

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

FORM 10-K

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

For the Fiscal Year Ended December 31, 2021



Commission File Number 1-8754  
SILVERBOW RESOURCES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State of Incorporation)

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

920 Memorial City Way, Suite 850  
Houston, Texas 77024  
(281) 874-2700  
(Address and telephone number of principal executive offices)  
Securities registered pursuant to Section 12(b) of the Act:

Title of Class  
Common Stock, par value \$0.01 per share

Trading Symbol(s)  
SBOW

Exchanges on Which Registered:  
New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.  
Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
Emerging Growth Company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate public float of common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as quoted on the New York Stock Exchange as of June 30, 2021, the last business day of the second quarter for fiscal year 2021, was approximately \$108,089,448.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 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

The number of shares of common stock outstanding as of January 31, 2022 was 16,631,175.

Documents incorporated by reference: Portions of the registrant's definitive proxy statement for its 2022 annual meeting of stockholders, to be filed within 120 days after the registrant's fiscal year end, are incorporated by reference into Part III of this Annual Report on Form 10-K.

# Form 10-K

SilverBow Resources, Inc. and Subsidiary

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## Forward-Looking Statements

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

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

- the severity and duration of world health events, including the COVID-19 pandemic, related economic repercussions, including disruptions in the oil and gas industry;
- actions by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia (together with OPEC and other allied producing countries) with respect to oil production levels and announcements of potential changes in such level;
- operational challenges relating to the COVID-19 pandemic and efforts to mitigate the spread of the virus, including logistical challenges, protecting the health and well-being of our employees, remote work arrangements, performance of contracts and supply chain disruptions;
- shut-in and curtailment of production due to decreases in available storage capacity or other factors;
- volatility in natural gas, oil and NGL prices;
- future cash flow and their adequacy to maintain our ongoing operations;
- liquidity, including our ability to satisfy our short- or long-term liquidity needs;
- our borrowing capacity, future covenant compliance, cash flow and liquidity;
- operating results;
- asset disposition efforts or the timing or outcome thereof;
- ongoing and prospective joint ventures, their structures and substance, and the likelihood of their finalization or the timing thereof;
- the amount, nature and timing of capital expenditures, including future development costs;
- timing, cost and amount of future production of oil and natural gas;
- impairments on our properties due to lower commodity prices;
- availability of drilling and production equipment or availability of oil field labor;
- availability, cost and terms of capital;
- timing and successful drilling and completion of wells;
- availability and cost for transportation of oil and natural gas;
- costs of exploiting and developing our properties and conducting other operations;
- competition in the oil and natural gas industry;
- general economic and political conditions; including political tensions and war;
- opportunities to monetize assets;
- our ability to execute on strategic initiatives;
- effectiveness of our risk management activities including hedging strategy;
- environmental liabilities;
- counterparty credit risk;
- governmental regulation and taxation of the oil and natural gas industry;
- developments in world oil and natural gas markets and in oil and natural gas-producing countries;

- uncertainty regarding our future operating results; and
- other risks and uncertainties described in Item 1A. "Risk Factors," in this annual report on Form 10-K for the year ended December 31, 2021.

Many of the foregoing risks and uncertainties, as well as risks and uncertainties that are currently unknown to us, are, and will be, exacerbated by the COVID-19 pandemic and any consequent worsening of the global business and economic environment. New factors emerge from time to time, and it is not possible for us to predict all such factors. Should one or more of the risks or uncertainties described in this annual report occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements speak only as of the date they are made. You should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this report are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" in Item 1A of this annual report on Form 10-K for the year ended December 31, 2021. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the foregoing. We undertake no obligation to publicly release the results of any revisions to any such forward-looking statements that may be made to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

## Items 1 and 2. Business and Properties

As used in this Annual Report on Form 10-K, unless the context otherwise requires or indicates, references to “SilverBow Resources,” “SilverBow,” “the Company,” “we,” “our,” “ours” and “us” refer to SilverBow Resources, Inc. See pages 30 and 31 for explanations of abbreviations and terms used herein.

### Overview

SilverBow Resources is an independent oil and gas company headquartered in Houston, Texas. The Company, originally founded in 1979, was organized as a Delaware corporation in 2016. SilverBow's strategy is focused on acquiring and developing assets in the Eagle Ford Shale and Austin Chalk located in South Texas where the Company has assembled approximately 153,000 net acres across six operating areas. SilverBow's acreage position in each of its operating areas is highly contiguous and designed for optimal and efficient horizontal well development. The Company believes it has built a balanced portfolio of properties with a significant base of current production and reserves coupled with low-risk development drilling opportunities and meaningful upside from newer operating areas.

SilverBow produced an average of 250 million cubic feet of natural gas equivalent per day (“MMcfe/d”) during the fourth quarter of 2021 and had proved reserves of 1,416 Bcfe (82% natural gas) with a Standardized Measure of \$1.6 billion and a PV-10 of \$1.8 billion as of December 31, 2021. PV-10 Value is a non-GAAP measure; see the section titled “Oil and Natural Gas Reserves” of this Form 10-K for a reconciliation of this non-GAAP measure to the Standardized Measure of discounted future net cash flow, the most directly comparable GAAP measure.

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

### Business Strategies

- *Leverage technical expertise to efficiently develop Eagle Ford Shale drilling locations.* As of December 31, 2021, our technical team has an average of approximately 22 years of experience per person which we believe gives us a technical advantage when developing and organically expanding our asset base. We leverage this advantage in our existing asset base to create highly efficient drilling and completion operations. Focusing solely on the Eagle Ford and Austin Chalk plays allows us to use our operating, technical and regional expertise to interpret geological and operating trends, enhance production rates and maximize well recovery. We are focused on enhancing asset value through utilizing cost-effective technology to locate the highest quality intervals to drill and complete oil and gas wells. We continue to optimize our drilling techniques, shorten our drill times and steer our laterals to target high quality intervals in the Eagle Ford and Austin Chalk. We have also enhanced fracture stimulation designs, optimizing fluid and proppant usage and fracture stage spacing. We believe these factors will enhance the return profile of our drilling and completion operations. Our 2022 capital budget range of \$180-\$200 million (excluding possible future acquisitions) provides for drilling 39 gross (33 net) horizontal wells which is expected to be funded from operating cash flow.
- *Prudently grow and maintain balanced inventory of locations.* Oil, natural gas and natural gas liquids prices have the potential to exhibit volatile and unpredictable fluctuations. Further, the timing and duration of such fluctuations are difficult to predict. As a result, the Company is focused on continuing to expand its liquids-rich inventory through technical advancements on existing acreage, organic leasing and acquisitions. This strategy of diversification allows us to pursue our most economic hydrocarbon locations that in turn generate the most compelling returns, with the ability to shift our focus to locations with different hydrocarbon mixes based on prevailing prices. Given the state of commodity prices in 2021, the Company focused its drilling and completion (“D&C”) program toward both oil and gas development. Of the 373 gross undrilled horizontal locations at year-end 2021, 233 locations are liquids-weighted and 140 locations are gas-weighted. We assess optimal production timing in response to the market and are agile enough to strategically shift sales to higher prices periods.
- *Operate our properties as a low-cost producer.* We believe our concentrated acreage position and our experience as an operator of substantially all of our properties enables us to apply drilling and completion techniques and economies of scale that improve returns. Operating control allows us to manage pace of development, timing, and associated annual capital expenditures. Furthermore, we are able to achieve lower operating costs through concentrated infrastructure and field operations. In addition, our concentrated acreage position allows the Company to drill multiple wells from a single

pad while optimizing lateral lengths. Pad drilling reduces facilities costs and consolidates surface level operations. Our operational control is critical to our being able to transfer successful drilling and completion techniques and cost cutting initiatives from one field to another. Finally, we will continue to leverage our proximity to end-user markets of natural gas which gives us the ability to lower transportation costs relative to other basins and enhance returns to our shareholders.

- *Continue to pursue strategic opportunities to further expand our asset base.* We continue to take advantage of opportunities to expand our core position through leasing and acquisitions. We regularly seek to acquire oil and gas properties that complement our operations, provide exploration and development opportunities, and provide enhanced cash flow and corporate returns. The Company closed three acquisitions in the second half of 2021. These acquisitions, in aggregate, added 286 barrels per day of liquids and 4.5 million cubic feet per day to SilverBow's full year 2021 net production. This represents less than 3% of the Company's full year 2021 net production. SilverBow expects these acquisitions to comprise a greater percentage of its full year 2022 net production with a full year's contribution.
- In total the Company paid \$50.6 million in cash and issued \$83.5 million in equity related to these transactions. We plan to continue strategically targeting certain areas of the Eagle Ford and Austin Chalk where our technical experience and successful drilling results can be replicated and expanded. We believe our extensive basin-wide experience gives us a competitive advantage in locating both strategic acquisitions and ground-floor leasing opportunities to expand our core acreage position in the future.
- *Maintain our financial flexibility and liquidity profile.* We are committed to preserving our financial flexibility and are focused on continued growth in a disciplined manner. We have historically funded our capital program by using a combination of internally generated cash flow, net proceeds from any sales generated through our ATM Program and funds available on our Credit Facility (Note 4 to the Company's consolidated financial statements in this Form 10-K). As of December 31, 2021, the Company had \$233.0 million in available borrowing capacity under its Credit Facility, which we believe, along with our projected operating cash flow, provides us with liquidity to execute our 2022 development plan and opportunistically acquire or lease additional acreage. Our Credit Facility and Second Lien (Note 4 to the Company's consolidated financial statements in this Form 10-K), maturing in April 2024 and December 2026, respectively, are our only debt maturities.
- *Manage risk exposure.* We utilize a disciplined hedging program to limit our exposure to volatility in commodity prices and achieve a more predictable level of cash flow to support current and future capital expenditure plans. Our multi-year price risk management program also includes hedges to limit our basis differential to oil and natural gas pricing. We take a systematic approach to hedging and periodically add hedges to our portfolio in an effort to protect the rates of returns on our drilling program. As of February 25, 2022, we had approximately 62% of total production volumes hedged for full year 2022, using the midpoint of the Company's production guidance of 235 - 255 MMcf/d.

