118,826 \$ 42,220  
Sales of purchased oil - - 1,268 -  
Total revenues 75,036 23,947 120,094 42,220

Expenses:

Lease operating expenses 5,018 6,845 8,740 11,144  
Production taxes 9,464 2,137 10,930 3,970  
Costs of purchased oil - - 1,518 -  
Depreciation, depletion, and accretion 26,427 11,274 39,656 23,366  
Full cost ceiling impairment - 144,149 - 189,770  
Unused commitment charge - 232 669 300  
General and administrative 7,605 7,520 15,805 14,963  
Total expenses 48,514 172,157 77,318 243,513

Operating income (loss) 26,522 (148,210 ) 42,776 (201,293 )

Other income:

Commodity derivatives gain (loss) 1,328 (5,704 ) 4,707 (4,024 )  
Interest expense, net - - - -  
Interest income 20 157 31 165  
Other income 66 10 302 4  
Total other income 1,414 (5,537 ) 5,040 (3,855 )

Income (Loss) before income taxes 27,936 (153,747 ) 47,816 (205,148 )

Income tax expense - 101 - 101

Net income (loss) \$ 27,936 \$ (153,848 ) \$ 47,816 \$ (205,249 )

Net income (loss) per common share:

Basic \$ 0.14 \$ (0.89 ) \$ 0.24 \$ (1.40 )  
Diluted \$ 0.14 \$ (0.89 ) \$ 0.24 \$ (1.40 )

Weighted-average shares outstanding:

Basic 200,831,063 172,013,551 200,769,817 146,703,144  
Diluted 201,224,172 172,013,551 201,266,609 146,703,144

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