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

Form 10-Q

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

For the quarterly period ended September 30, 2019

OR

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

Commission File Number  
**001-33024**

**Harvest Oil & Gas Corp.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**83-0656612**  
(I.R.S. Employer Identification No.)

**1001 Fannin, Suite 750, Houston, Texas**  
(Address of principal executive offices)

**77002**  
(Zip Code)

Registrant's telephone number, including area code: **(713) 651-1144**

Securities registered pursuant to Section 12(b) of the Act: **None**

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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES  NO

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  
YES NO

As of November 8, 2019, the registrant had 10,179,379 shares of common stock, par value of \$0.01 per share, outstanding.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Balance Sheets**  
*(In thousands, except number of shares)*  
*(Unaudited)*

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 98,348	\$ 6,313
Equity securities	—	47,082
Accounts receivable:		
Oil, natural gas and natural gas liquids revenues	21,538	40,176
Other	481	4,496
Derivative asset	8,745	15,452
Other current assets	406	2,314
Total current assets	<u>129,518</u>	<u>115,833</u>
Oil and natural gas properties, net of accumulated depreciation, depletion and amortization; September 30, 2019, \$19,362; December 31, 2018, \$12,950	142,471	405,688
Assets held for sale	9,284	—
Long-term derivative asset	1,933	8,499
Other assets	6,679	4,474
Total assets	<u>\$ 289,885</u>	<u>\$ 534,494</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 24,143	\$ 26,146
Derivative liability	—	1,165
Other current liabilities	684	—
Total current liabilities	<u>24,827</u>	<u>27,311</u>
Asset retirement obligations	101,374	117,529
Long-term debt, net	—	115,000
Liabilities held for sale	2,759	—
Other long-term liabilities	1,638	1,036
Commitments and contingencies (Note 11)		
Mezzanine equity	135	79
Stockholders' equity:		
Common stock – \$0.01 par value; 65,000,000 shares authorized; 10,213,888 shares issued and 10,179,379 shares outstanding as of September 30, 2019; 10,054,816 shares issued and 10,042,468 shares outstanding as of December 31, 2018	102	100
Additional paid-in capital	251,834	249,717
Treasury stock at cost – 34,509 shares at September 30, 2019; 12,348 shares at December 31, 2018	(542)	(247)
Retained earnings (accumulated deficit)	<u>(92,242)</u>	<u>23,969</u>
Total stockholders' equity	<u>159,152</u>	<u>273,539</u>
Total liabilities and equity	<u>\$ 289,885</u>	<u>\$ 534,494</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Operations**  
*(In thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended September 30,	
	2019	2018
<b>Revenues:</b>		
Oil, natural gas and natural gas liquids revenues	\$ 22,870	\$ 68,407
Transportation and marketing-related revenues	379	559
Total revenues	23,249	68,966
<b>Operating costs and expenses:</b>		
Lease operating expenses	19,614	28,281
Cost of purchased natural gas	255	393
Dry hole and exploration costs	36	21
Production taxes	1,634	2,973
Accretion expense on obligations	1,995	2,345
Depreciation, depletion and amortization	1,367	7,860
General and administrative expenses	7,771	7,673
Impairment of oil and natural gas properties	16,325	2,565
Gain on sales of oil and natural gas properties	(661)	(28)
Total operating costs and expenses	48,336	52,083
Operating income (loss)	(25,087)	16,883
<b>Other income (expense), net:</b>		
Gain (loss) on derivatives, net	5,718	(26,423)
Interest expense	(501)	(3,967)
Gain on equity securities	—	4,830
Other income (expense), net	341	(111)
Total other income (expense), net	5,558	(25,671)
Reorganization items, net	—	(972)
Loss before income taxes	(19,529)	(9,760)
Income tax benefit	—	—
Net loss	\$ (19,529)	\$ (9,760)
<b>Basic and diluted earnings per share:</b>		
Net loss	\$ (1.93)	\$ (0.97)
<b>Weighted average common shares outstanding:</b>		
Basic	10,131	10,028
Diluted	10,131	10,028

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Operations**  
*(In thousands, except per share/unit data)*  
*(Unaudited)*

	Successor		Predecessor
	Nine Months Ended September 30, 2019	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018
<b>Revenues:</b>			
Oil, natural gas and natural gas liquids revenues	\$ 96,285	\$ 89,942	\$ 110,307
Transportation and marketing-related revenues	1,397	744	724
Total revenues	<u>97,682</u>	<u>90,686</u>	<u>111,031</u>
<b>Operating costs and expenses:</b>			
Lease operating expenses	64,568	37,656	45,372
Cost of purchased natural gas	969	522	557
Dry hole and exploration costs	75	64	122
Production taxes	5,277	3,943	5,343
Accretion expense on obligations	6,373	3,134	3,176
Depreciation, depletion and amortization	10,712	10,590	46,196
General and administrative expenses	20,794	9,702	15,648
Restructuring costs	—	—	5,211
Impairment of oil and natural gas properties	115,604	2,565	3
(Gain) loss on sales of oil and natural gas properties	(679)	(47)	5
Total operating costs and expenses	<u>223,693</u>	<u>68,129</u>	<u>121,633</u>
Operating income (loss)	(126,011)	22,557	(10,602)
<b>Other income (expense), net:</b>			
Gain (loss) on derivatives, net	5,374	(30,655)	444
Interest expense	(3,335)	(5,166)	(13,652)
Gain on equity securities	4,593	4,830	—
Other income (expense), net	3,168	(84)	776
Total other income (expense), net	<u>9,800</u>	<u>(31,075)</u>	<u>(12,432)</u>
Reorganization items, net	—	(1,780)	(587,325)
Loss before income taxes	(116,211)	(10,298)	(610,359)
Income tax expense	—	—	(166)
Net loss	<u>\$ (116,211)</u>	<u>\$ (10,298)</u>	<u>\$ (610,525)</u>
<b>Basic and diluted earnings per share / unit:</b>			
Net loss	<u>\$ (11.53)</u>	<u>\$ (1.03)</u>	<u>\$ (12.12)</u>
<b>Weighted average common shares / units outstanding:</b>			
Basic	<u>10,080</u>	<u>10,021</u>	<u>49,369</u>
Diluted	<u>10,080</u>	<u>10,021</u>	<u>49,369</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statement of Changes in Owners' Equity (Predecessor)**  
*(In thousands)*  
*(Unaudited)*

	Common Unitholders	General Partner Interest	Total Owners' Equity
Balance, December 31, 2017 (Predecessor)	\$ 648,371	\$ (20,359)	\$ 628,012
Equity-based compensation	575	12	587
Net loss	(15,140)	(309)	(15,449)
Balance, March 31, 2018 (Predecessor)	633,806	(20,656)	613,150
Contribution from general partner	—	40	40
Equity-based compensation	3,133	64	3,197
Net loss	(583,174)	(11,902)	(595,076)
Issuance of common stock to Predecessor common unitholders	(11,967)	—	(11,967)
Issuance of warrants to Predecessor common unitholders	(9,345)	—	(9,345)
Cancellation of Predecessor common unitholders	(32,453)	—	(32,453)
Cancellation of Predecessor general partner interest	—	32,454	32,454
Balance, May 31, 2018 (Predecessor)	\$ —	\$ —	\$ —

**Condensed Consolidated Statement of Stockholders' Equity (Successor)**  
*(In thousands)*  
*(Unaudited)*

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount				
Issuance of successor common stock to holders of the Senior Notes	9,500	\$ 95	\$ 227,271	\$ —	\$ —	\$ 227,366
Issuance of successor common stock to predecessor common unitholders	500	5	11,962	—	—	11,967
Issuance of warrants	—	—	9,345	—	—	9,345
Balance, May 31, 2018 (Successor)	10,000	100	248,578	—	—	248,678
Net loss	—	—	—	—	(538)	(538)
Balance, June 30, 2018 (Successor)	10,000	100	248,578	—	(538)	248,140
Net loss	—	—	—	—	(9,760)	(9,760)
Share-based compensation	—	—	1,094	—	—	1,094
Restricted shares vested	55	—	—	—	—	—
Purchase of treasury stock	(12)	—	—	(247)	—	(247)
Balance, September 30, 2018 (Successor)	10,043	\$ 100	\$ 249,672	\$ (247)	\$ (10,298)	\$ 239,227

**Condensed Consolidated Statement of Stockholders' Equity (Successor)**  
*(In thousands)*  
*(Unaudited)*

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2018 (Successor)	10,043	\$ 100	\$ 249,717	\$ (247)	\$ 23,969	\$ 273,539
Net loss	—	—	—	—	(35,775)	(35,775)
Share-based compensation	—	—	61	—	—	61
Balance, March 31, 2019 (Successor)	10,043	100	249,778	(247)	(11,806)	237,825
Net loss	—	—	—	—	(60,907)	(60,907)
Share-based compensation	—	—	637	—	—	637
Restricted shares vested	87	1	(1)	—	—	—
Purchase of treasury stock	(12)	—	—	(167)	—	(167)
Balance, June 30, 2019 (Successor)	10,118	101	250,414	(414)	(72,713)	177,388
Net loss	—	—	—	—	(19,529)	(19,529)
Share-based compensation	—	—	1,421	—	—	1,421
Restricted shares vested	72	1	(1)	—	—	—
Purchase of treasury stock	(11)	—	—	(128)	—	(128)
Balance, September 30, 2019 (Successor)	<u>10,179</u>	<u>\$ 102</u>	<u>\$ 251,834</u>	<u>\$ (542)</u>	<u>\$ (92,242)</u>	<u>\$ 159,152</u>

See accompanying notes to unaudited condensed consolidated financial statements.

**Harvest Oil & Gas Corp.**  
**Condensed Consolidated Statements of Cash Flows**  
*(In thousands)*  
*(Unaudited)*

	<b>Successor</b>		<b>Predecessor</b>
	<b>Nine Months Ended September 30, 2019</b>	<b>Four Months Ended September 30, 2018</b>	<b>Five Months Ended May 31, 2018</b>
<b>Cash flows from operating activities:</b>			
Net loss	\$ (116,211)	\$ (10,298)	\$ (610,525)
Adjustments to reconcile net loss to net cash flows provided by operating activities:			
Accretion expense on obligations	6,373	3,134	3,176
Depreciation, depletion and amortization	10,712	10,590	46,196
Share-based compensation cost	2,184	1,144	3,784
Impairment of oil and natural gas properties	115,604	2,565	3
(Gain) loss on sales of oil and natural gas properties	(679)	(47)	5
Gain on equity securities	(4,593)	(4,830)	—
(Gain) loss on derivatives, net	(5,374)	30,655	(444)
Cash settlements of derivative contracts	17,483	(1,847)	3,099
Reorganization items, net	—	—	573,304
Other	1,571	780	248
Changes in operating assets and liabilities:			
Accounts receivable	21,637	(2,014)	(3,518)
Other current assets	1,909	314	1,853
Accounts payable and accrued liabilities	(4,061)	(4,183)	4,405
Other, net	(2,531)	(38)	69
<b>Net cash flows provided by operating activities</b>	<b>44,024</b>	<b>25,925</b>	<b>21,655</b>
<b>Cash flows from investing activities:</b>			
Additions to oil and natural gas properties	(2,096)	(22,307)	(29,727)
Reimbursements related to oil and natural gas properties	2,124	1,091	652
Proceeds from sale of oil and natural gas properties	111,575	136,483	3
Proceeds from sale of equity securities	51,675	—	—
Other	38	16	26
<b>Net cash flows provided by (used in) investing activities</b>	<b>163,316</b>	<b>115,283</b>	<b>(29,046)</b>
<b>Cash flows from financing activities:</b>			
Repayment of long-term debt borrowings	(115,000)	(164,000)	—
Long-term debt borrowings	—	—	34,000
Loan costs incurred	—	—	(2,813)
Purchase of treasury stock	(295)	(247)	—
Contributions from general partner	—	—	40
Other	(10)	—	—
<b>Net cash flows provided by (used in) financing activities</b>	<b>(115,305)</b>	<b>(164,247)</b>	<b>31,227</b>
Increase (decrease) in cash, cash equivalents and restricted cash	92,035	(23,039)	23,836
Cash, cash equivalents and restricted cash – beginning of period	6,313	28,732	4,896
<b>Cash, cash equivalents and restricted cash – end of period</b>	<b>\$ 98,348</b>	<b>\$ 5,693</b>	<b>\$ 28,732</b>

See accompanying notes to unaudited condensed consolidated financial statements.