### **Our Competitive Strengths**

- *Inventory of drilling locations with high degree of operational control.* We have developed a significant inventory of future drilling locations. As of December 31, 2021, we had approximately 153,000 net acres in the Eagle Ford and Austin Chalk and 373 gross horizontal drilling locations. Approximately 54% of our estimated proved reserves at December 31, 2021 were undeveloped. We operate essentially all of our proved reserves and have an average working interest of approximately 81% across our identified locations. These factors provide us with a high level of control over our operations, allowing us to manage our development drilling schedule, utilize pad drilling where applicable, and implement leading edge modern completion techniques. We plan to continue to deliver production, reserve and cash flow growth by developing our extensive inventory of low-risk drilling locations in a disciplined manner.
- *Ability to adjust cadence and hydrocarbon mix of operations activity.* In 2021, we drilled 18 net wells, completed 24 net wells and brought 24 net wells online. SilverBow completed its planned drilling and completion activity in the first quarter of 2021, primarily comprised of Webb County Gas wells drilled in late 2020. During the first quarter of 2021, SilverBow released its one drilling rig as part of a budgeted pause in development activity to assess current market conditions at such time. Accordingly, based on management's outlook at such time, SilverBow adjusted the timing and scope of its mid-year 2021 liquids development to start earlier and drill additional wells. The ability to adjust our drilling and completion schedule in response to management's real-time outlook and view of commodity prices allows us to focus on the highest return, lowest risk projects.
- *Proximity to Demand Centers.* Our assets are positioned in one of the most economically advantaged natural gas and oil regions of North America. Our proximity to the Gulf Coast affords us much lower commodity basis differentials and meaningfully higher price realizations when compared to other domestic basins. For instance, in 2021 our average natural

gas basis differentials to NYMEX were \$0.58/Mcf premium versus \$0.34/Mcf discount for the Permian Basin index into the El Paso pipeline. Additionally, our assets are in close proximity to the largest and highest growth natural gas and NGL demand centers, including increasing LNG exports, natural gas exports to Mexico and industrial, petrochemical, and power demand in the Gulf Coast markets.

- *Experienced and proven technical team.* As of December 31, 2021, we employed 13 oil and gas technical professionals, including geoscientists, drilling, completion, production and reservoir engineers, and other oil and gas professionals who collectively have an average of approximately 22 years of experience in their technical fields. Our senior technical team has come from a number of large and successful organizations. Our technical team is focused on utilizing modern completion techniques to increase our estimated ultimate recovery and maximize our per-well returns. Our enhanced completion designs include tighter fracture stage spacing as well as optimized proppant loadings and intensity. Additionally, we rely on advanced technologies to better define geologic risk and enhance the results of our drilling efforts. We continually apply our extensive in-house experience and current technologies to benefit our drilling and production operations.
- *Proven low cost operator with contiguous acreage.* Our core acreage positions are contiguous in nature which allows us to continue to lower per unit costs through drilling longer laterals, utilizing pad drilling, consolidating in-field infrastructure, and efficiently sourcing materials through our procurement strategies. We believe the nature of our positions and our operational improvements and efficiencies will allow us to continue to successfully mitigate service cost inflation. Additionally, we continually seek to optimize our production operations with the objective of reducing our operating costs through efficient well management. Finally, our significant operational control, as well as our manageable leasehold drilling obligations, provide us the flexibility to control our costs.
- *Balance Sheet discipline and sufficient liquidity.* As of December 31, 2021, the Company had \$233.0 million in available borrowing capacity under our Credit Facility, which we believe, along with our operating cash flow, provides us with a sufficient amount of liquidity to execute our 2022 development plan and opportunistically acquire or lease additional acreage even with modest changes in the commodity environment. Our Credit Facility and Second Lien, maturing in April 2024 and December 2026, respectively, are our only debt maturities. As of December 31, 2021, we had \$227.0 million drawn on our \$460.0 million borrowing base under the Credit Facility. We prudently lowered our leverage profile to a conservative level in 2021 allowing us to continue to operate with balance sheet discipline.

## Property Overview

SilverBow's operations are focused in six fields located in the Eagle Ford and Austin Chalk located in South Texas. The following table sets forth information regarding its Eagle Ford and Austin Chalk fields in 2021:

Fields	Net Acreage	2021 Production (Mcf/d)	Gas as % of 2021 Production	2021 Net Wells Drilled	2021 Net Wells Completed
Artesia	12,105	48,964	40 %	9	9
AWP	53,078	25,237	37 %	1	1
Fasken	10,083	117,652	100 %	6	12
Atascosa	4,947	723	9 %	—	—
Eastern Eagle Ford	19,768	1,246	26 %	—	—
Southern Eagle Ford Gas	36,800	18,448	99 %	—	—
Other <sup>(1)</sup>	16,325	1,739	25 %	2	2
<b>Total</b>	<b>153,106</b>	<b>214,009</b>	<b>77 %</b>	<b>18</b>	<b>24</b>

(1) Other includes non-core properties

The following table sets forth information regarding the Company's 2021 year-end proved reserves of 1,415.8 Bcfe and production of 78.1 Bcfe by area:

Fields	Proved Developed Reserves (Bcfe)	Proved Undeveloped Reserves (Bcfe)	Total Proved Reserves (Bcfe)	% of Total Proved Reserves	Oil and NGLs as % of Proved Reserves	Total Production (Bcfe)
Artesia	133.4	55.2	188.6	13.3 %	54.6 %	17.9
AWP	64.3	64.0	128.3	9.1 %	66.6 %	9.2
Fasken	364.2	581.7	945.9	66.8 %	— %	42.9
Atascosa	5.0	38.4	43.4	3.1 %	92.5 %	0.3
Eastern Eagle Ford	24.7	18.2	42.9	3.0 %	69.4 %	0.5
Southern Eagle Ford Gas	58.7	—	58.7	4.1 %	0.7 %	6.7
Other <sup>(1)</sup>	8.0	—	8.0	0.6 %	21.1 %	0.6
<b>Total</b>	<b>658.3</b>	<b>757.5</b>	<b>1,415.8</b>	<b>100.0 %</b>	<b>18.4 %</b>	<b>78.1</b>

(1) Other includes non-core properties

#### Oil and Natural Gas Reserves

The following tables present information regarding proved oil and natural gas reserves attributable to SilverBow's interests in proved properties as of December 31, 2021, 2020 and 2019. The information set forth in the tables regarding reserves is based on proved reserves reports prepared in accordance with Securities and Exchange Commission's ("SEC") rules. H.J. Gruy and Associates, Inc. ("Gruy"), independent petroleum engineers, prepared the Company's proved reserves reports as of December 31, 2021, 2020 and 2019.

The reserves estimation process involves members of the reserves and evaluation department who report to the Chief Reservoir Engineer. The staff includes engineers whose duty is to prepare estimates of reserves in accordance with the SEC's rules, regulations and guidelines. This team worked closely with Gruy to ensure the accuracy and completeness of the data utilized for the preparation of the 2021, 2020 and 2019 reserve reports. All information from SilverBow's secure engineering database as well as geographic maps, well logs, production tests and other pertinent data were provided to Gruy.

The Chief Reservoir Engineer supervises this process with multiple levels of review and reconciliation of reserve estimates to ensure they conform to SEC guidelines. Reserves data are also reported to and reviewed by senior management quarterly. The Board of Directors (the "Board") reviews the reserve data periodically and the independent Board members meet with Gruy in executive sessions at least annually.

The technical person at Gruy primarily responsible for overseeing preparation of the 2021, 2020 and 2019 reserves report and the audits of prior year reports is a Licensed Professional Engineer, holds a degree in petroleum engineering, is past Chairman of the Gulf Coast Section of the Society of Petroleum Engineers, is past President of the Society of Petroleum Evaluation Engineers, and has over 30 years of experience in preparing reserves reports and overseeing reserves audits.

The Company's Chief Reservoir Engineer, the primary technical person responsible for overseeing the preparation of its 2021, 2020 and 2019 reserve estimates, holds a bachelor's degree in geology, is a member of the Society of Petroleum Engineers and the Society of Professional Well Log Analysts, and has over 25 years of experience in petrophysical analysis, reservoir engineering, and reserves estimation.

Estimates of future net revenues from SilverBow's proved reserves, Standardized Measure and PV-10 (PV-10 is a non-GAAP measure defined below), as of December 31, 2021, 2020 and 2019 are made in accordance with SEC criteria, which is based on the preceding 12-months' average adjusted price after differentials based on closing prices on the first business day of each month (excluding the effects of hedging) and are held constant for that year's reserves calculation throughout the life of the properties, except where such guidelines permit alternate treatment, including, in the case of natural gas contracts, the use of fixed and determinable contractual price escalations. The Company has interests in certain tracts that are estimated to have additional hydrocarbon reserves that cannot be classified as proved and are not reflected in the following tables.

The following prices were used to estimate SilverBow's SEC proved reserve volumes, year-end Standardized Measure and PV-10. The 12-month 2021 average adjusted prices after differentials were \$3.75 per Mcf of natural gas, \$63.98 per barrel of oil, and \$25.29 per barrel of NGL, compared to \$2.13 per Mcf of natural gas, \$37.83 per barrel of oil, and \$11.66 per barrel of NGL for 2020 and \$2.62 per Mcf of natural gas, \$58.37 per barrel of oil, and \$16.83 per barrel of NGL for 2019.

As noted above, PV-10 Value is a non-GAAP measure. The most directly comparable GAAP measure to the PV-10 Value is the Standardized Measure. The Company believes the PV-10 Value is a useful supplemental disclosure to the Standardized Measure because the PV-10 Value is a widely used measure within the industry and is commonly used by securities analysts, banks and credit rating agencies to evaluate the value of proved reserves on a comparative basis across companies or specific properties without regard to the owner's income tax position. SilverBow uses the PV-10 Value for comparison against its debt balances, to evaluate properties that are bought and sold and to assess the potential return on investment in its oil and gas properties. PV-10 Value is not a measure of financial or operating performance under GAAP, nor should it be considered in isolation or as a substitute for any GAAP measure. The Company's PV-10 Value and the Standardized Measure do not purport to represent the fair value of SilverBow's proved oil and natural gas reserves.

The following table provides a reconciliation between the Standardized Measure (the most directly comparable financial measure calculated in accordance with U.S. GAAP) and PV-10 Value of the Company's proved reserves:

(in millions)	As of December 31,		
	2021	2020	2019
<b>Standardized Measure of Discounted Future Net Cash Flows</b>	<b>\$ 1,558</b>	<b>\$ 513</b>	<b>\$ 868</b>
Adjusted for: Future income taxes (discounted at 10%)	259	13	108
<b>PV-10 Value</b>	<b>\$ 1,817</b>	<b>\$ 526</b>	<b>\$ 976</b>

The following tables set forth estimates of future net revenues presented on the basis of unescalated prices and costs in accordance with criteria prescribed by the SEC and presented on a Standardized Measure and PV-10 basis as of December 31, 2021, 2020 and 2019. Operating costs, development costs, asset retirement obligation costs, and certain production-related taxes were deducted in arriving at the estimated future net revenues.

At December 31, 2021, SilverBow had estimated proved reserves of 1,416 Bcfe with a Standardized Measure of \$1.6 billion and PV-10 Value of \$1.8 billion. This is an increase of approximately 309 Bcfe from the Company's year-end 2020 proved reserves quantities primarily due to increases in our natural gas reserves primarily from our Austin Chalk area along with acquisitions. SilverBow's total proved reserves at December 31, 2021 were approximately 10% crude oil, 82% natural gas, and 8% NGLs, while 46% of its total proved reserves were developed. Essentially all of the Company's proved reserves are located in Texas. The following amounts shown in MMcfe below are based on an oil and natural gas liquids conversion factor of 1 Bbl to 6 Mcf:

<b>Estimated Proved Natural Gas, Oil and NGL Reserves</b>	<b>As of December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Natural gas reserves (MMcf):</b>			
Proved developed	525,737	415,390	478
Proved undeveloped	629,643	532,704	680
<b>Total</b>	<b>1,155,380</b>	<b>948,094</b>	<b>1,158</b>
<b>Oil reserves (MBbl):</b>			
Proved developed	9,692	6,963	6
Proved undeveloped	14,606	5,569	10
<b>Total</b>	<b>24,298</b>	<b>12,532</b>	<b>17</b>
<b>NGL reserves (MBbl):</b>			
Proved developed	12,390	8,164	10
Proved undeveloped	6,710	5,692	16
<b>Total</b>	<b>19,100</b>	<b>13,855</b>	<b>26</b>
<b>Total Estimated Reserves (MMcfe) <sup>(1)</sup></b>	<b>1,415,771</b>	<b>1,106,415</b>	<b>1,420</b>
<b>Standardized Measure of Discounted Future Net Cash Flows (in millions) <sup>(2)</sup></b>	<b>\$ 1,558</b>	<b>\$ 513</b>	<b>\$ 8</b>
<b>PV-10 by reserve category</b>			
Proved developed	\$ 1,031	\$ 382	\$ 6
Proved undeveloped	786	144	3
<b>Total PV-10 Value <sup>(2)</sup></b>	<b>\$ 1,817</b>	<b>\$ 526</b>	<b>\$ 9</b>

(1) The reserve volumes exclude natural gas consumed in operations.

(2) The Standardized Measure and PV-10 Values as of December 31, 2021, 2020 and 2019 are net of \$3.5 million, \$2.2 million and \$1.7 million of plugging and abandonment costs, respectively.

Proved reserves are estimates of hydrocarbons to be recovered in the future. Reserves estimation is a subjective process of estimating the sizes of underground accumulations of oil and natural gas that cannot be measured in an exact way. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Reserves reports of other engineers might differ from the reports contained herein. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimates. Future prices received for the sale of oil and natural gas may be different from those used in preparing these reports. The amounts and timing of future operating and development costs may also differ from those used. Accordingly, reserves estimates are often different from the quantities of oil and natural gas that are ultimately recovered. There can be no assurance that these estimates are accurate predictions of the present value of future net cash flow from oil and natural gas reserves.

## Proved Undeveloped Reserves

The following table sets forth the aging of SilverBow's proved undeveloped reserves as of December 31, 2021:

Year Added	Volume (Bcfe)	% of PUD Volumes	% of PV-10
2021	479.3	63 %	65 %
2020	77.5	10 %	8 %
2019	130.6	17 %	17 %
2018	40.0	5 %	6 %
2017	30.1	5 %	4 %
<b>Total</b>	<b>757.5</b>	<b>100 %</b>	<b>100 %</b>

During 2021, the Company's proved undeveloped reserves increased by approximately 157.3 Bcfe primarily due to increases in our natural gas reserves from acquisitions of approximately 166.1 Bcfe and extensions of 313.2 Bcfe. The increases were partially offset by removals and negative revisions of approximately 198.7 Bcfe. Further, SilverBow incurred approximately \$58.0 million in capital expenditures (excluding acquisitions) during the year which resulted in the conversion of 123.3 Bcfe of its December 31, 2020 proved undeveloped reserves to proved developed reserves, primarily in our Artesia and Fasken fields. During 2020, the Company's proved undeveloped reserves decreased by approximately 241.1 Bcfe primarily due to the removal of undeveloped reserves mainly in SilverBow's AWP and Southern Eagle Ford fields as a result of the reduction in our planned capital activity.

The PV-10 Value from the Company's proved undeveloped reserves was \$786.4 million at December 31, 2021, which was approximately 43% of its total PV-10 Value of \$1.8 billion.

### Sensitivity of Reserves to Pricing

As of December 31, 2021, a 5% increase in natural gas pricing would increase SilverBow's total estimated proved reserves by approximately 1.9 Bcfe and would increase the PV-10 Value by approximately \$91.4 million. Similarly, a 5% decrease in natural gas pricing would decrease the Company's total estimated proved reserves by approximately 2.0 Bcfe and would decrease the PV-10 Value by approximately \$92.0 million.

As of December 31, 2021, a 5% increase in oil and NGL pricing would increase SilverBow's total estimated proved reserves by approximately 1.7 Bcfe, and would increase the PV-10 Value by approximately \$52.9 million. Similarly, a 5% decrease in oil and NGL pricing would decrease the Company's total estimated proved reserves by approximately 1.9 Bcfe and would decrease the PV-10 Value by approximately \$53.0 million.

This sensitivity analysis is as of December 31, 2021 and, accordingly, does not consider drilling and completion activity, acquisitions or dispositions of oil and gas properties, production, changes in oil, natural gas and natural gas liquids prices, and changes in development and operating costs occurring subsequent to December 31, 2021 that may require revisions to estimates of proved reserves.

## Oil and Gas Wells

The following table sets forth the total gross and net wells in which SilverBow owned an interest at the following dates:

	Oil Wells	Gas Wells	Total Wells <sup>(1)</sup>
December 31, 2021			
Gross <sup>(1)</sup>	174	352	526
Net	145.9	279.6	425.5
December 31, 2020			
Gross <sup>(1)</sup>	103	266	369
Net	100.9	216.9	317.8
December 31, 2019			
Gross <sup>(1)</sup>	95	246	341
Net	93.0	198.8	291.8

(1) Excludes 8, 8, and 4 service wells in 2021, 2020 and 2019, respectively.

## Oil and Gas Acreage

The following table sets forth the developed and undeveloped leasehold acreage held by the Company at December 31, 2021:

	Developed		Undeveloped	
	Gross	Net	Gross	Net
Texas <sup>(1)</sup>	103,820	90,528	66,052	62,577
Louisiana	5,084	4,775	4,795	4,403
Wyoming	—	—	1,596	1,147
<b>Total</b>	<b>108,904</b>	<b>95,303</b>	<b>72,443</b>	<b>68,127</b>

(1) The Company's total Texas acreage is located in the Eagle Ford field.

As of December 31, 2021, SilverBow's net undeveloped acreage in Texas subject to expiration, if not renewed, is approximately 81% in 2022, 13% in 2023, 2% in 2024 and 4% in 2025 and thereafter. In our core areas, acreage scheduled to expire can be held through drilling operations or SilverBow can exercise extension options. The exploration potential of all undeveloped acreage is fully evaluated before expiration. In each fiscal year where undeveloped acreage is subject to expiration, our intent is to reduce the expirations through either development or extensions, if we believe it is commercially advantageous to do so.

## Drilling and Other Exploratory and Development Activities

The following table sets forth the results of the Company's drilling and completion activities during the years ended December 31, 2021, 2020 and 2019:

Year	Type of Well	Gross Wells			Net Wells		
		Total	Producing	Dry	Total	Producing	Dry
2021	Exploratory	—	—	—	—	—	—
	Development	21	21	—	18.7	18.7	—
2020	Exploratory	—	—	—	—	—	—
	Development	19	19	—	14.8	14.8	—
2019	Exploratory	—	—	—	—	—	—
	Development	30	30	—	27.7	27.7	—

## Recent Activities

As of December 31, 2021, SilverBow was in the process of drilling one well in our La Mesa field where we have an 100% working interest. This well was completed in the first quarter of 2022.

## Operations

The Company generally seeks to be the operator of the wells in which it has a significant economic interest. As operator, SilverBow designs and manages the development of a well and supervises operation and maintenance activities on a day-to-day basis. The Company does not own drilling rigs or other oil field services equipment used for drilling or maintaining wells on properties it operates. Independent contractors supervised by SilverBow provide this equipment and personnel. The Company employs drilling, production and reservoir engineers, geoscientists, and other specialists who work to improve production rates, increase reserves, and lower the cost of operating SilverBow's oil and natural gas properties.

Operations on the Company's oil and natural gas properties are customarily accounted for in accordance with Council of Petroleum Accountants Societies' guidelines. SilverBow charges a monthly per-well supervision fee to the wells it operates including its wells in which it owns up to a 100% working interest. Supervision fees vary widely depending on the geographic location and depth of the well and whether the well produces oil or natural gas. The fees for these activities in 2021 totaled \$5.1 million and ranged from \$125 to \$1,704 per well per month.

## Marketing of Production

The Company typically sells its oil and natural gas production at market prices near the wellhead or at a central point after gathering and/or processing. SilverBow usually sells its natural gas in the spot market on a seasonal or monthly basis, while it sells its oil at prevailing market prices. The Company does not refine any oil it produces. For the years ended December 31, 2021 and 2020, parties which accounted for approximately 10% or more of SilverBow's total oil and gas receipts were as follows:

Purchasers greater than 10%	Year Ended December 31, 2021	Year Ended December 31, 2020
Kinder Morgan	26 %	19
Plains Marketing	10 %	17
Twin Eagle	15 %	17
Trafigura	16 %	13
Shell Trading	12 %	

\*Oil and gas receipts less than 10%

The Company has gas processing and gathering agreements with Southcross Energy for a majority of SilverBow's natural gas production in the AWP area. Oil production is transported to market by truck and sold at prevailing market prices.

The Company has a gas gathering agreements with Howard Energy Partners providing for the transportation of SilverBow's Eagle Ford and Austin Chalk production on the pipeline from our Fasken, Rio Bravo and La Mesa areas to the Kinder Morgan Texas Pipeline, Eagle Ford Midstream or Howard's Impulsora Pipeline (Nueva Era), where it is sold at prices tied to monthly and daily natural gas price indices. At Fasken, the Company also has a connection with the Navarro gathering system into which it may deliver natural gas from time to time.

SilverBow has an agreement with Eagle Ford Gathering LLC that provides for the gathering and processing for almost all of its natural gas production in the Artesia area. Natural gas in the area can also be delivered to the Targa system for processing and transportation to downstream markets. In the Artesia area, the Company's oil production is sold at prevailing market prices and transported to market by truck.

The prices in the tables below do not include the effects of hedging. Quarterly prices are detailed under "Results of Operations – Revenues" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-K.