**Harvest Oil & Gas Corp.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**NOTE 1. ORGANIZATION AND NATURE OF BUSINESS**

**Nature of Operations**

Harvest Oil & Gas Corp., a Delaware corporation, is the successor reporting company to EV Energy Partners, L.P. (“EVEP”) pursuant to Rule 15d-5 of the Securities Exchange Act of 1934, as amended. As used herein, the terms “Successor”, “Harvest”, or the “Company” refer to Harvest Oil & Gas Corp. and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made. When referring to the “Predecessor” or the “Partnership” in reference to the period prior to the emergence from bankruptcy, the intent is to refer to EVEP, the predecessor that was dissolved following the Effective Date (as defined below) of the Plan (as defined below) and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

Unless the context requires otherwise, references to: (i) the “Predecessor’s general partner” and “EV Energy GP” refer to EV Energy GP, L.P., a Delaware limited partnership, the Predecessor’s general partner, which was dissolved following the Effective Date of the Plan; (ii) “EV Management” refers to EV Management, LLC, a Delaware limited liability company, the former general partner of the Predecessor’s general partner; and (iii) “EnerVest” refers to EnerVest, Ltd., a Texas limited partnership, the owner of EV Management.

Harvest is an independent oil and natural gas company that was formed in 2018, in connection with the reorganization of the Predecessor. The Predecessor was publicly traded from September 2006 to June 2018. As discussed further in Note 2, on April 2, 2018, EVEP and 13 affiliated debtors (collectively, the “Debtors”) each filed a voluntary petition (the cases commenced thereby, the “Chapter 11 proceedings”) for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (“Chapter 11”) for bankruptcy protection in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”) via Case No. 18-10814. The Debtors requested that their cases be jointly administered under Case No. 18-10814 to pursue the prepackaged plan of reorganization. During the pendency of the Chapter 11 proceedings, EVEP continued to operate its businesses and manage its properties under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court as a “Debtors-in-Possession”. On May 17, 2018, the Bankruptcy Court entered an order (the “Confirmation Order”) confirming the Debtors’ First Modified Joint Prepackaged Plan of Reorganization (as amended, modified and supplemented from time to time, the “Plan”). The Plan became effective on June 4, 2018 (the “Effective Date”), when all remaining conditions to the effectiveness of the Plan were satisfied and the Company emerged from bankruptcy.

The Company operates one reportable segment engaged in the development and production of oil and natural gas properties, and all of its operations are located in the United States. As a result of the ongoing review of the Company’s asset base in order to maximize shareholder value, the Company has divested, and is in the process of divesting, certain assets and, in the future, may look to divest additional assets or all of its remaining assets and use the proceeds to return capital to shareholders. As of September 30, 2019, the oil and natural gas properties of Harvest are located in the Barnett Shale, the Appalachian Basin (which includes the Utica Shale), Michigan, the Mid-Continent areas in Oklahoma, Texas, Kansas and Louisiana, the Permian Basin and the Monroe Field in Northern Louisiana.

**Basis of Presentation**

The Company’s unaudited condensed consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. The Company believes that the presentations and disclosures herein are adequate to make the information not misleading. The unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These interim financial statements should be read in conjunction

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with the audited consolidated financial statements and the related notes included in Harvest's Annual Report on Form 10-K for the year ended December 31, 2018.

All intercompany accounts and transactions have been eliminated in consolidation. In the Notes to Unaudited Condensed Consolidated Financial Statements, all dollar, share and unit amounts in tabulations are in thousands of dollars, shares and units, respectively, unless otherwise indicated.

### Bankruptcy Accounting

The unaudited condensed consolidated financial statements have been prepared as if the Company is a going concern and reflect the application of Accounting Standards Codification 852 *Reorganizations* ("ASC 852"). ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that were realized or incurred related to the bankruptcy proceedings are recorded in "Reorganization items, net" on the Company's condensed consolidated statements of operations.

The following table summarizes the components of reorganization items, net included in the accompanying unaudited condensed consolidated statements of operations:

	Successor				Predecessor
	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Three Months Ended September 30, 2018	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018
Gain on settlement of liabilities subject to compromise	\$ —	\$ —	\$ —	\$ —	\$ 128,700
Fresh start valuation adjustments	—	—	—	—	(700,325)
Professional fees	—	—	(972)	(1,780)	(13,345)
Other	—	—	—	—	(2,355)
Reorganization items, net	\$ —	\$ —	\$ (972)	\$ (1,780)	\$ (587,325)

Upon emergence from bankruptcy on June 4, 2018, the Company elected to adopt and apply the relevant guidance provided in GAAP with respect to the accounting and financial statement disclosures for entities that have emerged from Chapter 11 ("fresh start accounting") effective May 31, 2018 to coincide with the timing of the Company's normal accounting period close. As a result of the application of fresh start accounting and the effects of the implementation of the plan of reorganization, the condensed consolidated financial statements as of or after May 31, 2018 are not comparable with the condensed consolidated financial statements prior to that date. To facilitate the financial statement presentations, the Company refers to the reorganized company in these unaudited condensed consolidated financial statements and notes as the "Successor" for periods subsequent to May 31, 2018 and "Predecessor" for periods prior to June 1, 2018. Furthermore, the unaudited condensed consolidated financial statements and notes have been presented with a "black line" division to delineate the lack of comparability between the Predecessor and Successor.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its estimates and judgments on historical experience and on various other assumptions and information that are believed to be reasonable under the circumstances. Estimates and assumptions about future events and their effects cannot be perceived with certainty and, accordingly, these estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as the Company's operating environment changes. While Harvest believes that the estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are appropriate, actual results could differ from those estimates.

## **New Accounting Standards**

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). The main objective of ASU 2016-02 is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases. ASU 2016-02 requires lessees to recognize assets and liabilities arising from leases on the balance sheet. ASU 2016-02 further defines a lease as a contract that conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Control over the use of the identified asset means that the customer has both (1) the right to obtain substantially all of the economic benefit from the use of the asset and (2) the right to direct the use of the asset. ASU 2016-02 requires disclosures by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In January 2018, the FASB issued ASU 2018-01, *Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842* (“ASU 2018-01”), which permits an entity an optional election to not evaluate under ASU 2016-02 those existing or expired land easements that were not previously accounted for as leases prior to the adoption of ASU 2016-02. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842), Targeted Improvements* (“ASU 2018-11”), which permits an entity (i) to apply the provisions of ASU 2016-02 at the adoption date instead of the earliest period presented in the financial statements, and, as a lessor, (ii) to account for lease and nonlease components as a single component as the nonlease components would otherwise be accounted for under the provisions of ASU 2014-09. The Company adopted this new standard as of January 1, 2019 using a modified retrospective approach. The Company elected the package of practical expedients within ASU 2016-02 that allows an entity to not reassess prior to the effective date (i) whether any expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases or (iii) initial direct costs for any existing leases. Additionally, the Company elected the practical expedient under ASU 2018-01 that allows an entity to not evaluate existing or expired land easements not previously accounted for as leases prior to the effective date. The adoption of this standard resulted in an increase in the assets and liabilities on the Company’s unaudited condensed consolidated balance sheet. The quantitative impacts of the new standard were dependent on the leases in force at the time of adoption. The adoption of this ASU did not have a material impact on the Company’s unaudited condensed consolidated financial statements. See Note 10 for additional details about the impact upon adoption and related disclosures.

No other new accounting pronouncements issued or effective during the nine months ended September 30, 2019 have had or are expected to have a material impact on the unaudited condensed consolidated financial statements other than those disclosed in Harvest’s Annual Report on Form 10-K for the year ended December 31, 2018.

## **Subsequent Events**

The Company evaluated subsequent events for appropriate accounting and disclosure through the date these unaudited condensed consolidated financial statements were issued.

## **NOTE 2. EMERGENCE FROM VOLUNTARY REORGANIZATION UNDER CHAPTER 11**

On March 13, 2018, the Debtors entered into a Restructuring Support Agreement (the “Restructuring Support Agreement”) with (i) holders of approximately 70% of the 8.0% senior unsecured notes due April 2019 (the “Senior Notes”) issued pursuant to that certain indenture, dated as of March 22, 2011 (as amended, restated, supplemented or otherwise modified from time to time, the “Indenture”), among EVEP, EV Energy Finance Corp., each of the guarantors party thereto, and Delaware Trust Company, as indenture trustee, that are signatories to the Restructuring Support Agreement; (ii) lenders under the Predecessor’s reserve-based lending facility, by and among EVEP, EV Properties, L.P., JPMorgan Chase Bank, N.A., as administrative agent, BNP Paribas and Wells Fargo, National Association, as co-syndication agents, the guarantors party thereto, that are signatory thereto, constituting approximately 94% of the principal amount outstanding thereunder; (iii) EnerVest; and (iv) EnerVest Operating, L.L.C. (“EnerVest Operating”). The Restructuring Support Agreement set forth, subject to certain conditions, the commitment of the Debtors and the consenting creditors to support a comprehensive restructuring of the Debtors’ long-term debt (the “Restructuring”).

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On April 2, 2018, the Debtors each filed Chapter 11 proceedings for relief under Chapter 11 in the Bankruptcy Court. The Debtors' Chapter 11 proceedings were jointly administered under the caption *In re EV Energy Partners, L.P., et al.*, Case No. 18-10814.

On May 17, 2018, the Bankruptcy Court entered the Confirmation Order confirming the Debtors' Plan.

On June 4, 2018, the Debtors satisfied the conditions to effectiveness of the Plan, the Plan became effective in accordance with its terms and the Company emerged from bankruptcy.

**NOTE 3. REVENUE**

Revenue from contracts with customers includes the sale of oil, natural gas and natural gas liquids production (recorded in "Oil, natural gas and natural gas liquids revenues" in the unaudited condensed consolidated statements of operations) and gathering and transportation revenues (recorded in "Transportation and marketing-related revenues" in the unaudited condensed consolidated statements of operations).

The following table disaggregates revenue by significant product and service type:

	<b>Successor</b>	
	<b>Three Months Ended</b>	<b>Three Months Ended</b>
	<b>September 30, 2019</b>	<b>September 30, 2018</b>
Oil	\$ 7,856	\$ 23,254
Natural gas <sup>(1)</sup>	11,713	26,494
Natural gas liquids <sup>(1)</sup>	3,301	18,659
Oil, natural gas and natural gas liquids revenues	22,870	68,407
Transportation and marketing-related revenues	379	559
Total revenues	<u>\$ 23,249</u>	<u>\$ 68,966</u>

	<b>Successor</b>		<b>Predecessor</b>
	<b>Nine Months Ended</b>	<b>Four Months Ended</b>	<b>Five Months Ended</b>
	<b>September 30, 2019</b>	<b>September 30, 2018</b>	<b>May 31, 2018</b>
Oil	\$ 25,365	\$ 30,415	\$ 42,460
Natural gas <sup>(1)</sup>	52,055	35,158	40,951
Natural gas liquids <sup>(1)</sup>	18,865	24,369	26,896
Oil, natural gas and natural gas liquids revenues	96,285	89,942	110,307
Transportation and marketing-related revenues	1,397	744	724
Total revenues	<u>\$ 97,682</u>	<u>\$ 90,686</u>	<u>\$ 111,031</u>

- (1) The Company recognizes wet gas revenues, which are recorded net of transportation, gathering and processing expenses, partially as natural gas revenues and partially as natural gas liquids revenues based on the end products after processing occurs. For the Successor period of the three months ended September 30, 2019, wet gas revenues were \$0.3 million which were recognized as natural gas liquids revenues. For the Successor period of the nine months ended September 30, 2019, wet gas revenues were \$4.1 million which were recognized as \$1.5 million of natural gas revenues and \$2.6 million of natural gas liquids revenues. For the Successor period of the three months ended September 30, 2018, wet gas revenues were \$5.9 million which were recognized as \$2.0 million of natural gas revenues and \$3.9 million of natural gas liquids revenues. For the Successor period of the four months ended September 30, 2018, wet gas revenues were \$7.4 million which were recognized as \$2.5 million of natural gas revenues and \$4.9 million of natural gas liquids revenues. For the Predecessor period of the five months ended May 31, 2018, wet gas revenues were \$8.4 million which were recognized as \$3.2 million of natural gas revenues and \$5.2 million of natural gas liquids revenues.

## **Contract Balances**

Customers are invoiced once the Company's performance obligations have been satisfied. Payment terms and conditions vary by contract type, although terms generally include a requirement of payment within 30 days. There are no significant judgments that significantly affect the amount or timing of revenue from contracts with customers. Accordingly, the Company's product sales contracts do not give rise to material contract assets or contract liabilities.