The following table summarizes production volumes, sales prices, and production cost information for SilverBow's net oil, NGL and natural gas production for the years ended December 31, 2021, 2020 and 2019:

All Fields	Year Ended December 31,		
	2021	2020	2019
<b>Net Production Volume:</b>			
Oil (MBbls)	1,462	1,521	1,6
Natural gas liquids (MBbls)	1,472	1,114	1,7
Natural gas (MMcfe)	60,510	50,988	64,3
Total (MMcfe)	78,113	66,800	84,3
<b>Average Sales Price:</b>			
Oil (Per Bbl)	\$ 67.46	\$ 37.89	\$ 57.
Natural gas liquids (Per Bbl)	\$ 27.78	\$ 13.02	\$ 14.
Natural gas (Per Mcf)	\$ 4.42	\$ 2.06	\$ 2.
Total (Per Mcfe)	\$ 5.21	\$ 2.66	\$ 3.
Average Production Cost (Per Mcfe sold) <sup>(1)</sup>	\$ 0.66	\$ 0.63	\$ 0.

(1) Average production cost includes lease operating costs, transportation and gas processing costs but excludes severance and ad valorem taxes.

The following table provides a summary of the Company's production volumes, average sales prices, and average production costs for its fields with proved reserves greater than 15% of total proved reserves. This field, which is inclusive of our Fasken, La Mesa and Rio Bravo fields, accounts for approximately 67% of SilverBow's proved reserves based on total MMcf as of December 31, 2021:

Fasken	Year Ended December 31,		
	2021	2020	2019
<b>Net Production Volume:</b>			
Natural gas liquids (MBbls)	2	2	2
Natural gas (MMcf) <sup>(1)</sup>	42,933	35,399	38,195
Total (MMcf)	42,943	35,410	38,206
<b>Average Sales Price:</b>			
Natural gas liquids (Per Bbl)	\$ 24.55	\$ 10.41	\$ 14.13
Natural gas (Per Mcf)	\$ 4.53	\$ 2.03	\$ 2.65
Total (Per Mcfe)	\$ 4.53	\$ 2.03	\$ 2.65
Average Production Cost (Per Mcfe sold) <sup>(2)</sup>	\$ 0.56	\$ 0.56	\$ 0.60

(1) Excludes natural gas consumed in operations.

(2) Average production cost includes lease operating costs, transportation and gas processing costs but excludes severance and ad valorem taxes.

## Risk Management

The Company's operations are subject to all of the risks normally incident to the exploration for and the production of oil and natural gas, including blowouts, pipe failure, casing collapse, fires, and adverse weather conditions (including conditions exacerbated by climate change), each of which could result in severe damage to or destruction of oil and natural gas wells, production facilities or other property, or individual injuries. The oil and natural gas exploration business is also subject to environmental hazards, such as oil and produced water spills, natural gas leaks, and ruptures and discharges of toxic substances or gases that could expose SilverBow to substantial liability due to pollution and other environmental damage. The Company maintains comprehensive insurance coverage, including general liability insurance, operators extra expense insurance, and property damage insurance. SilverBow's standing Insurable Risk Advisory Team, which includes individuals from operations, drilling, facilities, legal, health safety and environmental and finance departments, meets regularly to evaluate risks, review property values, review and monitor claims, review market conditions and assist with the selection of coverages. The Company believes that its insurance is adequate and customary for companies of a similar size engaged in comparable operations, but if a significant accident or other event occurs that is uninsured or not fully covered by insurance, it could adversely affect SilverBow. Refer to "Item 1A. Risk Factors" of this Form 10-K for more details and for discussion of other risks.

## Commodity Risk

The oil and gas industry is affected by the volatility of commodity prices. Realized commodity prices received for such production are primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to natural gas. The Company has derivative instruments in place to protect a significant portion of its production against declines in oil and natural gas prices through the fourth quarter of 2023. We believe SilverBow also has sufficient protection in place to protect against volatility in natural gas liquids prices through the fourth quarter of 2022. For additional discussion related to the Company's price-risk policy, refer to Note 5 of the consolidated financial statements in this Form 10-K.

## Competition

SilverBow operates in a highly competitive environment, competing with major integrated and independent energy companies for desirable oil and natural gas properties, as well as for equipment, labor, and materials required to develop and operate such properties. Many of these competitors have financial and technological resources substantially greater than the Company's. The market for oil and natural gas properties is highly competitive and SilverBow may lack technological information or expertise available to other bidders. The Company may incur higher costs or be unable to acquire and develop desirable properties at costs SilverBow considers reasonable because of this competition. The Company's ability to replace and expand its reserve base depends on its continued ability to attract and retain quality personnel and identify and acquire suitable producing properties and prospects for future drilling and acquisition.

## Environmental and Occupational Health and Safety Matters

SilverBow's business operations are subject to numerous federal, state and local environmental and occupational health and safety laws and regulations. Numerous governmental entities, including the U.S. Environmental Protection Agency ("EPA"), the U.S. Occupational Safety and Health Administration ("OSHA") and analogous state agencies, have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions. These laws and regulations may, among other things (i) require the acquisition of permits to conduct drilling and other regulated activities; (ii) restrict the types, quantities and concentration of various substances that can be released into the environment or injected into formations in connection with oil and natural gas drilling and production activities; (iii) limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas; (iv) require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; (v) impose specific safety and health criteria addressing worker protection; and (vi) impose substantial liabilities for pollution resulting from drilling and completion activities.

The more significant of these existing environmental and occupational health and safety laws and regulations include the following U.S. laws and regulations, as amended from time to time:

- the Clean Air Act ("CAA"), which restricts the emission of air pollutants from many sources, imposes various pre-construction, operational, monitoring, and reporting requirements and has been relied upon by the EPA as authority for adopting climate change regulatory initiatives relating to greenhouse gas ("GHG") emissions;
- the Federal Water Pollution Control Act, also known as the federal Clean Water Act, which regulates discharges of pollutants to state and federal waters and establishes the extent to which waterways are subject to federal jurisdiction and rulemaking as protected waters of the United States;
- the Comprehensive Environmental Response, Compensation and Liability Act of 1980, which imposes liability on generators, transporters, and arrangers of hazardous substances at sites where hazardous substance releases have occurred or are threatening to occur;
- the Resource Conservation and Recovery Act ("RCRA"), which governs the generation, treatment, storage, transport, and disposal of solid wastes, including hazardous wastes;
- the Oil Pollution Act of 1990, which subjects owners and operators of vessels, onshore facilities, and pipelines, as well as lessees or permittees of areas in which offshore facilities are located, to liability for removal costs and damages arising from an oil spill in waters of the United States;
- the Safe Drinking Water Act ("SDWA"), which ensures the quality of the nation's public drinking water through adoption of drinking water standards and controlling the injection of waste fluids into below-ground formations that may adversely affect drinking water sources;
- the Emergency Planning and Community Right-to-Know Act, which requires facilities to implement a safety hazard communication program and disseminate information to employees, local emergency planning committees, and response departments on toxic chemical uses and inventories;
- the Occupational Safety and Health Act, which establishes workplace standards for the protection of the health and safety of employees, including the implementation of hazard communications programs designed to inform employees about hazardous substances in the workplace, potential harmful effects of these substances, and appropriate control measures;
- the Endangered Species Act ("ESA"), which restricts activities that may affect federally identified endangered and threatened species or their habitats through the implementation of operating restrictions or a temporary, seasonal, or permanent ban in affected areas; and
- the National Environmental Policy Act, which requires federal agencies to evaluate major agency actions having the potential to impact the environment and that may require the preparation of environmental assessments and more detailed environmental impact statements that may be made available for public review and comment.

Additionally, there exist regional, state and local jurisdictions in the United States where the Company's operations are conducted that also have, or are developing or considering developing, similar environmental and occupational health and safety laws and regulations governing many of these same types of activities. While the legal requirements imposed in state and local jurisdictions may be similar in form to federal laws and regulations, in some cases the actual implementation of these requirements may impose additional, or more stringent, conditions or controls that can significantly restrict, delay or cancel the permitting, development or expansion of SilverBow's operations or substantially increase the cost of doing business. Additionally, the Company's operations may require state-law based permits in addition to federal permits, requiring state agencies to consider a range of issues, many the same as federal agencies, including, among other things, a project's impact on wildlife and their habitats, historic and archaeological sites, aesthetics, agricultural operations, and scenic areas. These operations also are subject to a variety of local environmental and regulatory requirements, including land use, zoning, building, and transportation requirements. Moreover, whether at the federal, tribal, regional, state and local levels,

environmental and occupational health and safety laws and regulations may arise in the future to address potential environmental concerns such as air emissions, water discharges and disposals or other releases to surface and below-ground soils and groundwater or to address perceived health or safety-related concerns such as oil and natural gas development in close proximity to specific occupied structures and/or certain environmentally sensitive or recreational areas. Any such future developments are expected to have a considerable impact on SilverBow's business and results of operations.

Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil, and criminal penalties; the imposition of investigatory, remedial, and corrective action obligations or the incurrence of capital expenditures; the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects; and the issuance of injunctions restricting, delaying or prohibiting some or all of the Company's activities in a particular area. Additionally, multiple environmental laws provide for citizen suits, which allow environmental organizations to act in place of the government and sue operators for alleged violations of environmental law. See Risk Factors under Part I, Item 1A of this Form 10-K for further discussion on hydraulic fracturing, ozone standards, induced seismicity, climate change, and other environmental protection-related subjects. The ultimate financial impact arising from environmental laws and regulations is neither clearly known nor determinable as existing standards are subject to change and new standards continue to evolve.

Over time, the trend in environmental regulation is to place more restrictions on activities that may affect the environment and, thus, any new laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements or increased governmental enforcement that result in more stringent and costly pollution control equipment, the occurrence of restrictions, delays or cancellations in the permitting or performance of projects, or waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on SilverBow's financial condition and results of operations. Moreover, President Biden and the Democratic Party, which now controls Congress, have identified climate change as a priority, and it is likely that new executive orders, regulatory action, and/or legislation targeting greenhouse gas emissions, or prohibiting, delaying or restricting oil and gas development activities in certain areas, will be proposed and/or promulgated during the Biden Administration. In January 2021, President Biden signed an executive order that, among other things, instructed the Secretary of the Interior to pause new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and natural gas permitting and leasing practices. Following that executive order, the acting Secretary of the Interior issued an order imposing a 60-day pause on the issuance of new leases, permits and right-of-way grants for oil and gas drilling on federal lands, unless approved by senior officials at the Department of the Interior. In June 2021, a federal judge for the U.S. District Court of the Western District of Louisiana issued a nationwide preliminary injunction against the pause of oil and natural gas leasing on public lands or in offshore waters while litigation challenging that aspect of the executive order is ongoing. President Biden's order also established climate change as a primary foreign policy and national security consideration, affirms that achieving net-zero greenhouse gas emissions by or before midcentury is a critical priority, affirms President Biden's desire to establish the United States as a leader in addressing climate change, generally further integrates climate change and environmental justice considerations into government agencies' decision making, and eliminates fossil fuel subsidies, among other measures.