Accounts receivable are primarily from purchasers of oil, natural gas and natural gas liquids. As of September 30, 2019 and December 31, 2018, the Company had receivables of \$21.5 million and \$38.3 million, respectively. This industry concentration could affect overall exposure to credit risk, either positively or negatively, because the Company's purchasers may be similarly affected by changes in economic, industry or other conditions. The Company routinely assesses the financial strength of its customers and bad debts are recorded based on an account-by-account review specifically identifying receivables that the Company believes may be uncollectible after all means of collection have been exhausted, and the potential recovery is considered remote. As of September 30, 2019 and December 31, 2018, the Company did not have any reserves for doubtful accounts.

## **Performance Obligations**

The Company applies the optional exemptions in Topic 606 and does not disclose consideration for remaining performance obligations with an original expected duration of one year or less or for variable consideration related to unsatisfied performance obligations.

## **NOTE 4. SHARE-BASED COMPENSATION**

During the nine months ended September 30, 2019, the Company granted 322,172 shares of restricted stock under the Company's 2018 Omnibus Incentive Plan (the "2018 Plan"). Of the shares of restricted stock granted during the nine months ended September 30, 2019, 150,000 shares are subject to a graded vesting over a three year period; 59,728 shares are subject to future events, such as divestitures; 30,188 shares vested during the three months ended June 30, 2019 as a result of the closing of the San Juan divestiture; 72,384 shares vested during the three months ended September 30, 2019 as a result of the closing of the Barnett and Mid-Continent divestitures; and 9,872 shares are scheduled to vest on June 5, 2020. The weighted average fair value of the restricted shares granted during the nine months ended September 30, 2019 was \$15.24 with a total fair value of approximately \$4.9 million. No shares were forfeited during the nine months ended September 30, 2019. Approximately 0.3 million shares remain available for grant under the 2018 Plan as of September 30, 2019.

The Company recognized compensation cost related to outstanding restricted stock units of \$1.4 million and \$2.1 million for the three and nine months ended September 30, 2019, respectively. These costs are included in "General and administrative expenses" in the unaudited condensed consolidated statements of operations.

As of September 30, 2019, there was \$2.0 million of total unrecognized compensation cost related to unvested time-based restricted stock units, which is expected to be recognized over a weighted average period of 1.6 years. As of September 30, 2019, there was also \$0.9 million of total unrecognized compensation cost related to unvested restricted stock units with vesting subject to future events, which will not be recognized until those future events are probable.

## **Series A Preferred Stock**

The Company estimated the fair value of the 21,000 shares of the 8% Cumulative Nonparticipating Redeemable Series A Preferred Stock (the "Series A Preferred Stock") as of June 30, 2019 at \$0.2 million. The redemption amount of these shares of Series A Preferred Stock is \$0.2 million. The 21,000 shares of Series A Preferred Stock vested during June 2019. During the nine months ended September 30, 2019, the Company recognized \$65 thousand of compensation cost related to the Series A Preferred Stock. These costs are included in "General and administrative expenses" in the unaudited condensed consolidated statement of operations.

### **Predecessor Equity-Based Compensation**

EV Management had two long-term incentive plans, the 2006 Long-Term Incentive Plan and the 2016 Long-Term Incentive Plan for employees, consultants and directors of EV Management and its affiliates who performed services for EVEP. Equity-based awards under these plans consisted only of phantom units during the five months ended May 31, 2018.

The Predecessor recognized compensation cost related to these phantom units of \$3.8 million for the five months ended May 31, 2018. These costs are included in “General and administrative expenses” in the unaudited condensed consolidated statements of operations.

### **NOTE 5. DIVESTITURES**

During January 2019, the Company sold all of its 4.2 million shares of common stock of Magnolia Oil & Gas Corporation (NYSE: MGY) (“Magnolia”) for net proceeds of \$51.7 million.

In January 2019, the Company closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$1.8 million, net of purchase price adjustments. The Company did not record a gain, loss or impairment related to this sale.

In April 2019, the Company closed on the sale of its (i) oil and gas properties in the San Juan Basin and (ii) membership interests in EnerVest Mesa, LLC, a wholly-owned subsidiary of EV Properties, L.P., to a third party for total consideration of \$36.9 million, net of preliminary purchase price adjustments. The transaction had an effective date of October 1, 2018. The Company recognized an impairment of \$25.3 million for these properties during the nine months ended September 30, 2019.

Also, during the second quarter of 2019, the Company closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$2.3 million, net of preliminary purchase price adjustments, which included \$0.9 million of preferential rights to purchase that were exercised by other working interest owners. The transaction, excluding the preferential rights, closed in April 2019 and had an effective date of October 1, 2018. The sale of the assets associated with the preferential rights closed in June 2019. The Company recognized an impairment of \$1.7 million for these properties during the nine months ended September 30, 2019.

In July 2019, the Company entered into a definitive agreement to sell substantially all of its interests in the Barnett Shale to a third party for total consideration of \$72.0 million (subject to purchase price adjustments). In September 2019, the Company closed on the sale of the majority of these properties in the Barnett Shale for total consideration of \$62.4 million, net of preliminary purchase price adjustments. The sale of the remaining oil and gas properties in the Barnett Shale are expected to close during the fourth quarter of 2019 for total consideration of \$6.4 million (subject to purchase price adjustments). The Company recognized an impairment of \$75.3 million for these properties during the nine months ended September 30, 2019. As of September 30, 2019, the remaining oil and gas properties in the Barnett Shale were classified as assets held for sale; \$6.7 million of the assets held for sale and \$0.3 million of the asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were attributable to these unsold properties.

In September 2019, the Company closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$5.3 million, net of preliminary purchase price adjustments. The Company recognized a gain of \$0.6 million related to this sale.

Additionally, in September 2019, the Company entered into a definitive agreement to sell all of its interest in the Monroe Field in Northern Louisiana for total consideration of \$0.2 million (subject to purchase price adjustments). The transaction closed in November 2019. The Company recognized an impairment of \$1.6 million for these properties during the nine months ended September 30, 2019. As of September 30, 2019, these oil and gas properties were classified as assets held for sale; \$2.6 million of the assets held for sale and \$2.4 million of the asset retirement obligations classified as liabilities held for sale in the unaudited condensed consolidated balance sheet were attributable to these properties.

In October 2019, the Company entered into a definitive agreement to sell all of its interest in the Permian Basin for total consideration of \$3.0 million (subject to purchase price adjustments). The transaction is expected to close during the fourth quarter of 2019. The Company recognized an impairment of \$8.1 million for these properties during the nine months ended September 30, 2019.

#### NOTE 6. RISK MANAGEMENT

The Company's business activities expose it to risks associated with changes in the market price of oil, natural gas and natural gas liquids. In addition, the Exit Credit Facility and the New Credit Facility (each as defined below in Note 9) expose the Company to risks associated with changes in interest rates. As such, future earnings are subject to fluctuation due to changes in the market prices of oil, natural gas and natural gas liquids and interest rates. The Company uses derivatives to reduce its risk of volatility in the prices of oil, natural gas and natural gas liquids. The Company policies do not permit the use of derivatives for speculative purposes.

The Company has elected not to designate any of its derivatives as hedging instruments. Accordingly, changes in the fair value of derivatives are recorded immediately to operations as "Gain (loss) on derivatives, net" in the unaudited condensed consolidated statements of operations.

In September 2019, in conjunction with the closings of the sales of oil and natural gas properties in the Barnett Shale and the Mid-Continent area, the Company unwound certain of its derivatives, which resulted in the receipt of a cash settlement of \$7.9 million. The natural gas derivatives unwound included 2,990,000 MMBtus and 10,980,000 MMBtus for the periods of October through December 2019 and January through December 2020, respectively. The crude oil derivatives unwound included 85,400 Bbls and 228,750 Bbls for the periods of September through December 2019 and January through December 2020, respectively. The natural gas liquids derivatives unwound included 283,040 Bbls and 656,970 Bbls for the periods of September through December 2019 and January through December 2020, respectively.

As of September 30, 2019, the Company had entered into derivatives with the following terms:

<b>Period Covered</b>	<b>Hedged Volume</b>	<b>Weighted Average Fixed Price</b>
<b>Oil (Bbls):</b>		
Swaps - October 2019 to December 2019	121,900	\$ 63.53
Swaps - January 2020 to December 2020	439,200	\$ 60.50
<b>Natural Gas (MMBtus):</b>		
Swaps - October 2019 to December 2019	3,450,000	\$ 2.78
Swaps - January 2020 to December 2020	12,810,000	\$ 2.68
<b>Natural Gas Liquids (Bbls):</b>		
Swaps - October 2019 to December 2019	30,360	\$ 22.50
Swaps - January 2020 to December 2020	111,630	\$ 20.71

In November 2019, the Company terminated 124,000 MMBtus of natural gas swaps for the month of December 2019 at a weighted average fixed price of \$2.78 per MMBtu and 1,464,000 MMBtus of natural gas swaps for the period of January 2020 to December 2020 at a weighted average fixed price of \$2.64 per MMBtu. These terminations resulted in a net cash settlement received of \$150,000.

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The following table sets forth the fair values and classification of the Company's outstanding derivatives:

	<b>Gross Amount of Recognized Assets</b>	<b>Gross Amounts Offset in the Consolidated Balance Sheet</b>	<b>Net Amounts of Assets Presented in the Consolidated Balance Sheet</b>
<b>As of September 30, 2019:</b>			
Derivative asset	\$ 8,745	\$ —	\$ 8,745
Long-term derivative asset	1,933	—	1,933
<b>Total</b>	<b>\$ 10,678</b>	<b>\$ —</b>	<b>\$ 10,678</b>
<b>As of December 31, 2018:</b>			
Derivative asset	\$ 18,048	\$ (2,596)	\$ 15,452
Long-term derivative asset	8,565	(66)	8,499
<b>Total</b>	<b>\$ 26,613</b>	<b>\$ (2,662)</b>	<b>\$ 23,951</b>
Derivative liability	\$ 3,761	\$ (2,596)	\$ 1,165
Long-term derivative liability	66	(66)	—
<b>Total</b>	<b>\$ 3,827</b>	<b>\$ (2,662)</b>	<b>\$ 1,165</b>

The Company has entered into master netting arrangements with its counterparties. The amounts above are presented on a net basis in the unaudited condensed consolidated balance sheets when such amounts are with the same counterparty. In addition, the Company has recorded accounts payable and receivable balances related to settled derivatives that are subject to the master netting agreements. These amounts are not included in the above table; however, under the master netting agreements, the Company has the right to offset these positions against forward exposure related to outstanding derivatives.

**NOTE 7. FAIR VALUE MEASUREMENTS**

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets or liabilities. Level 2 refers to fair values determined based on quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration. Level 3 refers to fair values determined based on the Company's own assumptions used to measure assets and liabilities at fair value.



**Recurring Basis**

The following table presents the fair value hierarchy for the Company's assets and liabilities that are required to be measured at fair value on a recurring basis:

	<b>Fair Value Measurements at the End of the Reporting Period</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>As of September 30, 2019:</b>				
Assets:				
Oil, natural gas and natural gas liquids derivatives	\$ 10,678	\$ —	\$ 10,678	\$ —
<b>As of December 31, 2018:</b>				
Assets:				
Oil, natural gas and natural gas liquids derivatives	\$ 26,613	\$ —	\$ 26,613	\$ —
Equity securities	47,082	47,082	—	—
	<u>\$ 73,695</u>	<u>\$ 47,082</u>	<u>\$ 26,613</u>	<u>\$ —</u>
Liabilities:				
Oil, natural gas and natural gas liquids derivatives	\$ 3,827	\$ —	\$ 3,827	\$ —

The Company's derivatives consist of over-the-counter contracts which are not traded on a public exchange. As the fair value of these derivatives is based on inputs using market prices obtained from independent brokers or determined using quantitative models that use as their basis readily observable market parameters that are actively quoted and can be validated through external sources, including third party pricing services, brokers and market transactions, the Company has categorized these derivatives as Level 2. The Company values these derivatives using the income approach with inputs such as the forward curve for commodity prices based on quoted market prices and prospective volatility factors related to changes in the forward curves and yield curves based on money market rates and interest rate swap data, such as forward LIBOR curves. Estimates of fair value have been determined at discrete points in time based on relevant market data. Furthermore, fair values are adjusted to reflect the credit risk inherent in the transaction, which may include amounts to reflect counterparty credit quality and/or the effect of the Company's creditworthiness. These assumed credit risk adjustments are based on published credit ratings, public bond yield spreads and credit default swap spreads. There were no changes in valuation techniques or related inputs in the nine months ended September 30, 2019.

At December 31, 2018, the Company's equity securities consisted of 4.2 million shares of common stock of Magnolia that were traded on a public exchange. The Company categorized these equity securities as Level 1, as the fair value of these shares is based on market price. The Company sold all of its 4.2 million shares of common stock of Magnolia during January 2019 for net proceeds of \$51.7 million.