The Company has incurred and will continue to incur operating and capital expenditures, some of which may be material, to comply with environmental and occupational health and safety laws and regulations. Historically, SilverBow's environmental compliance costs have not had a material adverse effect on its results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on its business and operational results.

## **Employees**

As of December 31, 2021, the Company employed 62 people; all were full-time employees. None of SilverBow's employees were represented by a union and relations with employees are considered to be good.

The Company is committed to its employees and contractors and seeks to support its workforce through its corporate culture, known as "the SBOWay." The SBOWay is built on five tenants: One Team, Unleash Potential, Drive Value, Lead the Way, and Safety Strong. This commitment includes establishing a safe workplace, and SilverBow has implemented health, safety and environmental management processes into its operations to promote workplace safety. In response to the COVID-19 pandemic, the Company put in place additional safety measures for the protection of its employees, including extra cleaning and protective measures along with work-from-home measures for all employees other than essential personnel whose physical presence was required. Additionally, SilverBow understands that to attract and retain the best talent, it must provide opportunities for people to grow and develop. Accordingly, the Company provides career development programs, encompassing the development of technical and management skills, and also offers wellness programs focused on improving

the health and wellbeing of its employees. SilverBow recognizes the importance of providing competitive benefits that support the wellbeing, medical and financial health of its employees. Annually, the Company surveys its employees on such benefits along with corporate culture and employee satisfaction, and has taken employee input and market statistics into consideration as part of its overall compensation package and work environment. For example, in response to employee feedback, the Company is continuing to offer a flexible and hybrid work-from-home schedule post-pandemic. SilverBow was recognized as a 2021 top place to work by the Houston Chronicle based on employee survey responses, representing the second year that the Company achieved this distinction. Overall, the Company is committed to be a workplace of inclusion, with a diversity of skill, viewpoints, backgrounds, experiences and demographics.

#### **Facilities**

At December 31, 2021, SilverBow occupied approximately 16,213 square feet of office space at 920 Memorial City Way, Suite 850, Houston, Texas. For discussion regarding the term and obligations of this sub-lease refer to Note 6 and Note 8 of the consolidated financial statements in this Form 10-K.

#### **Available Information**

The Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and changes in stock ownership of its directors and executive officers, together with other documents filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), can be accessed free of charge on SilverBow's website at [www.sbow.com](http://www.sbow.com) as soon as reasonably practicable after the Company electronically files these reports with the SEC. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which can be accessed at [www.sec.gov](http://www.sec.gov). All exhibits and supplemental schedules to SilverBow's reports are available free of charge through the SEC website.

## Item 1A. Risk Factors

Our business and operations are subject to a number of risks and uncertainties as described below; however, the risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we may currently deem immaterial, may become important factors that harm our business, financial condition, results of operations and cash flow in the future. If any of the following risks actually occur, our business, financial condition, results of operations and cash flow could suffer and the trading price of our common stock could decline.

Risks in this section are grouped in the following categories: (1) Risks Related to the Business; (2) Macroeconomic and Financial Risks; (3) Legal and Regulatory Risks; and (4) Risks Related to Ownership of Our Common Stock. Many risks affect more than one category, and the risks are not in the order of significance or probability of occurrence because they have been grouped by categories.

### Risks Related to the Business:

***Oil and natural gas prices are volatile, and a substantial or extended decline in oil and natural gas prices would adversely affect our financial results, reduce liquidity and impede our growth.***

Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. Prices for oil and natural gas fluctuate widely in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and a variety of additional factors beyond our control, such as:

- domestic and foreign supplies of oil and natural gas;
- price and quantity of foreign imports of oil and natural gas;
- actions by the members of the Organization of the Petroleum Exporting Countries (“OPEC”) and Russia (together with OPEC and other allied producing countries) with respect to oil production levels and announcements of potential changes in such levels;
- level of consumer product demand, including as a result of competition from alternative energy sources;
- level of global oil and natural gas exploration and production activity;
- domestic and foreign governmental regulations;
- stockholder activism or activities by non-governmental organizations to limit certain sources of funding for the energy sector or restrict the exploration, development and production of oil and natural gas;
- political conditions in or affecting other oil-producing and natural gas-producing countries, including in the Middle East, South America, Africa and Russia;
- weather conditions, natural disasters and global health events, including pandemics;
- technological advances affecting oil and natural gas production and consumption;
- overall U.S. and global economic and political conditions, including political tensions and war; and
- price and availability of alternative fuels.

Our financial condition, revenues, profitability and the carrying value of our properties depend upon the prevailing prices and demand for oil and natural gas. Any sustained periods of low prices for oil and natural gas are likely to materially and adversely affect our financial position and reduce our liquidity. This would impact the quantities of oil and natural gas reserves that we can economically produce, our cash flow available for capital expenditures and continued development of our operations, making it increasingly difficult to operate our business. Additionally, any extended period of low commodity prices would impact our ability to access funds through the capital markets, if they are available at all. For example, the COVID-19 pandemic has caused volatility in the market price for crude oil due to the disruption of global supply and demand, and oil and natural gas prices in the near term may continue to be influenced by the duration and severity of the COVID-19 pandemic, including any resurgences and the emergence and spread of additional COVID-19 variants, and its resulting impact on oil and natural gas demand.

***The COVID-19 pandemic has adversely affected our business, and the ultimate effect on our business, financial position, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be fully predicted.***

In response to the COVID-19 pandemic, governments have tried to slow the spread of the virus by imposing social distancing guidelines, travel restrictions and stay-at-home orders, which have caused and may continue to cause a significant decrease in the demand for natural gas and oil. The imbalance between the supply of and demand for these products, as well as

the uncertainty around the extent and timing of an economic recovery, has caused extreme market volatility and a substantial adverse effect on commodity prices and may continue to cause market volatility and adverse effects on commodity prices. While our production is more heavily weighted to natural gas, the lack of a market, due to low commodity prices or a future decrease in commodity prices, or available storage for any one natural gas product or oil could result in us temporarily curtailing or shutting in such production as we may be unable to curtail the production of individual products in a meaningful way without reducing the production of other products. Any such shut-in or curtailment, or any inability to obtain favorable terms for delivery of the natural gas and oil we produce, could adversely affect our financial condition and results of operations. Any excess supply could also lead to potential curtailments by our purchasers. Additionally, while we believe that any potential shutting-in of such production will not impact the productivity of such wells when reopened, there is no assurance we will not have a degradation in well performance upon returning those wells to production. The storing or shutting in of a portion of our production could potentially also result in increased costs under our midstream and other contracts. Any of the foregoing could result in an adverse impact on our revenue, financial position and cash flow.

The extent of the impact of the COVID-19 pandemic, including any resurgences and the emergence and spread of COVID-19 variants, on our business and operational plans is uncertain and depends on various factors, including how the pandemic and measures taken in response to it impact demand for oil and natural gas, the availability of personnel, equipment and services critical to our ability to operate our properties and the impact of potential governmental restrictions on travel, transports and operations. In particular, vaccine mandates that may be announced in jurisdictions in which our business operates could result in disruptions to our current and potential future workforce and may result in increased attrition, as well as increased costs in connection with retaining our workforce.

Additionally, the direct and indirect effects of the COVID-19 pandemic or any future outbreak of an infectious disease may give rise to risks that are currently unknown or have the effect of heightening many of the other risks set forth in these “Item 1A. Risk Factors” in this Annual Report.

***Insufficient capital could lead to declines in our cash flow or in our oil and natural gas reserves, or a loss of properties.***

The oil and natural gas industry is capital intensive. Our 2022 capital plan, including expenditures for leasehold acquisitions, drilling and infrastructure and fulfillment of abandonment obligations, is expected to be between \$180-\$200 million (excluding possible future acquisitions). We had approximately \$130.5 million of capital expenditures (excluding acquisitions) in 2021. Cash flow from operations is a principal source of our financing of our future capital expenditures. Insufficient cash flow from operations and inability to access capital could lead to the loss of leases that require us to drill new wells in order to maintain the lease. Lower liquidity and other capital constraints may make it difficult to drill those wells prior to the lease expiration dates, which could result in our losing reserves and production. Additionally, a decline in cash flow from operations may require us to revise our capital program or alter or increase our capitalization substantially through the incurrence of indebtedness or the issuance of debt or equity securities.

Further, developing and exploring properties for oil and natural gas not only requires significant capital expenditures, but involves a high degree of financial risk, including the risk that no commercially productive oil or natural gas reservoirs will be encountered. Budgeted costs of drilling, completing, and operating wells are often exceeded and can increase significantly when drilling costs rise, impacting the Company’s budgeted capital expenditures. Drilling may also be unsuccessful for many reasons, including title problems, weather, cost overruns, equipment shortages, and mechanical difficulties, which could impact the Company’s cash flow from operations.

***Most of our undeveloped leasehold acreage is subject to leases that will expire over the next several years unless production is established on units containing the acreage.***

We own leasehold interests in areas not currently held by production. Unless production in paying quantities is established or we exercise an extension option on units containing certain of these leases during their terms, the leases will expire. If our leases expire, we will lose our right to develop the related properties. We have leases on 50,767 net acres in Texas that could potentially expire during fiscal year 2022, representing approximately 81% of our total net undeveloped acreage in Texas of 62,577 net acres.

Our drilling plans for areas not currently held by production are subject to change based upon various factors. Many of these factors are beyond our control, including drilling results, oil and natural gas prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, gathering system and pipeline transportation

constraints and regulatory approvals. On our acreage that we do not operate, we have less control over the timing of drilling; therefore, there is additional risk of expirations occurring in those sections.

***Estimates of proved reserves are uncertain, and revenues from production may vary significantly from expectations.***

The quantities and values of our proved reserves included in our year-end 2021 estimates of proved reserves are only estimates and subject to numerous uncertainties. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation. These estimates depend on assumptions regarding quantities and production rates of recoverable oil and natural gas reserves, future prices for oil and natural gas, timing and amounts of development expenditures and operating expenses, all of which will vary from those assumed in our estimates. If the variances in these assumptions are significant, many of which are based upon extrinsic events we cannot control, they could significantly affect these estimates and could result in the actual amounts of oil and natural gas ultimately recovered and future net cash flow being materially different from the estimates in our reserves reports. These estimates may not accurately predict the present value of future net cash flow from our oil and natural gas reserves.

***Our oil and natural gas exploration and production business involves high risks and we may suffer uninsured losses, which may be subject to substantial liability claims.***

Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration and production activities are subject to all of the operating risks associated with drilling for and producing oil and natural gas, including the possibility of:

- hurricanes, tropical storms or other natural disasters;
- environmental hazards, such as natural gas leaks, oil and produced water spills, pipeline or tank ruptures, encountering naturally occurring radioactive materials, blowouts, explosions and unauthorized discharges of brine, well stimulation and completion fluids, toxic gases or other pollutants into the surface and subsurface environment;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;
- fires and explosions; and
- personal injuries and death.