**Nonrecurring Basis**

The following table presents the fair value hierarchy for the Company’s net assets and liabilities that are required to be measured at fair value on a nonrecurring basis:

	<b>Fair Value Measurements</b>				<b>Total Losses</b>
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	
<b>Nine Months Ended September 30, 2019:</b>					
Long-lived assets held and used	\$ 9,371	\$ —	\$ —	\$ 9,371	\$ 11,657

***Long-lived Assets Held and Used***

As a result of reductions in estimated future net cash flows primarily caused by the decrease in prices for oil, natural gas and natural gas liquids, the Company incurred impairment charges of \$11.7 million during the nine months ended September 30, 2019 to write down oil and natural gas properties that were held and used to their fair value. Of the \$11.7 million impairment, \$8.1 million related to oil and natural gas properties in the Permian Basin and \$3.6 million related to oil and natural gas properties in the Mid-Continent area. These impairment charges were included in earnings during the period indicated. During the four months ended September 30, 2018, the Company did not recognize any impairment expense related to oil and natural gas properties that were held and used as of September 30, 2018. During the five months ended May 31, 2018, the Predecessor did not recognize any impairment expense related to proved oil and natural gas properties.

The fair values were determined using the income approach and were based on the expected present value of the future net cash flows from reserves. Significant Level 3 assumptions associated with the calculation of discounted cash flows used in the impairment analysis included estimates of future prices, production costs, development expenditures, anticipated production, appropriate risk-adjusted discount rates and other relevant data.

***Long-lived Assets Sold or Held For Sale***

During the nine months ended September 30, 2019, the Company recognized an impairment expense of \$75.3 million related to proved oil and natural gas properties in the Barnett Shale, which were sold or held for sale as of September 30, 2019. During the nine months ended September 30, 2019, the Company also recognized an impairment expense of \$27.0 million related to proved oil and natural gas properties in the San Juan Basin and the Mid-Continent area, which were sold during April 2019. During the nine months ended September 30, 2019, the Company recognized impairment expense of \$1.6 million related to proved oil and natural gas properties in the Monroe Field, which was held for sale as of September 30, 2019. During the four months ended September 30, 2018, the Company recognized impairment expense of \$2.6 million related to proved oil and natural gas properties in Central Texas and Karnes County, Texas, which were sold during August 2018.

The fair values of the oil and natural gas properties sold were determined using the transaction price of the then pending transactions. The fair value of the oil and natural gas properties held for sale as of September 30, 2019 were determined using the transaction price for the pending transaction.

**Financial Instruments**

The estimated fair values of the Company’s financial instruments have been determined at discrete points in time based on relevant market information. The Company’s financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, derivatives and long-term debt. The carrying amounts of the

Company's financial instruments other than long-term debt approximate fair value because of the short-term nature of the items. Derivatives are recorded at fair value (see above).

The carrying value of debt outstanding under the Exit Credit Facility (as defined in Note 9) approximated fair value because the credit facility's variable interest rate resets frequently and approximates current market rates available to the Company.

#### NOTE 8. ASSET RETIREMENT OBLIGATIONS

The Company records an asset retirement obligation ("ARO") and capitalizes the asset retirement cost in oil and natural gas properties in the period in which the retirement obligation is incurred based upon the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon wells. After recording these amounts, the ARO is accreted to its future estimated value using an assumed cost of funds and the additional capitalized costs are depreciated on a unit-of-production basis. The changes in the aggregate ARO are as follows:

ARO as of December 31, 2018	\$	119,606
Liabilities incurred		345
Revisions		(6)
Accretion expense		6,373
Settlements and divestitures		(20,823)
Liabilities held for sale		(2,759)
ARO as of September 30, 2019	\$	<u>102,736</u>

As of September 30, 2019 and December 31, 2018, \$1.4 million and \$2.1 million of ARO is classified as current and is included in "Accounts payable and accrued liabilities" in the unaudited condensed consolidated balance sheets, respectively.

#### NOTE 9. LONG-TERM DEBT

The following table presents the consolidated debt obligations at the dates indicated:

	September 30, 2019	December 31, 2018
Exit Credit Facility	\$ —	\$ 115,000

In connection with the Company's emergence from bankruptcy, on the Effective Date, the Company entered into a Credit Agreement providing for a \$1.0 billion new reserve-based revolving loan (the "Exit Credit Facility"). The Exit Credit Facility matures on February 26, 2021. Borrowings under the Exit Credit Facility are secured by a first priority lien on substantially all of the Company's oil and natural gas properties. The Company may use borrowings under the Exit Credit Facility for acquiring and developing oil and natural gas properties, for working capital purposes and for general corporate purposes. The Company also may use up to \$50.0 million of available borrowing capacity for letters of credit. As of September 30, 2019, the Company had a \$0.1 million letter of credit outstanding.

The terms of the Exit Credit Facility do not require any repayments of amounts outstanding until it matures in February 2021. Borrowings under the credit facility bear interest at a floating rate based on, at the Company's election, a base rate or the London Interbank Offered Rate plus applicable premiums based on the percent of the borrowing base outstanding (weighted average effective interest rate of 5.10% at December 31, 2018).

Borrowings under the Exit Credit Facility may not exceed a "borrowing base" determined by the lenders under the credit facility based on the Company's oil and natural gas reserves. During the first quarter of 2019, as a result of divestitures consummated in the fourth quarter of 2018, the borrowing base was reduced by \$2.0 million to \$260.3 million. In May 2019, in conjunction with the semi-annual redetermination, the borrowing base was reduced by \$150.3 million to \$110 million, primarily as a result of the divestitures of the San Juan Basin and Mid-Continent assets as well as a decline in bank commodity price assumptions. In addition, in September 2019, as a result of divestitures during the third quarter of 2019, the borrowing base was further reduced by \$60.0 million to \$50.0 million. As of September 30, 2019, the

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borrowing base under the Exit Credit Facility was \$50.0 million. The borrowing base is subject to scheduled redeterminations semi-annually as of April 1 and October 1 of each year with an additional redetermination once per calendar year at the election of either the Company or the lenders.

The Exit Credit Facility requires the following (as defined in the Credit Agreement):

- the Total Debt to EBITDAX ratio covenant to be no greater than 4.0 to 1.0;
- the current consolidated assets (including unused commitments under the Exit Credit Facility) to current consolidated liabilities to be no less than 1.0 to 1.0;
- the percentage of Mortgaged Properties to be no less than 95% of the total value of the Oil and Gas Properties evaluated in the most recent Reserve Report;
- no later than 60 days following the Effective Date, 70% of projected production volumes (excluding projected production volumes from certain properties) be hedged (as of the date such swap agreements were executed) for the 18 months following the Effective Date;
- cash held by the Company be limited to the greater of 5% of the current borrowing base or \$30.0 million; and
- no return of capital to shareholders, however dividends or distributions to shareholders can be made if the Total Debt to EBITDAX ratio is less than 2.75 to 1.0 and unused availability under the borrowing base is greater than 15%.

On October 4, 2019, the Company terminated the Exit Credit Facility. Also, on October 4, 2019, the Company entered into a new credit agreement providing for a \$10.0 million revolving loan (the “New Credit Facility”). The New Credit Facility matures on October 4, 2020. The New Credit Facility may be renewed for a one-year term by mutual agreement between the Company and the lender. Borrowings under the New Credit Facility are secured by cash collateral and bear interest based upon the London Interbank Offered Rate plus 1%. The Company may use borrowings under the New Credit Facility for acquiring and developing oil and natural gas properties, for working capital purposes and for general corporate purposes. The Company also may use up to \$2.0 million of available borrowing capacity for letters of credit.

### **NOTE 10. LEASES**

On January 1, 2019, Harvest adopted ASU No. 2016-02, *Leases (Topic 842)* (“Topic 842”), using a modified retrospective method. Accordingly, the comparative information for the year ended December 31, 2018 has not been adjusted and continues to be reported under the previous lease standard. The adoption of Topic 842 did not have a material impact on the Company’s unaudited condensed consolidated financial statements. At adoption on January 1, 2019, an operating lease right of use asset of \$1.8 million and an operating lease liability of \$1.8 million was recorded. There was no cumulative earnings effect adjustment.

There were no significant changes to the timing and amount of lease expense recognized in “Lease operating expenses” in the unaudited condensed consolidated statements of operations. However, as a result of the adoption of Topic 842, the Company recognized right of use assets and lease liabilities for certain commitments related to real estate, vehicles and field equipment that were previously accounted for as operating leases. The Company determines if an arrangement is a lease at inception. Operating lease right-of-use assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Contracts with lease terms less than 12 months are not recorded on the unaudited condensed consolidated balance sheet, but instead are disclosed as short-term lease cost.

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During the normal course of business, Harvest leases office space, vehicles, IT equipment and field equipment. The Company's leases have remaining lease terms of 1 year to 4 years, some of which include options to renew. The exercise of lease renewal options is at the Company's sole discretion. The Company's lease agreements do not contain any residual value guarantees or restrictive covenants.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date.

Operating leases are included in other assets, other current liabilities and other long-term liabilities on the unaudited condensed consolidated balance sheet as of September 30, 2019. Operating lease right of use assets and lease liabilities included on the unaudited condensed consolidated balance sheets were as follows:

	<b>September 30, 2019</b>
Other assets	\$ 1,284
Other current liabilities	684
Other long-term liabilities	600
Total operating lease liabilities	<u>\$ 1,284</u>
Weighted average remaining lease term (in years)	2.0
Weighted average discount rate	5.8%

During the three and nine months ended September 30, 2019, the Company paid \$0.8 million and \$2.8 million, respectively, of lease cost. Furthermore, during the three and nine months ended September 30, 2019, the Company recognized lease cost, net of reimbursements from other working interest owners, of \$0.2 million and \$0.6 million, respectively, for operating leases and \$0.5 million and \$1.8 million, respectively, for short-term leases, which is included in "Lease operating expenses" on the Company's unaudited condensed consolidated statement of operations.

Maturities of operating lease liabilities as of September 30, 2019, were as follows:

2019	\$ 210
2020	670
2021	440
2022	36
2023	<u>—</u>
Total lease payments	1,356
Less: imputed interest	<u>(72)</u>
Present value of lease liabilities	<u>\$ 1,284</u>

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

On the Effective Date, Harvest entered into a Services Agreement (the "Services Agreement") with EnerVest and EnerVest Operating (together, the "EnerVest Group"). Pursuant to the Services Agreement, the EnerVest Group provides certain administrative, management, operating and other services and support (the "Services") to Harvest following the Effective Date. In addition, the EnerVest Group also provides Harvest with sufficient office space, equipment and office supplies pursuant to the Services Agreement. The Services Agreement covers the people EnerVest employs who provide direct support to the Company's operations; however, the Services Agreement does not cover the five full-time employees of Harvest which include the Chief Executive Officer and the Chief Financial Officer. The management fee is subject to an annual redetermination by agreement of the parties and will also be adjusted for acquisitions or divestitures over \$5 million. The EnerVest Group will provide the Services until December 31, 2020.

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During October 2019, the EnerVest Group informed Harvest that there are approximately \$4.1 million of uncollectible accounts receivable from third party working interest owners in oil and natural gas properties where Harvest owns a significant working interest for which the EnerVest Group believes Harvest may be responsible. The costs related to these receivables were primarily incurred over the last 8 years and were paid by the EnerVest Group as the contract operator for such properties. Harvest is currently assessing its obligations, if any, with respect to these amounts, as well as its rights and obligations under the Services Agreement and similar agreements. Accordingly, Harvest has determined that the amount of its obligations with respect to these accounts receivable is not estimable at this time and has not accrued any losses with respect to the EnerVest Group's uncollectible accounts receivable as of September 30, 2019.

In August 2018, the Company was notified by the Office of Natural Resources Revenue ("ONRR") of potential underpayments of royalties related to certain leases for the period of 2009 through 2018. The Company has submitted amended royalty filings for the period of 2009 to 2018, pursuant to which Harvest has an additional liability of approximately \$5.0 million. This amount will be paid upon ONRR review and concurrence with the accuracy of royalties per the amended filings. The Company recognized an accrual for the estimated liability for the period of 2009 to 2018 as of both September 30, 2019 and December 31, 2018.

The Company is involved in other disputes or legal actions arising in the ordinary course of business. In August 2019, the Company agreed to a litigation settlement of \$0.7 million related to such matters in the ordinary course of business, the expense for which is included in "General and administrative expenses" in the unaudited condensed consolidated statements of operations for the nine months ended September 30, 2019. The Company does not believe the outcome of other such disputes or legal actions will have a material effect on its unaudited condensed consolidated financial statements. No amounts, other than as described above, were accrued at September 30, 2019 or December 31, 2018.