Any of these risks could adversely affect our ability to conduct operations or result in substantial losses to the Company due to injury or loss of life, damage to or destruction of wells, production facilities, other property or natural resources, clean-up responsibilities, regulatory investigations and penalties and suspension of operations. Moreover, a potential result of climate change is more frequent or more severe weather events or natural disasters. To the extent such weather events or natural disasters become more frequent or severe, disruptions to our business and costs to repair damaged facilities could increase. Although the Company currently maintains insurance coverage that it considers reasonable and that is similar to that maintained by comparable companies in the oil and natural gas industry, it is not fully insured against certain of these risks, such as business interruption, either because such insurance is not available or because of the high premium costs and deductibles associated with obtaining and carrying such insurance. Further, we may also elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could adversely affect our financial condition.

***The unavailability or high cost of drilling rigs, equipment, supplies, personnel, water disposal and oilfield services could adversely affect our ability to execute on a timely basis our exploration and development plans within our budget and operate profitably.***

Shortages or the high cost of drilling rigs, equipment, supplies or personnel, including shortages or unavailability of personnel, supplies and equipment arising from the COVID-19 pandemic could delay or adversely affect our development and exploration operations. If the price of oil and natural gas increases, the demand for production equipment and personnel will likely also increase, potentially resulting in shortages of equipment and personnel. In addition, larger producers may be more likely to secure access to such equipment by offering drilling companies more lucrative terms. If we are unable to acquire access to such resources, or can obtain access only at higher prices, this would potentially delay our ability to convert our reserves into cash flow and could also significantly increase the cost of producing those reserves, thereby negatively impacting anticipated net income.

We have experienced, and expect to continue to experience, a shortage of labor for certain functions, including due to concerns around COVID-19, changing oil and natural gas industry investment patterns and other factors, which has increased

our labor costs and negatively impacted our profitability. The extent and duration of the effect of these labor market challenges are subject to numerous factors, including the continuing effect of the COVID-19 pandemic, vaccine mandates that may be announced in jurisdictions in which our businesses operate, availability of qualified persons in the markets where we and our contracted service providers operate and unemployment levels within these markets, capital investment in the oil and natural gas industry as a whole, behavioral changes, prevailing wage rates and other benefits, inflation, adoption of new or revised employment and labor laws and regulations (including increased minimum wage requirements) or government programs, safety levels of our operations, and our reputation within the labor market.

***Our ability to produce crude oil and natural gas economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling operations or are unable to dispose of or recycle the water we use economically and in an environmentally safe manner.***

Our operations include the need of water for use in oil and natural gas exploration and production activities. The Company's access to water may be limited due to reasons such as prolonged drought, private third party competition for water in localized areas, or the Company's inability to acquire or maintain water sourcing permits or other rights. In addition, some state and local governmental authorities have begun to monitor or restrict the use of water subject to their jurisdiction for hydraulic fracturing to ensure adequate local water supply. Any such decrease in the availability of water could adversely affect the Company's business and financial condition and operations. Moreover, any inability by the Company to locate or contractually acquire and sustain the receipt of sufficient amounts of water could adversely impact the Company's exploration and production operations and have a corresponding adverse effect on the Company's business and financial condition.

***A cyber incident could result in information theft, data corruption, operational disruption, and/or financial loss.***

Our business has become increasingly dependent on digital technologies to conduct day-to-day operations, including certain of our exploration, development and production activities. We depend on digital technology to estimate quantities of oil and natural gas reserves, process and record financial and operating data, analyze seismic and drilling information and in many other activities related to our business. Our technologies, systems and networks may become the target of cyber attacks or information security breaches that could result in the disruption of our business operations, damage to our properties and/or injuries. For example, unauthorized access to our seismic data, reserves information or other proprietary information could lead to data corruption, communication interruption, or other operational disruptions in our drilling or production operations. Additionally, a cyber attack or information security breach could expose our employees, customers and suppliers to risks of misuse of confidential personal information, which may expose us to reputational damage or legal liability.

We have experienced, and expect to continue to confront, unsuccessful efforts by hackers and other third parties to gain unauthorized access or deny access to, or otherwise disrupt, our information technology systems and networks. To date we are not aware of any material losses relating to cyber attacks or any material impact on our operations to date, however there can be no assurance that we will not suffer such losses in the future and future incidents could have a material adverse effect on our business, financial condition, results of operations or liquidity. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any cyber vulnerabilities.

In addition to the risks presented to our systems and networks, cyber attacks affecting oil and natural gas distribution systems maintained by third parties, or the networks and infrastructure on which they rely, could delay or prevent delivery of our production to markets. A cyber attack of this nature would be outside our control, but could have a material, adverse effect on our business, financial condition and results of operations.

***Our lack of diversification increases the risk of an investment in us and we are vulnerable to risks associated with operating primarily in one major contiguous area.***

All of our operations are in the Eagle Ford Shale and Austin Chalk in South Texas, providing for efficiencies and opportunities as a single-basin operator, but making us vulnerable to risks associated with operating in one geographic area. While the Company continually works to balance its oil and gas commodity mix through product optimization, development timing, acquisitions and lease purchases, a number of our properties could experience any of the same conditions at the same time, resulting in a relatively greater impact on our results of operations than they might have on other companies that are more diversified. In particular, we may be disproportionately exposed to the impact of regional supply and demand factors, delays or interruptions of production from wells in which we have an interest that are caused by transportation capacity constraints, curtailment of production, availability of equipment, facilities, personnel or services, significant governmental regulation, natural disasters, adverse weather conditions, water shortages or other drought related conditions, plant closures for scheduled

maintenance or interruption of transportation of crude oil or natural gas produced from wells in the Eagle Ford and Austin Chalk. Such delays or interruptions could have a material adverse effect on our financial condition, results of operations and cash flow.

***Our property acquisitions carry significant risks.***

Acquisition of oil and gas properties is a key element of maintaining and growing reserves and production. Competition for these assets has been and will continue to be intense. We may not be able to identify attractive acquisition opportunities. Even if we do identify attractive candidates, we may not be able to complete the acquisition or do so on commercially acceptable terms. In the event we do complete an acquisition, such as the recently completed acquisition of certain oil and gas assets from Teal Natural Resources, LLC and Castlerock Production, LLC, its success will depend on a number of factors, many of which are beyond our control. These factors include future crude oil, NGL and natural gas prices, the ability to reasonably estimate or assess the recoverable volumes of reserves, rates of future production and future net revenues attainable from reserves, future operating and capital costs, results of future exploration, exploitation and development activities on the acquired properties and future abandonment, possible future environmental or other liabilities and the effect on our liquidity or financial leverage of using available cash or debt to finance acquisitions. There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves, actual future production rates and associated costs and the assumption of potential liabilities with respect to prospective acquisition targets. Actual results may vary substantially from those assumed in the estimates. A customary review of subject properties will not necessarily reveal all existing or potential problems.

Additionally, significant acquisitions can change the nature of our operations and business depending upon the character of the acquired properties if they have substantially different operating and geological characteristics or are in different geographic locations than our existing properties. To the extent that acquired properties are substantially different than our existing properties, our ability to efficiently realize the expected economic benefits of such transactions may be limited.

Integrating acquired businesses and properties involves a number of special risks. These risks include the possibility that management may be distracted from regular business concerns by the need to integrate operations and systems, that unforeseen difficulties can arise in integrating operations and systems and in retaining and assimilating employees. Any of these or other similar risks could lead to potential adverse short-term or long-term effects on our operating results, and may cause us to not be able to realize any or all of the anticipated benefits of the acquisitions.

**Macroeconomic and Financial Risks:**

***Our Debt Facilities, as defined below, contain operating and financial restrictions that may restrict our business and financing activities.***

Our Credit Facility and Second Lien (collectively “Debt Facilities”) contain a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things:

- sell assets, including equity interests in our subsidiary;
- redeem our debt;
- make investments;
- incur or guarantee additional indebtedness;
- create or incur certain liens;
- make certain acquisitions and investments;
- redeem or prepay other debt;
- enter into agreements that restrict distributions or other payments from our restricted subsidiary to us;
- consolidate, divide, merge or transfer all or substantially all of our assets;
- engage in transactions with affiliates;
- create unrestricted subsidiaries;
- enter into swap agreements beyond certain maximum thresholds;
- enter into sale and leaseback transactions; and
- engage in certain business activities.

As a result of these covenants, we are limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

Our ability to comply with some of the covenants and restrictions contained in our Debt Facilities may be affected by events beyond our control. If market or other economic conditions deteriorate or if oil and natural gas prices decline further

from their current level or remain volatile for an extended period of time, our ability to comply with these covenants may be impaired. A failure to comply with the covenants, ratios or tests in our Debt Facilities or any future indebtedness could result in an event of default under our Debt Facilities or our future indebtedness, which, if not cured or waived, could have a material adverse effect on our business, financial condition and results of operations.

If an event of default under either of our Debt Facilities occurs and remains uncured, the lenders or holders under the applicable Credit Facility:

- would not be required to lend any additional amounts to us;
- could elect to declare all borrowings or notes outstanding, together with accrued and unpaid interest and fees, to be due and payable;
- may have the ability to require us to apply all of our available cash to repay these borrowings or notes; or
- may prevent us from making debt service payments under our other agreements.

The borrowing base under our Credit Facility is redetermined at least semi-annually, based in part on assumptions of the administrative agent with respect to, among other things, crude oil and natural gas prices. In November 2021, our borrowing base was increased from \$300 million to \$460 million as part of our regularly scheduled redetermination. In contrast, a negative adjustment to the borrowing base could occur if crude oil and natural gas prices used by the lenders are significantly lower than those used in the last redetermination, including as result of a decline in commodity prices or an expectation that reduced prices will continue. The next redetermination of our borrowing base is scheduled to occur in spring of 2022. As of February 26, 2022, we had \$233 million outstanding under our Credit Facility. In the event that the amount outstanding under our Credit Facility exceeds the redetermined borrowing base, we could be forced to repay a portion of our borrowings. In addition, the portion of our borrowing base made available to us for borrowing is subject to the terms and covenants of our Credit Facility, including compliance with the ratios and other financial covenants of such facility.

Our obligations under the Debt Facilities are collateralized by first and second priority liens and security interests on substantially all of our assets, including mortgage liens on oil and natural gas properties having at least 90% of the PV-9 (determined using commodity price assumptions by the administrative agent of the Credit Facility) of the borrowing base properties (with respect to the Credit Facility) or the oil and gas properties constituting proved reserves as set forth in the most recent reserve report (with respect to the Second Lien). If we are unable to repay our indebtedness under the Debt Facilities, (including any amount of borrowings in excess of the borrowing base resulting from a redetermination of our Credit Facility), the lenders could seek to foreclose on substantially all our assets.

***We have written down the carrying values on our oil and natural gas properties in the past and could incur additional write-downs in the future.***

The SEC accounting rules require that on a quarterly basis we review the carrying value of our oil and natural gas properties for possible write-down or impairment (the "ceiling test"). Any capital costs in excess of the ceiling amount must be permanently written down. If oil and natural gas prices remain low for an extended period of time, we could be required to record additional non-cash write-downs of our oil and gas properties. For example, due to the effects of pricing and timing of projects we reported a non-cash impairment write-down, on a pre-tax basis, of \$355.9 million for the year ended December 31, 2020. While the demand for and price of oil and natural gas has generally recovered from the lows experienced in 2020, if future capital expenditures outpace future discounted net cash flow in our reserve calculations, if we have significant declines in our oil and natural gas reserves volumes (which also reduces our estimate of discounted future net cash flow from proved oil and natural gas reserves) or if oil or natural gas prices decline, it is possible that non-cash write-downs of our oil and natural gas properties will occur again in the future. We cannot control and cannot predict what future prices for oil and natural gas will be; therefore, we cannot estimate the amount of any potential future non-cash write-down of our oil and natural gas properties due to decreases in oil or natural gas prices. However, it is reasonably possible that we will record additional ceiling test write-downs in future periods. Refer to Note 1 of the consolidated financial statements in this Form 10-K for further discussion of the ceiling test calculation.

***A worldwide financial downturn or negative credit market conditions may impact our counterparties and have lasting effects on our liquidity, business and financial condition that we cannot control or predict.***

Global economic conditions, such as those attributable to the COVID-19 pandemic, may adversely affect the financial viability of and increase the credit risk associated with our purchasers, suppliers, insurers, and commodity derivative counterparties to perform under the terms of contracts or financial arrangements we have with them. Although we have heightened our level of scrutiny of our contractual counterparties and take reasonable steps to transact with financially solvent banks, creditors and counterparties, our assessment of the risk of non-performance by various parties is subject to sudden

swings in the financial and credit markets. This same crisis may adversely impact insurers and their ability to pay current and future insurance claims that we may have.

Our future access to capital could be limited due to tightening credit markets, particularly with respect to the oil and gas industry, that could affect our ability to fund our future capital projects. In addition, long-term restriction upon or freezing of the capital markets and legislation related to financial and banking reform may affect short-term or long-term liquidity.

***Our hedging program may limit potential gains from increases in commodity prices, result in losses, or be inadequate to protect us against continuing and prolonged declines in commodity prices.***

We enter into arrangements to hedge a portion of our production from time to time to reduce our exposure to fluctuations in oil, natural gas and natural gas liquids prices and to achieve more predictable cash flow. Our hedges at December 31, 2021 were in the form of collars, swaps, put and call options, basis swaps, and other structures placed with the commodity trading branches of certain national banking institutions and with certain other commodity trading groups. These hedging arrangements may limit the benefit we could receive from increases in the market or spot prices for oil, natural gas and natural gas liquids. We cannot be certain that the hedging transactions we have entered into, or will enter into, will adequately protect us from continuing volatility or prolonged declines in oil and natural gas prices. To the extent that oil and natural gas prices remain volatile or decline further, we would not be able to hedge future production at the same pricing level as our current hedges and our results of operations and financial condition may be negatively impacted.

In addition, our hedging transactions expose us to risk of financial loss if a counterparty fails to perform under a derivative contract, particularly during periods of falling commodity prices. Disruptions in the financial markets or other factors outside our control could lead to sudden decreases in a counterparty's liquidity, which could make them unable to perform under the terms of the derivative contract. We are unable to predict sudden changes in a counterparty's creditworthiness or ability to perform, and even if we do accurately predict sudden changes, our ability to negate the risk may be limited depending on market conditions at the time. If the creditworthiness of any of our counterparties deteriorates and results in their nonperformance, we could incur a significant loss.

#### **Legal and Regulatory Risks:**

***Pollution and property contamination arising from the Company's operations and the nearby operations of other oil and natural gas operators could expose the Company to significant costs and liabilities.***

The performance of the Company's operations may result in significant environmental costs and liabilities as a result of handling of petroleum hydrocarbons and wastes, because of air emissions and wastewater or other fluid discharges related to operations, and due to historical industry operations and waste disposal practices. Spills or other unauthorized releases of regulated substances by or resulting from the Company's operations, or the nearby operations of other oil and natural gas operators, could expose the Company to material losses, expenditures and liabilities under environmental laws and regulations. Certain of the properties upon which the Company conducts operations were acquired from third parties, whose actions with respect to the management and disposal or release of hydrocarbons, hazardous substances or wastes at or from such properties were not under the Company's control. Moreover, certain of these laws may impose strict liability, which means that in some situations the Company could be exposed to liability as a result of the Company's conduct that was lawful at the time it occurred or the conduct of, or conditions caused by, prior operators or other third parties. Neighboring landowners and other third parties may file claims against the Company for personal injury or property damage allegedly caused by the release of pollutants into the environment. New laws and regulations, amendment of existing laws and regulations, reinterpretation of legal requirements or increased governmental enforcement relating to environmental requirements may occur, resulting in the occurrence of restrictions, delays or cancellations in the permitting or performance of new or expanded projects, or more stringent or costly well drilling, construction, completion or water management activities or waste handling, storage, transport, disposal or cleanup requirements. Any of these developments could require the Company to make significant expenditures to attain and maintain compliance and may otherwise have a material adverse effect on the oil and natural gas exploration and production industry in general in addition to the Company's own results of operations, competitive position or financial condition. The Company may not be able to recover some or any of its costs with respect to such developments from insurance.

***Government regulation of the Company's activities could adversely affect the Company and its operations.***

The oil and natural gas business is subject to extensive governmental regulation under which, among other things, rates of production from oil and natural gas wells may be regulated. Governmental regulation also may affect the market for the Company's production and operations. Costs of compliance with governmental regulation are significant, and the cost of

compliance with new and emerging laws and regulations and the incurrence of associated liabilities could adversely affect the results of the Company. Numerous executive, legislative and regulatory proposals affecting the oil and natural gas industry have been introduced, are anticipated to be introduced, or are otherwise under consideration, by the President, Congress, state legislatures and various federal and state agencies. We cannot predict the timing or impact of new or changed laws, regulations, or permit requirements or changes in the ways that such laws, regulations, or permit requirements are enforced, interpreted or administered. For example, various governmental agencies, including the EPA and analogous state agencies, the federal Bureau of Land Management (“BLM”), and the Federal Energy Regulatory Commission can enact or change, begin to enforce compliance with, or otherwise modify their enforcement, interpretation or administration of, certain regulations that could adversely affect the Company. Additionally, the current presidential administration may increase the likelihood of potential changes in these laws and regulations and the enforcement of any existing legislation or directives by government authorities. The trend toward stricter standards, increased oversight and regulation and more extensive permit requirements, along with any future laws and regulations, could result in increased costs or additional operating restrictions which could have an effect on the Company, its operations, the demand for oil and natural gas, or the prices at which it can be sold. However, until such legislation or regulations are enacted into law or adopted and thereafter implemented, it is not possible to gauge their impact on our future operations or our results of operations and financial condition.

*The Company’s operations are subject to environmental and worker safety and health laws and regulations that may expose the Company to significant costs and liabilities and could delay the pace or restrict the scope of the Company’s operations.*

The Company’s oil and natural gas exploration, production and development operations are subject to stringent federal, state and local laws and regulations governing worker safety and health, the release or disposal of materials into the environment or otherwise relating to environmental protection. Numerous governmental entities, including the EPA, OSHA and analogous state agencies, have the power to enforce compliance with these laws and regulations, which may require the Company to take actions resulting in costly capital and operating expenditures at its wells and properties. These laws and regulations may restrict or affect the Company’s business in many ways, including applying specific health and safety criteria addressing worker protection, requiring the acquisition of a permit before drilling or other regulated activities commence, restricting the types, quantities and concentration of substances that can be released into the environment, limiting or prohibiting construction or drilling activities on certain lands lying within wilderness, wetlands and other protected areas, and imposing substantial liabilities for pollution resulting from the Company’s operations. Failure to comply with these laws and regulations may result in the assessment of sanctions, including administrative, civil and criminal penalties, the imposition of investigative, remedial or corrective action obligations, the occurrence of restrictions, delays or cancellations in the permitting, development or expansion of projects, and the issuance of orders enjoining performance of some or all of the Company’s operations in a particular area. We could be exposed to liabilities for cleanup costs, natural resource damages, and other damages under these laws and regulations, with certain of these legal requirements imposing strict liability for such damages and costs, even though the conduct in pursuing the Company’s operations was lawful at the time it occurred or the conduct resulting in such damage and costs were caused by prior operators or other third-parties

Over time, environmental laws and regulations in the United States protecting the environment generally have become more stringent and are expected to continue to do so in the future. If existing environmental regulatory requirements or enforcement policies change or new regulatory or enforcement initiatives are developed and implemented in the future, the Company may be required to make significant, unanticipated capital and operating expenditures with respect to its continued operations. Moreover, these risks are likely to be enhanced with the current presidential administration and Democrats controlling Congress. Examples of recent environmental regulations include the following:

- *Ground-Level Ozone Standards.* In 2015, the EPA issued a final rule under the CAA, lowering the National Ambient Air Quality Standard (“NAAQS”) for ground-level ozone from 75 parts per billion to 70 parts per billion under both the primary and secondary standards to provide requisite protection of public health and welfare, respectively. Since that time, the EPA has issued area designations with respect to ground-level ozone and final requirements that apply to state, local, and tribal air agencies for implementing the 2015 NAAQS for ground-level ozone. State implementation of the revised NAAQS could, among other things, require installation of new emission controls on some of the Company’s equipment, result in longer permitting timelines, and significantly increase the Company’s capital expenditures and operating costs arising from the program’s operations.
- *EPA Review of Drilling Waste Classification.* Drilling, fluids, produced water and most of the other wastes associated with the exploration, development and production of oil or natural gas, if properly handled, are currently exempt from regulation as hazardous waste under the RCRA and instead, are regulated under RCRA’s less stringent non-hazardous waste provisions. However, it is possible that certain oil and natural gas drilling and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. Any future loss of the RCRA exclusion for

drilling fluids, produced waters and related wastes could result in an increase in the Company's costs to manage and dispose of generated wastes, which could have a material adverse effect on the industry as well as on the Company's business.