**NOTE 12. INCOME TAXES**

Effective June 4, 2018, pursuant to the Plan, the Successor became a corporation subject to federal and state income taxes. Prior to the Plan being effective, the Predecessor was a limited partnership and organized as a pass-through entity for federal and most state income tax purposes. As a result, the Predecessor's limited partners were responsible for federal and state income taxes on their share of taxable income. The Predecessor was subject to the Texas margin tax for partnership activity in the state of Texas. Tax obligations of the Predecessor and Successor are recorded as "Income taxes" in the unaudited condensed consolidated statements of operations.

The Company's income tax provision consists of the following:

	<b>Successor</b>	
	<b>Three Months Ended September 30, 2019</b>	<b>Three Months Ended September 30, 2018</b>
	Current tax position:	
Federal	\$ —	\$ —
State	—	—
Total income tax provision	<u>\$ —</u>	<u>\$ —</u>

	<b>Successor</b>		<b>Predecessor</b>
	<b>Nine Months Ended September 30, 2019</b>	<b>Four Months Ended September 30, 2018</b>	<b>Five Months Ended May 31, 2018</b>
	Current tax position:		
Federal	\$ —	\$ —	\$ —
State	—	—	166
Total income tax provision	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 166</u>

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Management assesses the available positive and negative evidence to estimate whether it is more likely than not that sufficient future taxable income will be generated to realize the Company's deferred tax assets. In making this determination, Management considers all available positive and negative evidence and makes certain assumptions. Management considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. Due to significant negative evidence, the Company has established a full valuation allowance against its net deferred tax assets at December 31, 2018. As of September 30, 2019, the Company continued to record a full valuation allowance against its net deferred tax assets. The Company will continue to assess the valuation allowance against deferred tax assets considering all available information obtained in future reporting periods.

**NOTE 13. EARNINGS PER SHARE/UNIT AND STOCKHOLDERS' EQUITY**

The following sets forth the calculation of earnings per share/unit, for the periods indicated:

	Successor				Predecessor
	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019	Three Months Ended September 30, 2018	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018
Net loss attributable to Successor/Predecessor	\$ (19,529)	\$ (116,211)	\$ (9,760)	\$ (10,298)	\$ (610,525)
Predecessor's general partner's 2% interest in net loss	—	—	—	—	12,211
Net loss available to common stockholders/limited partners	\$ (19,529)	\$ (116,211)	\$ (9,760)	\$ (10,298)	\$ (598,314)
Weighted average common shares/units outstanding:					
Basic	10,131	10,080	10,028	10,021	49,369
Dilutive effect of potential common shares/units	—	—	—	—	—
Diluted	10,131	10,080	10,028	10,021	49,369
Net earnings per share/unit:					
Basic	\$ (1.93)	\$ (11.53)	\$ (0.97)	\$ (1.03)	\$ (12.12)
Diluted	\$ (1.93)	\$ (11.53)	\$ (0.97)	\$ (1.03)	\$ (12.12)
Antidilutive restricted stock shares <sup>(1)</sup>	169,600	169,600	—	—	—
Antidilutive warrants <sup>(2)</sup>	800,000	800,000	800,000	800,000	—

(1) Amount represents unvested restricted stock shares as of the end of the period that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

(2) Amount represents warrants to purchase 800,000 shares of the Company's common stock at a per share exercise price of \$37.48 that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

On October 8, 2019, the Board of Directors of Harvest declared a dividend of \$7.00 per share of common stock payable on October 28, 2019 to its shareholders of record as of the close of business on October 18, 2019. In accordance with the terms of the outstanding warrants, the declaration of the dividend resulted in an adjustment to the warrant exercise price from \$37.48 to \$30.48 per share, effective immediately prior to the opening of business on October 21, 2019.

**NOTE 14. RELATED PARTY TRANSACTIONS**

Prior to emergence from bankruptcy, the Predecessor's general partner was EV Energy GP, and the general partner of its general partner was EV Management. EV Management is a wholly-owned subsidiary of EnerVest. EnerVest and its affiliates also had a significant interest in the Partnership through their 71.25% ownership of EV Energy GP which, in turn, owned a 2% general partner interest in the Partnership and all of its incentive distribution rights. In addition, the Predecessor's board of directors included directors who were also executives of EnerVest. As a result, EnerVest was considered a related party to the Predecessor. As a result of the Restructuring, EnerVest is no longer a related party to the Company.

Pursuant to a prior services agreement, the Predecessor paid EnerVest \$7.2 million for general and administrative services provided during the five months ended May 31, 2018. These fees were based on an allocation of charges between EnerVest and EVEP based on the estimated use of such services by each party, and the Partnership believed that the allocation method employed by EnerVest was reasonable and reflective of the estimated level of costs the Partnership would have incurred on a standalone basis. These fees are included in "General and administrative expenses" in the unaudited condensed consolidated statements of operations.

The Partnership entered into operating agreements whereby a wholly-owned subsidiary of EnerVest and its affiliates acted as contract operator of the oil and natural gas wells and related gathering systems and production facilities in which EVEP owned an interest. The Predecessor reimbursed EnerVest approximately \$8.4 million in the five months ended May 31, 2018, for direct expenses incurred in the operation of its wells and related gathering systems and production facilities and for the allocable share of the costs of EnerVest employees who performed services on its properties. These costs are included in "Lease operating expenses" in the unaudited condensed consolidated statements of operations.

**NOTE 15. OTHER SUPPLEMENTAL INFORMATION**

Supplemental cash flows and noncash transactions were as follows:

	Successor		Predecessor
	Nine Months Ended September 30, 2019	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018
<b>Supplemental cash flows information:</b>			
Cash paid for interest	\$ 1,119	\$ 4,383	\$ 6,008
Cash paid for reorganization items <sup>(1)</sup>	472	8,733	6,691

(1) Includes approximately \$6.9 million disbursed from the restricted cash account during the four months ended September 30, 2018.

	September 30, 2019	September 30, 2018
<b>Non-cash transactions:</b>		
Costs for additions to oil and natural gas properties in accounts payable and accrued liabilities	\$ 282	\$ 4,232



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Accounts payable and accrued liabilities consisted of the following:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Lease operating expenses	\$ 8,521	\$ 10,035
San Juan royalties	5,000	5,000
Production and ad valorem taxes	4,285	4,680
General and administrative expenses	2,303	3,321
Current portion of ARO	1,362	2,077
Litigation settlement	679	—
Costs for additions to oil and natural gas properties	282	419
Interest	—	12
Other	1,711	602
Total	<u>\$ 24,143</u>	<u>\$ 26,146</u>

## **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q and the related notes thereto, as well as Harvest’s (as defined below) Annual Report on Form 10-K for the year ended December 31, 2018.*

### **OVERVIEW**

Harvest Oil & Gas Corp. (“Harvest” or “Successor”) is an independent oil and natural gas company that was formed in 2018, in connection with the reorganization of EV Energy Partners, L.P. (“EVEP” or “Predecessor”). As used herein, the terms the “Company”, “we”, “our” or “us” refer to (i) Harvest after the Effective Date (as defined below) and (ii) EVEP prior to, and including, the Effective Date, in each case, together with their respective consolidated subsidiaries or on an individual basis, depending on the context in which the statements are made.

We operate one reportable segment engaged in the development and production of oil and natural gas properties, and all of our operations are located in the United States. As of September 30, 2019, our oil and natural gas properties are located in the Barnett Shale, the Appalachian Basin (which includes the Utica Shale), Michigan, the Mid-Continent areas in Oklahoma, Texas, Kansas and Louisiana, the Permian Basin and the Monroe Field in Northern Louisiana. As of December 31, 2018, we had estimated net proved reserves of 9.9 MMBbls of oil, 476.7 Bcf of natural gas and 29.3 MMBbls of natural gas liquids, or 711.9 Bcfe.

As a result of the ongoing review of our asset base in order to maximize shareholder value, we have divested, and are in the process of divesting, certain assets. We are currently undertaking a review of strategic alternatives, which include, but are not limited to, the potential divestiture of additional assets or all of our remaining assets as well as a potential sale or merger of the Company. We are also reviewing options to reduce our overall cost structure to more closely align with our asset base. There can be no assurance that such evaluation will result in one or more transactions or other strategic change or outcome.

### **Current Developments**

During January 2019, we sold all of our 4.2 million shares of common stock of Magnolia Oil & Gas Corporation (NYSE: MGY) (“Magnolia”) for net proceeds of \$51.7 million.

In January 2019, we closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$1.8 million, net of purchase price adjustments. The Company did not record a gain, loss or impairment related to this sale.

In April 2019, we closed on the sale of our (i) oil and gas properties in the San Juan Basin and (ii) membership interests in EnerVest Mesa, LLC, a wholly-owned subsidiary of EV Properties, L.P., to a third party for total consideration of \$36.9 million, net of preliminary purchase price adjustments. The transaction had an effective date of October 1, 2018. We recognized an impairment of \$25.3 million for these properties during the nine months ended September 30, 2019.

Also, during the second quarter of 2019, we closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$2.3 million, net of preliminary purchase price adjustments, which included \$0.9 million of preferential rights to purchase that were exercised by other working interest owners. The transaction, excluding the preferential rights, closed in April 2019 and had an effective date of October 1, 2018. The sale of the assets associated with the preferential rights closed in June 2019. We recognized an impairment of \$1.7 million for these properties during the nine months ended September 30, 2019.

In July 2019, we entered into a definitive agreement to sell substantially all of our interests in the Barnett Shale to a third party for \$72.0 million (subject to purchase price adjustments). In September 2019, we closed on the sale of the majority of these properties in the Barnett Shale for total consideration of \$62.4 million, net of preliminary purchase price

adjustments. The sale of the remaining oil and gas properties in the Barnett Shale are expected to close during the fourth quarter of 2019 for total consideration of \$6.4 million (subject to purchase price adjustments). We recognized an impairment of \$75.3 million for these properties during the nine months ended September 30, 2019. As of September 30, 2019, the remaining oil and gas properties in the Barnett Shale were classified as assets held for sale; \$6.7 million of the assets held for sale and \$0.3 million of the asset retirement obligations classified as liabilities related to assets held for sale in the unaudited condensed consolidated balance sheet were attributable to these properties not yet sold.

In September 2019, we closed on the sale of certain oil and gas properties in the Mid-Continent area to a third party for total consideration of \$5.3 million, net of preliminary purchase price adjustments. We recognized a gain of \$0.6 million related to this sale.

Additionally, in September 2019, we entered into a definitive agreement to sell all of our interest in the Monroe Field in Northern Louisiana for total consideration of \$0.2 million (subject to purchase price adjustments). The transaction closed in November 2019. We recognized an impairment of \$1.6 million for these properties during the nine months ended September 30, 2019. As of September 30, 2019, these oil and gas properties were classified as assets held for sale; \$2.6 million of the assets held for sale and \$2.4 million of the asset retirement obligations classified as liabilities held for sale in the unaudited condensed consolidated balance sheet were attributable to these properties.

In October 2019, we entered into a definitive agreement to sell all of our interest in the Permian Basin for total consideration of \$3.0 million (subject to purchase price adjustments). The transaction is expected to close during the fourth quarter of 2019. We recognized an impairment of \$8.1 million for these properties during the nine months ended September 30, 2019.

### **Emergence from Voluntary Reorganization under Chapter 11**

On March 13, 2018, EVEP and the other 13 affiliated debtors (collectively, the “Debtors”) entered into a Restructuring Support Agreement (the “Restructuring Support Agreement”) with certain holders of the Predecessor’s outstanding notes, certain lenders under the Predecessor’s reserve-based lending facility, EnerVest, Ltd. (“EnerVest”) and EnerVest Operating, L.L.C. (“EnerVest Operating”). The Restructuring Support Agreement set forth, subject to certain conditions, the commitment of the Debtors and the consenting creditors to support a comprehensive restructuring of the Debtors’ long-term debt (the “Restructuring”). On April 2, 2018 (the “Petition Date”), the Debtors each filed Chapter 11 proceedings under Chapter 11 in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors’ Chapter 11 proceedings were jointly administered under the caption *In re EV Energy Partners, L.P., et al.*, Case No. 18-10814. During the pendency of the Chapter 11 proceedings, EVEP continued to operate its business and manage its properties under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court as “Debtors-in-Possession.” On May 17, 2018, the Bankruptcy Court entered the Confirmation Order confirming the Plan (as defined below).

On June 4, 2018, the Debtors satisfied the conditions to effectiveness of the Debtors’ First Modified Joint Prepackaged Plan of Reorganization (as amended, modified and supplemented from time to time, the “Plan”), and the Plan became effective in accordance with its terms. In accordance with the Plan, EVEP’s equity was cancelled, EVEP transferred all of its assets and operations to Harvest, EVEP was dissolved and Harvest became the successor reporting company to EVEP pursuant to Rule 15d-5 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

### **Predecessor and Successor Reporting**

Upon our emergence on the Effective Date, we elected to adopt fresh start accounting effective May 31, 2018 (the “convenience date”) to coincide with the timing of our normal accounting period close. As a result of the adoption of fresh start accounting and the effects of the implementation of the Plan, the Company’s unaudited condensed consolidated financial statements and certain presentations are separated into two distinct periods, the period before the convenience date (labeled Predecessor) and the period after the convenience date (labeled Successor), to indicate the application of different basis of accounting between the periods presented. Despite the separate presentation, there was continuity of the Company’s operations.

## **Our Operating Plan and Strategy**

Our overall operating plan includes regular reviews of our asset base. As a result of the ongoing review of our asset base in order to maximize shareholder value, we have divested, and are in the process of divesting, certain assets. We are currently undertaking a review of strategic alternatives, which include, but are not limited to, the potential divestiture of additional assets or all of our remaining assets as well as a potential sale or merger of the Company. We are also reviewing options to reduce our overall cost structure to more closely align with our asset base. There can be no assurance that such evaluation will result in one or more transactions or other strategic change or outcome.

We also focus our efforts on maintaining or minimizing the decline in our reserves and production while controlling costs at a level that is appropriate for long-term operations. Our future cash flows from operations are dependent upon our ability to manage our overall cost structure. As initial reservoir pressures are depleted, production from our wells decreases. We attempt to mitigate or reduce this natural decline through drilling and workover operations. We will maintain our focus on drilling costs as well as the costs necessary to produce our reserves. Drilling is dependent on our capital resources and the inventory and economics of drilling prospects and can be limited by many factors, including our ability to timely obtain drilling permits and regulatory approvals.

In order to mitigate the impact of lower prices on our cash flows, we are a party to derivatives, and we intend to enter into derivatives in the future to reduce the impact of price volatility on our cash flows. Although we have entered into derivative contracts covering a portion of our future production through December 2020, a sustained lower price environment would result in lower prices for unprotected volumes and reduce the prices at which we can enter into derivative contracts for additional volumes in the future. We have mitigated, but not eliminated, the potential effects of changing prices on our cash flows from operations for those periods. An extended period of depressed commodity prices would alter our development plans, as well as adversely affect our ability to access additional capital in the capital markets. Please refer to Item 3. “Quantitative And Qualitative Disclosures About Market Risk” in this quarterly report for more information.

## **RESULTS OF OPERATIONS**

References to “Successor” relate to the financial position and results of operations of the reorganized Company subsequent to May 31, 2018, and references to “Predecessor” relate to the financial position and results of operations of the Company prior to, and including, May 31, 2018.

### **Factors Affecting the Comparability of the Results**

We believe that describing certain year-over-year variances and trends in our production, revenue and expenses for the three and nine months ended September 30, 2019 as compared to September 30, 2018 without regard to the concept of Successor and Predecessor facilitates a meaningful analysis of our results of operations and is useful in identifying current business trends.

The impact to the comparability of the Predecessor and Successor results is generally limited to those areas associated with the basis in and accounting for our oil and gas properties (specifically depreciation, depletion and amortization (“DD&A”) and impairments), exploration expense and income taxes (due to the change from a limited partnership to a corporation that occurred in connection with our emergence from bankruptcy). In addition, the comparability of our results for 2019 as compared to prior years may be limited by the effects of our emergence from bankruptcy and fresh-start reporting.

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The following tables summarize certain of the results of operations and period-to-period comparisons for the periods indicated:

	<b>Three Months Ended September 30, 2019</b>	<b>Three Months Ended September 30, 2018</b>
<b>Oil, natural gas and natural gas liquids revenues:</b>		
Oil	\$ 7,856	\$ 23,254
Natural gas	11,713	26,494
Natural gas liquids	3,301	18,659
Total	\$ 22,870	\$ 68,407
<b>Production data:</b>		
Oil (MBbls)	145	341
Natural gas (MMcf)	6,259	10,437
Natural gas liquids (MBbls)	316	611
Total (MMcfe)	9,025	16,147
<b>Average sales price per unit:</b>		
Oil (per Bbl)	\$ 54.02	\$ 68.20
Natural gas (per Mcf)	1.87	2.54
Natural gas liquids (per Bbl)	10.46	30.55
Total (per Mcfe)	2.53	4.24
<b>Expenses and other:</b>		
Lease operating expenses	\$ 19,614	\$ 28,281
Cost of purchased natural gas	255	393
Dry hole and exploration costs	36	21
Production taxes	1,634	2,973
Accretion expense on obligations	1,995	2,345
Depreciation, depletion and amortization	1,367	7,860
General and administrative expenses	7,771	7,673
Impairment of oil and natural gas properties	16,325	2,565
Gain on sales of oil and natural gas properties	661	28
Gain (loss) on derivatives, net	5,718	(26,423)
Interest expense	501	3,967
Gain on equity securities	—	4,830
Reorganization items, net	—	972
Other income (expense), net	341	(111)
Net loss	\$ (19,529)	\$ (9,760)
<b>Average unit cost per Mcfe:</b>		
<b>Production costs:</b>		
Lease operating expenses	\$ 2.17	\$ 1.75
Production taxes	0.18	0.18
Total	2.35	1.93
Depreciation, depletion and amortization	0.15	0.49
General and administrative expenses	0.86	0.48

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	Successor		Predecessor	Combined Nine Months Ended September 30, 2018
	Nine Months Ended September 30, 2019	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018	
Oil, natural gas and natural gas liquids revenues:				
Oil	\$ 25,365	\$ 30,415	\$ 42,460	\$ 72,875
Natural gas	52,055	35,158	40,951	76,109
Natural gas liquids	18,865	24,369	26,896	51,265
Total	\$ 96,285	\$ 89,942	\$ 110,307	\$ 200,249
Production data:				
Oil (MBbls)	470	449	662	1,111
Natural gas (MMcf)	21,765	14,049	16,982	31,031
Natural gas liquids (MBbls)	1,169	826	1,040	1,866
Total (MMcfe)	31,596	21,695	27,193	48,888
Average sales price per unit:				
Oil (per Bbl)	\$ 53.98	\$ 67.80	\$ 64.14	\$ 65.62
Natural gas (per Mcf)	2.39	2.50	2.41	2.45
Natural gas liquids (per Bbl)	16.14	29.51	25.86	27.48
Total (per Mcfe)	3.05	4.15	4.06	4.10
Expenses and other:				
Lease operating expenses	\$ 64,568	\$ 37,656	\$ 45,372	\$ 83,028
Cost of purchased natural gas	969	522	557	1,079
Dry hole and exploration costs	75	64	122	186
Production taxes	5,277	3,943	5,343	9,286
Accretion expense on obligations	6,373	3,134	3,176	6,310
Depreciation, depletion and amortization	10,712	10,590	46,196	56,786
General and administrative expenses	20,794	9,702	15,648	25,350
Restructuring costs	—	—	5,211	5,211
Impairment of oil and natural gas properties	115,604	2,565	3	2,568
Gain (loss) on sales of oil and natural gas properties	679	47	(5)	42
Gain (loss) on derivatives, net	5,374	(30,655)	444	(30,211)
Interest expense	3,335	5,166	13,652	18,818
Gain on equity securities	4,593	4,830	—	4,830
Reorganization items, net	—	1,780	587,325	589,105
Other income (expense), net	3,168	(84)	776	692
Net loss	\$ (116,211)	\$ (10,298)	\$ (610,525)	\$ (620,823)
Average unit cost per Mcfe:				
Production costs:				
Lease operating expenses	\$ 2.04	\$ 1.74	\$ 1.67	\$ 1.70
Production taxes	0.17	0.18	0.20	0.19
Total	2.21	1.92	1.87	1.89
Depreciation, depletion and amortization	0.34	0.49	1.70	1.16
General and administrative expenses	0.66	0.45	0.58	0.52

### **Three Months Ended September 30, 2019 Compared with the Three Months Ended September 30, 2018**

Net loss for the three months ended September 30, 2019 was \$19.5 million compared with a loss of \$9.8 million for the three months ended September 30, 2018. The significant factors in this change were a \$45.7 million decrease in revenues, a \$13.8 million increase in impairment of oil and natural gas properties and a \$4.8 million decrease in the gain on equity securities, partially offset by \$32.1 million favorable change in loss on derivatives, an \$8.7 million decrease in lease operating expenses, a \$6.5 million decrease in DD&A, a \$3.5 million decrease in interest expense and a \$1.3 million decrease in production taxes.

Oil, natural gas and natural gas liquids revenues for the three months ended September 30, 2019 totaled \$22.9 million, a decrease of \$45.5 million compared with the three months ended September 30, 2018. This decrease in revenues was the result of a decrease of \$24.1 million related to lower oil, natural gas and natural gas liquids prices and a decrease of \$21.4 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties.

Lease operating expenses for the three months ended September 30, 2019 decreased \$8.7 million compared with the three months ended September 30, 2018 as the result of \$15.5 million from decreased production primarily related to the divestiture of oil and gas properties, partially offset by \$6.8 million from a higher unit cost per Mcfe. Lease operating expenses were \$2.17 per Mcfe in the three months ended September 30, 2019 compared with \$1.75 per Mcfe in the three months ended September 30, 2018. The higher unit cost per Mcfe is primarily a result of the divestiture of lower cost properties and the transition from operator to non-operator in 2019 on the Barnett Shale properties, prior to their divestiture.

Production taxes for the three months ended September 30, 2019 decreased \$1.3 million compared with the three months ended September 30, 2018 as the result of \$1.9 million from a lower unit cost per Mcfe combined with \$0.5 million from decreased production primarily related to the divestiture of oil and gas properties, partially offset by \$1.1 million from additional severance tax assessments for properties sold in the San Juan Basin. Production taxes were \$0.06 per Mcfe, excluding the additional severance tax assessments, in the three months ended September 30, 2019 compared with \$0.18 per Mcfe in the three months ended September 30, 2018.

Depreciation, depletion and amortization for the three months ended September 30, 2019 decreased \$6.5 million compared with the three months ended September 30, 2018. This decrease was primarily a result of \$5.4 million from a lower unit cost per Mcfe combined with \$1.1 million from decreased production. The lower unit cost was primarily due to lower rates as a result of the application of fresh start accounting during the second quarter of 2018. DD&A was \$0.15 per Mcfe in the three months ended September 30, 2019 compared with \$0.49 per Mcfe in the three months ended September 30, 2018.

General and administrative expenses for the three months ended September 30, 2019 totaled \$7.8 million, which was relatively flat compared with the three months ended September 30, 2018. This is primarily the result of higher legal fees related to divestitures and our review of strategic alternatives, partially offset by lower fees paid under the Services Agreement (as defined below under "Contractual Obligations") with EnerVest. General and administrative expenses were \$0.86 per Mcfe in the three months ended September 30, 2019 compared with \$0.48 per Mcfe in the three months ended September 30, 2018.

During the three months ended September 30, 2019, we incurred proved property impairment of \$16.3 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment amount, \$8.1 million related to properties located in the Permian Basin, \$3.6 million related to properties located in the Mid-Continent area, \$3.0 million related to properties located in the Barnett Shale, Mid-Continent area and the San Juan Basin, which were sold during the nine months ended September 30, 2019, and \$1.6 million related to properties located in the Monroe Field, which were held for sale as of September 30, 2019. During the three months ended September 30, 2018, we incurred proved property impairment of \$2.6 million related to proved oil and natural gas properties located in Central Texas and Karnes County, Texas, which were sold during August 2018.

Gain on derivatives, net was \$5.7 million for the three months ended September 30, 2019 compared with a loss on derivatives, net of \$26.4 million for the three months ended September 30, 2018. This change was attributable to changes

in future oil and natural gas prices. The 12-month forward price at September 30, 2019 for oil averaged \$52.88 per Bbl compared with \$57.51 at June 30, 2019, and the 12-month forward prices at September 30, 2019 for natural gas averaged \$2.39 per MMBtu compared with \$2.45 at June 30, 2019. The 12-month forward price at September 30, 2018 for oil averaged \$72.05 per Bbl compared with \$68.92 at June 30, 2018, and the 12-month forward prices at September 30, 2018 for natural gas averaged \$2.82 per MMBtu compared with \$2.89 at June 30, 2018.

Interest expense for the three months ended September 30, 2019 decreased \$3.5 million compared with the three months ended September 30, 2018. This change was primarily a result of a lower weighted average long-term debt balance, partially offset by the write off of loan costs in the current year related to the decrease in the borrowing base.

Gain on equity securities was \$4.8 million for the three months ended September 30, 2018. This gain was attributable to the changes in the share price of the shares of common stock of Magnolia which were held at that time.

Other income, net for the three months ended September 30, 2019 increased \$0.5 million compared with the three months ended September 30, 2018. This change was primarily a result of earnings from a non-operated equity method investment.

#### **Nine Months Ended September 30, 2019 Compared with the Nine Months Ended September 30, 2018 (Combined)**

Net loss for the nine months ended September 30, 2019 was \$116.2 million compared with a loss of \$620.8 million for the nine months ended September 30, 2018. The significant factors in this change were a \$589.1 million of reorganization costs incurred during 2018, a \$46.1 million decrease in DD&A, a \$35.6 million favorable change in loss on derivatives, a \$18.5 million decrease in lease operating expenses, a \$15.5 million decrease in interest expense and a \$5.2 million decrease in restructuring costs, partially offset by a \$104.0 million decrease in revenues and a \$113.0 million increase in impairment of oil and natural gas properties.

Oil, natural gas and natural gas liquids revenues for the nine months ended September 30, 2019 totaled \$96.3 million, a decrease of \$104.0 million compared with the nine months ended September 30, 2018. This decrease in revenues was the result of a decrease of \$68.0 million related to decreased oil, natural gas and natural gas liquid production primarily related to the divestiture of oil and gas properties combined with a decrease of \$36.0 million primarily related to lower oil and natural gas liquids prices.

Lease operating expenses for the nine months ended September 30, 2019 decreased \$18.5 million compared with the nine months ended September 30, 2018 as the result of \$35.3 million from decreased production primarily related to the divestiture of oil and gas properties, partially offset by \$16.8 million from a higher unit cost per Mcfe. Lease operating expenses were \$2.04 per Mcfe in the nine months ended September 30, 2019 compared with \$1.70 per Mcfe in the nine months ended September 30, 2018. The higher unit cost per Mcfe is primarily a result of the divestiture of lower cost properties and the transition from operator to non-operator in 2019 on the Barnett Shale properties, prior to their divestiture.

Production taxes for the nine months ended September 30, 2019 decreased \$4.0 million compared with the nine months ended September 30, 2018 as the result of \$3.5 million from a lower unit cost per Mcfe combined with \$2.0 million from decreased production primarily related to the divestiture of oil and gas properties, partially offset by \$1.5 million from additional severance tax assessments for properties sold in the San Juan Basin. Production taxes were \$0.12 per Mcfe, excluding the additional severance tax assessments, in the nine months ended September 30, 2019 compared with \$0.19 per Mcfe in the nine months ended September 30, 2018.

Depreciation, depletion and amortization for the nine months ended September 30, 2019 decreased \$46.1 million compared with the nine months ended September 30, 2018. This decrease was primarily a result of \$40.2 million from a lower unit cost per Mcfe, combined with \$5.9 million from decreased production. The lower unit cost was primarily due to lower rates as a result of the application of fresh start accounting during the second quarter of 2018. DD&A was \$0.34 per Mcfe in the nine months ended September 30, 2019 compared with \$1.16 per Mcfe in the nine months ended September 30, 2018.



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General and administrative expenses for the nine months ended September 30, 2019 totaled \$20.8 million, a decrease of \$4.6 million compared with the nine months ended September 30, 2018. This decrease is primarily the result of lower stock based compensation and lower fees paid under the Services Agreement (as defined below under “Contractual Obligations”) with EnerVest, partially offset by a litigation settlement of \$0.7 million recognized during 2019. General and administrative expenses were \$0.66 per Mcfe in the nine months ended September 30, 2019 compared with \$0.52 per Mcfe in the nine months ended September 30, 2018.

Restructuring expenses for the nine months ended September 30, 2018 totaled \$5.2 million. These expenses were for professional services related to the restructuring of EVEP which were incurred prior to the Petition Date.

During the nine months ended September 30, 2019, we incurred proved property impairment of \$115.6 million related to proved oil and natural gas properties and no leasehold impairment charges. Of the proved property impairment amount, \$75.3 million related to properties located in the Barnett Shale, which were sold or held for sale as of September 30, 2019, \$25.3 million related to properties located in the San Juan Basin, which were sold during April 2019, \$8.1 million related to properties located in the Permian Basin, which were held and used as of September 30, 2019, \$3.6 million related to properties located in the Mid-Continent area, which were held and used as of September 30, 2019, \$1.6 million related to properties in the Monroe Field, which were held for sale as of September 30, 2019, and \$1.7 million related to properties located in the Mid-Continent area, which were also sold in April 2019. The significant impairment related to the Barnett Shale is due in part to the decline in natural gas liquid and natural gas prices. During the nine months ended September 30, 2018, we incurred proved property impairment of \$2.6 million related to proved oil and natural gas properties located in Central Texas and Karnes County, Texas which were sold during August 2018.

Gain on derivatives, net was \$5.4 million for the nine months ended September 30, 2019 compared with a loss on derivatives, net of \$30.2 million for the nine months ended September 30, 2018. This change was attributable to changes in future oil and natural gas prices. The 12-month forward price at September 30, 2019 for oil averaged \$52.88 per Bbl compared with \$47.09 at December 31, 2018, and the 12-month forward prices at September 30, 2019 for natural gas averaged \$2.39 per MMBtu compared with \$2.85 at December 31, 2018. The 12-month forward price at September 30, 2018 for oil averaged \$72.05 per Bbl compared with \$59.40 at December 31, 2017, and the 12-month forward prices at September 30, 2018 for natural gas averaged \$2.82 per MMBtu compared with \$2.86 at December 31, 2017.

Interest expense for the nine months ended September 30, 2019 decreased \$15.5 million compared with the nine months ended September 30, 2018. This change was primarily a result of a lower weighted average long-term debt balance combined with a lower weighted average effective interest rate, partially offset by the write off of loan costs in the current year related to the decrease in the borrowing base.

Gain on equity securities was \$4.6 million for the nine months ended September 30, 2019, compared to a gain of \$4.8 million for the nine months ended September 30, 2018. These gains were attributable to the changes in the share price of the common stock of Magnolia prior to the sale in January 2019.

Other income, net for the nine months ended September 30, 2019 increased \$2.5 million compared with the nine months ended September 30, 2018. This change was primarily a result of earnings from a non-operated equity method investment.

## **LIQUIDITY AND CAPITAL RESOURCES**

Since our emergence from bankruptcy on June 4, 2018, our sources of cash have primarily consisted of proceeds from divestitures of certain oil and natural gas properties and net cash flows generated from operations. As a result of divesting certain oil and natural gas properties since our emergence from bankruptcy, we have received \$303.6 million in cash proceeds, net of purchase price adjustments. Additionally, we have entered into definitive agreements to sell oil and gas properties in the Barnett Shale and the Monroe Field, which were both held for sale as of September 30, 2019, and the Permian Basin for total consideration of \$9.6 million (subject to purchase price adjustments), all of which are expected to close in the fourth quarter of 2019. For additional information about our pending asset sales, please see “—Current Developments” above. We have used our cash proceeds from divestitures to fully repay outstanding borrowings under our credit facility and fund capital expenditures, principally for the development of our oil and natural gas properties. Also, on

October 8, 2019, our Board of Directors declared a dividend of \$7.00 per share of common stock payable on October 28, 2019 to our shareholders of record as of close of business on October 18, 2019. In the future, in order to maximize shareholder value, we may return a portion of these cash proceeds to shareholders. We are currently undertaking a review of strategic alternatives, which include, but are not limited to, the potential divestiture of additional assets or all of our remaining assets as well as a potential sale or merger of the Company. We are also reviewing options to reduce our overall cost structure to more closely align with our asset base.

We believe that cash on hand, proceeds from sales of assets and net cash flows generated from operations will be adequate to fund our capital budget and satisfy our liquidity needs. As of September 30, 2019, we had approximately \$148.2 million of liquidity between our borrowing base capacity under the Exit Credit Facility (as defined below) and cash on hand. On October 4, 2019, we terminated the Exit Credit Facility and entered into the New Credit Facility (as defined below). As of November 8, 2019, we had approximately \$30.0 million of liquidity between the New Credit Facility and cash on hand. During the nine months ended September 30, 2019, we incurred \$2.0 million for capital drilling and completing wells. For 2019, we plan to incur \$2 million to \$3 million of capital expenditures, which we expect to fund primarily from cash on hand, sales of assets and net cash flows generated from operations. We will continue monitoring the commodity price environment and expect to retain the financial flexibility to adjust plans in response to market conditions as needed.

### **Long-term Debt**

As of September 30, 2019, we had a credit facility (the “Exit Credit Facility”) that will mature in February 2021. Borrowings under the credit facility may not exceed a “borrowing base” determined by the lenders based on our oil and natural gas reserves. The borrowing base is subject to scheduled redeterminations semi-annually as of April 1 and October 1 of each year with an additional redetermination once per calendar year at the election of either the Company or the lenders. As of September 30, 2019, the borrowing base was \$50.0 million, and we had no borrowings outstanding. On October 4, 2019, we terminated this credit facility.

Also, on October 4, 2019, the Company entered into a new credit facility (the “New Credit Facility”) that will mature on October 4, 2020 but may be renewed for a one-year term by mutual agreement between the Company and the lender. Borrowings under this new credit facility are secured by cash collateral.

For additional information about our credit facilities, such as interest rates and covenants, please see Note 9 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” contained herein to this report.

### **Cash and Short-term Investments**

At September 30, 2019, we had \$98.3 million of cash and short-term investments, which included \$0.6 million of short-term investments. With regard to our short-term investments, we invest in money market accounts with major financial institutions.

On October 8, 2019, our Board of Directors declared a dividend of \$7.00 per share of common stock, approximately \$71.3 million in the aggregate, payable on October 28, 2019 to our shareholders of record as of the close of business on October 18, 2019.

### **Counterparty Exposure**

All of our derivative contracts as of September 30, 2019 were with major financial institutions who were also lenders under the Exit Credit Facility, and all of our current derivative contracts are with a major financial institution who is also a lender under the New Credit Facility. Should one of these financial counterparties not perform, we may not realize the benefit of some of our derivative contracts and we could incur a loss. As of September 30, 2019, all of our counterparties have performed pursuant to their derivative contracts.

**Cash Flows**

References to “Successor” relate to the financial position and results of operations of the reorganized Company subsequent to May 31, 2018, and references to “Predecessor” relate to the financial position and results of operations of the Company prior to, and including, May 31, 2018.

We believe that describing certain year-over-year variances and trends in cash flows for the nine months ended September 30, 2019 as compared to September 30, 2018 without regard to the concept of Successor and Predecessor facilitates a meaningful analysis of our cash flow and is useful in identifying trends.

Cash flows provided by (used in) type of activity were as follows:

	Successor		Predecessor			Combined Nine Months Ended September 30, 2018
	Nine Months Ended September 30, 2019	Four Months Ended September 30, 2018	Five Months Ended May 31, 2018			
	September 30, 2019	September 30, 2018	May 31, 2018	September 30, 2018		
Operating activities	\$ 44,024	\$ 25,925	\$ 21,655	\$ 47,580		47,580
Investing activities	163,316	115,283	(29,046)	86,237		86,237
Financing activities	(115,305)	(164,247)	31,227	(133,020)		(133,020)

*Operating Activities*

Cash flows from operating activities provided \$44.0 million and \$47.6 million in the nine months ended September 30, 2019 and 2018, respectively. The significant factors in the change were \$104.0 million of lower revenues during 2019, partially offset by \$22.7 million favorable change in working capital, \$18.5 million decrease in lease operating expenses, \$16.2 million increase in cash settlements of derivatives, \$15.8 million decrease in cash reorganization costs, \$15.5 million decrease in interest expense and a \$5.2 million decrease in restructuring costs.

*Investing Activities*

During the nine months ended September 30, 2019, we spent \$2.1 million for additions to our oil and natural gas properties, received \$111.6 million in proceeds from the sale of oil and natural gas properties, received \$51.7 million in proceeds from the sale of equity securities, and received \$2.1 million from reimbursements related to oil and natural gas properties. During the nine months ended September 30, 2018, we spent \$52.0 million for additions of oil and natural gas properties, received \$136.5 million in proceeds from the sale of oil and natural gas properties and received \$1.7 million from reimbursements related to oil and natural gas properties.

*Financing Activities*

During the nine months ended September 30, 2019, we repaid \$115.0 million of long-term debt borrowings. During the nine months ended September 30, 2018, we borrowed \$34.0 million under the Exit Credit Facility, repaid \$164.0 million of long-term debt borrowings and paid \$2.8 million of debt issuance costs.

**Off-Balance Sheet Arrangements**

In the normal course of business, we may enter into off-balance sheet arrangements that give rise to off-balance sheet obligations. As of September 30, 2019, we have entered into off-balance sheet arrangements in the form of letters of credit which totaled \$0.1 million.

**Contractual Obligations**

On the Effective Date, we entered into a Services Agreement (the “Services Agreement”) with EnerVest and EnerVest Operating (together, the “EnerVest Group”). Pursuant to the Services Agreement, the EnerVest Group provides certain

administrative, management, operating and other services and support (the “Services”) to us following the Effective Date. In addition, the EnerVest Group also provides us with sufficient office space, equipment and office supplies pursuant to the Services Agreement. The Services Agreement covers the people EnerVest employs who provide direct support to our operations; however, the Services Agreement does not cover the five full-time employees of Harvest which include our Chief Executive Officer and Chief Financial Officer. The management fee is subject to an annual redetermination by agreement of the parties and will also be adjusted for acquisitions or divestitures over \$5 million. The EnerVest Group will provide the Services until December 31, 2020.

We have various other contractual obligations in the normal course of our operations. For further information, see our “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations” in our Annual Report on Form 10-K for the year ended December 31, 2018. Except as described above and the changes related to the adoption of the new lease accounting standard as described in Note 10 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” contained herein, there have been no material changes to the disclosure since year-end 2018.

#### **FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements (each a “forward-looking statement”) within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. These forward-looking statements may relate to, among other things, the following:

- our business strategy and plans, and future capital expenditures, including plans to optimize the value of our assets and plans to return capital to shareholders;
- our pending asset sales;
- our future financial and operating performance and results;
- our estimated net proved reserves, PV-10 value and standardized measure;
- the effects of asset and property dispositions or acquisitions on our cash position and levels of indebtedness;
- costs of developing our properties and conducting other operations;
- our cash flows, liquidity and capital availability;
- market prices;
- our financial strategy;
- our production volumes;
- environmental liabilities;
- our ability to access the capital markets;
- our future derivative activities; and
- our plans and forecasts.

We have based these forward-looking statements on our current assumptions, expectations and projections about future events.

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The words “anticipate,” “believe,” “ensure,” “expect,” “if,” “intend,” “estimate,” “project,” “forecasts,” “predict,” “outlook,” “aim,” “will,” “could,” “should,” “would,” “may,” “likely”, and similar expressions, and the negative thereof, are intended to identify forward-looking statements. These statements discuss future expectations, contain projections of results of operations or of financial condition or state other “forward-looking” information. We do not undertake any obligation to update or revise publicly any forward-looking statements, except as required by law. These statements also involve risks and uncertainties that could cause our actual results or financial condition to materially differ from our expectations in this Form 10-Q including, but not limited to:

- risks relating to pending asset sales, including risks relating to the consummation of such sales in accordance with their terms or at all;
- our inability to maintain relationships with suppliers, customers, employees and other third parties as a result of the Restructuring;
- our inability to control our contract operator, EnerVest Operating, outside of the parameters of the Services Agreement;
- our need to make accretive acquisitions or substantial capital expenditures to maintain our asset base;
- the existence of unanticipated liabilities and problems related to acquired or divested businesses or properties;
- the potential for additional impairments due to continuing or future declines in oil, natural gas and natural gas liquids prices;
- risks relating to any of our unforeseen liabilities;
- fluctuations in prices of oil, natural gas and natural gas liquids and the length of time commodity prices remain depressed;
- significant disruptions in the financial markets;
- future capital requirements and availability of financing;
- uncertainty inherent in estimating our reserves;
- risks associated with drilling and operating wells;
- discovery, acquisition, development and replacement of reserves;
- liquidity and cash flows and their adequacy to fund our ongoing operations;
- consequences of changes we have made or may make from time to time in the future, to our capital expenditures budget, including the impact of those changes on our production levels, reserves, results of operations and liquidity;
- changes in the financial condition of counterparties;
- timing and amount of future production of oil, natural gas and natural gas liquids;
- availability of drilling and production equipment;
- marketing of oil, natural gas and natural gas liquids;

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- developments in oil and natural gas producing countries;
- competition;
- general economic conditions;
- governmental regulations;
- activities taken or non-performance by third parties, including suppliers, contractors, operators, transporters and purchasers of our production and counterparties to our derivative financial instrument contracts;
- hedging decisions, including whether or not to enter into derivative financial instruments;
- actions of third party co-owners of interest in properties in which we also own an interest; and
- fluctuations in interest rates and the value of the US dollar in international currency markets.

All of our forward-looking information is subject to risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors and the timing of any of those risk factors identified in the “Risk Factors” section included in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Our revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing prices for oil, natural gas and natural gas liquids. Declines in prices may materially adversely affect our financial condition, liquidity, ability to obtain financing and operating results. Lower prices also may reduce the amount of oil, natural gas or natural gas liquids that we can produce economically. A decline in prices could have a material adverse effect on the estimated value and estimated quantities of our reserves, our ability to fund our operations and our financial condition, cash flows, results of operations and access to capital. Historically, prices and markets have been volatile, with prices fluctuating widely, and they are likely to continue to be volatile.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to certain market risks that arise in the normal course of business. We may enter into derivative instruments to manage or reduce market risk, but do not enter into derivative agreements for speculative purposes.

We do not designate derivative instruments or plan to designate future derivative instruments as hedges for accounting purposes. Accordingly, the changes in the fair value of these instruments are recognized currently in earnings.

#### **Commodity Price Risk**

Our major market risk exposure is to prices for oil, natural gas and natural gas liquids. These prices have historically been volatile. As such, future earnings are subject to change due to changes in these prices. Realized prices are primarily driven by the prevailing worldwide price for oil and regional spot prices for natural gas production. We have used, and expect to continue to use, commodity contracts to reduce our risk of changes in the prices of oil, natural gas and natural gas liquids. Pursuant to our risk management policy, we engage in these activities as a hedging mechanism against price volatility associated with pre-existing or anticipated sales of oil, natural gas and natural gas liquids. Under the Exit Credit Facility, we were required to hedge (as of the date such swap agreements were executed) no less than 70% of our projected production volumes (excluding projected production volumes from certain properties) for the 18-month period following the Effective Date.

We have entered into commodity contracts to hedge a portion of our anticipated oil and natural gas production through December 2020. As of September 30, 2019, we have commodity contracts covering approximately 85% of our estimated

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production attributable to our net proved reserves from October 2019 through December 2020. Our actual production will vary from the amounts estimated in our reserve reports, perhaps materially.

The fair value of our commodity contracts at September 30, 2019 was a net asset of \$10.7 million. A 10% change in oil and natural gas prices with all other factors held constant would result in a change in the fair value (generally correlated to our estimated future net cash flows from such instruments) of our oil and natural gas commodity contracts of approximately \$7.2 million.

Please see Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” contained herein for additional information.

#### **Interest Rate Risk**

The Exit Credit Facility exposed us to risks associated with changes in interest rates and as such, future earnings are subject to change due to changes in these interest rates. If interest rates on The Exit Credit Facility increased by 1%, interest expense for the nine months ended September 30, 2019 would have increased by approximately \$0.2 million.

As of September 30, 2019, we did not have any borrowings outstanding under the Exit Credit Facility or interest rate swaps in place.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2019 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted 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. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Change in Internal Controls Over Financial Reporting**

There have not been any changes in our internal controls over financial reporting that occurred during the quarterly period ended September 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are involved in disputes or legal actions arising in the ordinary course of business. We do not believe the outcome of other such disputes or legal actions will have a material adverse effect on our unaudited condensed consolidated financial statements.

#### **ITEM 1A. RISK FACTORS**

Our business faces many risks. Any of the risks discussed elsewhere in this quarterly report and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. There

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have been no material changes with respect to the risk factors disclosed in Harvest Oil & Gas Corp.'s Annual Report on Form 10-K for the year ended December 31, 2018.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.



## ITEM 6. EXHIBITS

The exhibits listed below are filed or furnished as part of this report:

- 2.1 [First Modified Joint Prepackaged Chapter 11 Plan of Reorganization of EV Energy Partners, L.P. and Its Debtor Affiliates, dated May 17, 2018 \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed by EV Energy Partners, L.P. on May 18, 2018\).](#)
- 2.2\*† [Purchase and Sale Agreement, dated as of July 29, 2019, by and between EV Properties, L.P. and Bedrock Production, LLC \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 2.3 [First Amendment to Purchase and Sale Agreement, dated as of August 28, 2019, by and between EV Properties, L.P. and Bedrock Production, LLC \(incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 2.4 [Second Amendment to Purchase and Sale Agreement, dated as of the September 6, 2019, by and between EV Properties, L.P. and Bedrock Production, LLC \(incorporated by reference to Exhibit 2.3 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 2.5 [Third Amendment to Purchase and Sale Agreement, dated as of September 6, 2019, by and between EV Properties, L.P. and Bedrock Production, LLC \(incorporated by reference to Exhibit 2.4 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 2.6\*† [Purchase and Sale Agreement, dated as of July 12, 2019, by and between EV Properties, L.P. and BCE-Mach II LLC \(incorporated by reference to Exhibit 2.5 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 2.7 [First Amendment to Purchase and Sale Agreement, dated as of September 10, 2019, by and between EV Properties, L.P. and BCE-Mach II LLC \(incorporated by reference to Exhibit 2.6 to the Current Report on Form 8-K filed on September 16, 2019\).](#)
- 3.1 [Amended and Restated Certificate of Incorporation of Harvest Oil & Gas Corp. \(incorporated by reference to Exhibit 4.1 of the Company's registration statement on Form S-8 filed on June 4, 2018\).](#)
- 3.2 [Certificate of Designations, Preferences and Rights of 8% Cumulative Nonparticipating Redeemable Series A Preferred Stock of Harvest Oil & Gas Corp. \(incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed on June 4, 2018\).](#)
- 3.3 [Amended and Restated Bylaws of Harvest Oil & Gas Corp. \(incorporated by reference to Exhibit 4.2 of the Company's registration statement on Form S-8 filed on June 4, 2018\).](#)
- 3.4 [State of Delaware Certificate of Change of Registered Agent and/or Registered Office, dated August 1, 2018 \(incorporated by reference to Exhibit 3.4 to Quarterly Report on Form 10-Q filed on August 20, 2018\).](#)
- 10.1\* Loan Agreement, dated October 4, 2019, by and among EV Properties, L.P., as borrower, Harvest Oil & Gas Corp. and Harvest Oil & Gas Acquisition Corp., as guarantors, and Regions Bank, as lender.
- +31.1 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer.](#)
- +31.2 [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer.](#)
- +32.1 [Section 1350 Certification of Chief Executive Officer.](#)
- +32.2 [Section 1350 Certification of Chief Financial Officer.](#)

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+101 Interactive Data Files.

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+ Filed herewith

\* Certain schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be provided to the Securities and Exchange Commission upon request.

† Pursuant to Item 601(b)(2) of Regulation S-K, certain immaterial provisions of the agreement that would likely cause competitive harm to the Company if publicly disclosed have been redacted. The Company hereby undertakes to furnish supplementally an unredacted copy of the agreement to the Securities and Exchange Commission upon request; provided, however, that the Company may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any documents so furnished.

## 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.

**Harvest Oil & Gas Corp.**  
**(Registrant)**

Date: November 14, 2019

By: /s/ RYAN STASH  
Ryan Stash  
Vice President and Chief Financial Officer

## CERTIFICATIONS

I, Michael E. Mercer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harvest Oil & Gas Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2019

/s/ MICHAEL E. MERCER  
Michael E. Mercer

**CERTIFICATIONS**

I, Ryan Stash, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Harvest Oil & Gas Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2019

/s/ RYAN STASH

Ryan Stash

Vice President and Chief Financial Officer

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying report on Form 10-Q for the period ended September 30, 2019 of Harvest Oil & Gas Corp. (the "Company") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael E. Mercer, Chief Executive Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/ MICHAEL E. MERCER

Michael E. Mercer  
Chief Executive Officer

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Exhibit 32.2

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying report on Form 10-Q for the period ended September 30, 2019 of Harvest Oil & Gas Corp. (the "Company") and filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan Stash, Vice President and Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2019

/s/ RYAN STASH

Ryan Stash  
Vice President and Chief Financial Officer

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