- *Federal Jurisdiction over Waters of the United States.* In 2015, the EPA and U.S. Army Corps of Engineers ("Corps") under the Obama Administration released a final rule outlining federal jurisdictional reach under the Clean Water Act, over waters of the United States, including wetlands. However, the EPA rescinded this rule in 2019 and promulgated the Navigable Waters Protection Rule in 2020. The Navigable Waters Protection Rule defined what waters qualify as navigable waters of the United States and are under Clean Water Act jurisdiction. This new rule has generally been viewed as narrowing the scope of waters of the United States as compared to the 2015 rule, but litigation in multiple federal district courts is currently challenging the rescission of the 2015 rule and the promulgation of the Navigable Waters Protection Rule. In June 2021, the Biden Administration announced plans to develop its own definition for jurisdictional waters, and in August 2021, a federal judge for the U.S. District Court for the District of Arizona issued an order striking down the Navigable Water Protection Rule. On December 7, 2021, the U.S. Environmental Protection Agency and the Department of the Army announced a proposed rule to revise the definition of "waters of the United States," which would return to the 2015 definition of "waters of the United States," updated to reflect consideration of Supreme Court decisions. On January 24, 2022, the Supreme Court agreed to consider the scope of the Clean Water Act again in *Sackett v. EPA*. To the extent that a revised rule or Supreme Court decision expands the scope of the Clean Water Act's jurisdiction in areas where the Company conducts operations, the Company could incur increased costs and restrictions, delays or cancellations in permitting or projects, which developments could expose it to significant costs and liabilities.

Additionally, the federal Occupational Safety and Health Act and analogous state occupational safety and health laws require the program manager to organize information about materials, some of which may be hazardous or toxic, that are used, released or produced in the Company's operations. Moreover, the OSHA hazard communication standard, the EPA community right-to-know regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require that information be maintained concerning hazardous materials used or produced in the Company's operations and that this information be provided to employees, state and local government authorities and citizens.

Compliance of the Company with these regulations or other laws, regulations and regulatory initiatives, or any other new environmental and occupational health and safety legal requirements could, among other things, require the Company to install new or modified emission controls on equipment or processes, incur longer permitting timelines, and incur significantly increased capital or operating expenditures, which costs may be significant. Moreover, any failure of the Company's operations to comply with applicable environmental laws and regulations may result in governmental authorities taking actions against the Company that could adversely impact its operations and financial condition.

***The ESA and other restrictions intended to protect certain species of wildlife govern our oil and natural gas operations, which constraints could have an adverse impact on our ability to expand some of our existing operations or limit our ability to explore for and develop new oil and natural gas wells.***

The ESA and comparable state laws and other regulatory initiatives restrict activities that may affect endangered or threatened species or their habitats. Similar protections are offered to migrating birds under the federal Migratory Bird Treaty Act and the Bald and Golden Eagle Protection Act. Some of the Company's operations may be located in or near areas that are designated as habitat for endangered or threatened species and, in these areas, the Company may be obligated to develop and implement plans to avoid potential adverse effects to protected species and their habitats, and the Company may be prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when its operations could have an adverse effect on the species. It is also possible that a federal or state agency could order a complete halt to the Company's drilling activities in certain locations if it is determined that such activities may have a serious adverse effect on a protected species. Moreover, the U.S. Fish and Wildlife Service, may make determinations on the listing of species as endangered or threatened under the ESA pursuant to specific timelines. The identification or designation of previously unprotected species as threatened or endangered or the redesignation of lesser protected species in areas where underlying property operations are conducted could cause the Company to incur increased costs arising from species protection measures, time delays or limitations or cancellations on its exploration and production activities, which costs, delays, limitations or cancellations could have an adverse impact on the Company's ability to develop and produce reserves. If the Company were to have a portion of its leases designated as critical or suitable habitat, it could adversely impact the value of its leases.

***Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays in the completion of oil and natural gas wells and adversely affect the Company's production.***

Hydraulic fracturing is an important and common practice that is used to stimulate production of gas and/or oil from dense subsurface rock formations. The hydraulic fracturing process involves the injection of water, sand or other proppant and chemical additives under pressure into targeted subsurface formations to fracture the surrounding rock and stimulate production. The Company uses hydraulic fracturing techniques in certain of its operations. Hydraulic fracturing typically is regulated by state oil and gas commissions or similar state agencies, but several federal agencies have conducted studies or asserted regulatory authority over certain aspects of the process. For example, in late 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that “water cycle” activities associated with hydraulic fracturing may impact drinking water resources under some circumstances. Additionally, the EPA has asserted regulatory authority pursuant to the SDWA Underground Injection Control (“UIC”) program over hydraulic fracturing activities involving the use of diesel and issued guidance covering such activities as well as published an Advance Notice of Proposed Rulemaking regarding Toxic Substances Control Act reporting of the chemical substances and mixtures used in hydraulic fracturing. The EPA also issued final regulations in 2012 and in 2016 under the CAA that govern performance standards, including standards for the capture of methane and volatile organic compound (“VOC”) air emissions released during oil and natural gas hydraulic fracturing. However, in August 2020, the EPA rescinded methane and volatile organic compound emissions standards for new and modified oil and gas transmission and storage infrastructure, as well as methane limits for new and modified oil and gas production and processing equipment. The EPA also relaxed requirements for oil and gas operators to monitor emissions leaks. Moreover, the EPA has published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and natural gas extraction facilities to publicly owned wastewater treatment plants. Also, the BLM published a final rule in 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands but the BLM rescinded the 2015 rule in late 2017; however, litigation challenging the BLM’s decision to rescind the 2015 rule remains pending in the U.S. Court of Appeals for the Ninth Circuit.

From time to time, legislation has been considered, but not adopted, in the U.S. Congress to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic fracturing process. Moreover, these risks are likely to be enhanced with the current presidential administration and Democrats controlling Congress. Additionally, a bill was introduced in the Senate on January 28, 2020 that, if enacted as proposed, would ban hydraulic fracturing nationwide by 2025.

In addition, certain states, including Texas where we conduct operations, have adopted, and other states are considering adopting legal requirements that could impose new or more stringent permitting, public disclosure, or well construction requirements on hydraulic fracturing activities. States could elect to place certain prohibitions on hydraulic fracturing, following the approach taken by the States of Maryland, New York and Vermont. Local governments also may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state, or local laws, regulations, presidential executive orders or other legal restrictions relating to the hydraulic fracturing process are adopted in areas where the Company operates, the Company could incur potentially significant added costs to comply with such requirements, experience restrictions, delays or cancellation in the pursuit of exploration, development or production activities, and perhaps even be precluded from drilling wells.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to, and litigation concerning, oil and natural gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to added restrictions, delays or cancellations with respect to our operations or increased operating costs in our production of oil and natural gas. The adoption of any federal, state or local laws or the implementation of regulations restricting or banning some or all of hydraulic fracturing could result in delays, eliminate certain drilling and injection activities and prohibit or make more difficult or costly the performance of hydraulic fracturing. These developments could adversely affect demand for our production and have a material adverse effect on our business or results of operations.

***Federal or state legislative and regulatory initiatives related to induced seismicity could result in operating restrictions or delays that could adversely affect the Company’s production of oil and natural gas.***

Operations associated with our production and development activities generate drilling muds, produced waters and other waste streams, some of which may be disposed of by means of injection into underground wells situated in non-producing subsurface formations. These disposal wells are regulated pursuant to the UIC program established under the SDWA and analogous state laws. The UIC program requires permits from the EPA or an analogous state agency for construction and operation of such disposal wells, establishes minimum standards for disposal well operations, and restricts the types and quantities of fluids that may be disposed. While these permits are issued pursuant to existing laws and regulations, these legal requirements are subject to change based on concerns of the public or governmental authorities regarding such disposal activities. One such concern relates to seismic events near underground disposal wells used for the disposal by injection of produced water or certain other oilfield fluids resulting from oil and natural gas activities. Developing research suggests that the

link between seismic activity and produced water disposal may vary by region, and that only a very small fraction of the tens of thousands of injection wells have been suspected to be, or may have been, the likely cause of induced seismicity. In 2016, the United States Geological Survey identified Texas, where the Company conducts operations, as one of six states with more significant rates of induced seismicity. Since that time, the United States Geological Survey indicates that this rate has decreased in Texas, although concern continues to exist over earthquakes arising from induced seismic activities.

In response to concerns regarding induced seismicity, regulators in some states have imposed, or are considering imposing, additional requirements in the permitting of produced water disposal wells or otherwise to assess any relationship between seismicity and the use of such wells. For example, Oklahoma has issued rules for produced water disposal wells that imposed certain permitting and operating restrictions and reporting requirements on disposal wells in proximity to faults and also, from time to time, is developing and implementing plans directing certain wells where seismic incidents have occurred to restrict or suspend disposal well operations. In Texas, the Railroad Commission of Texas has adopted similar rules for the permitting of produced water disposal wells. Another consequence of seismic events may be lawsuits alleging that disposal well operations have caused damage to neighboring properties or otherwise violated state and federal rules regulating waste disposal. These developments could result in additional regulation and restrictions on the use of injection wells in connection with Company activities to dispose of produced water and certain other oilfield fluids. Increased regulation and attention given to induced seismicity also could lead to greater opposition, including litigation, to oil and natural gas activities utilizing injection wells for waste disposal. Any one or more of these developments may result in the Company having to limit disposal well volumes, disposal rates or locations, or require third party disposal well operators the Company may engage to dispose of produced water generated by Company activities to shut down disposal wells, which development could adversely affect the Company's production or result in the Company incurring increased costs and delays with respect to Company operations.

***The Company's operations are subject to a number of risks arising out of the threat of climate change that could result in increased operating costs, limit the areas in which oil and natural gas production may occur, and reduced demand for the oil and natural gas the Company produces***

Climate change continues to attract considerable public, governmental and scientific attention. As a result, numerous proposals have been made and are likely to continue to be made at the international, national, regional and state levels of government to monitor and limit emissions of GHGs as well as to restrict or eliminate such future emissions. As a result, our operations as well as the operations of our oil and natural gas exploration and production customers are subject to a series of regulatory, political, litigation, and financial risks associated with the production and processing of fossil fuels and emission of GHGs.

At the federal level, no comprehensive climate change legislation has been implemented to date. However, the EPA has determined that emissions of GHGs present an endangerment to public health and the environment and has adopted regulations under existing provisions of the CAA that, among other things, establish Prevention of Significant Deterioration construction and Title V operating permit reviews for GHG emissions from certain large stationary sources, require the monitoring and annual reporting of GHG emissions from certain petroleum and natural gas system sources, implement CAA emission standards directing the reduction of methane from certain new, modified, or reconstructed facilities in the oil and natural gas sector, and together with the U.S. Department of Transportation, implement GHG emissions limits on vehicles manufactured for operation in the United States. Additionally, various states and groups of states have adopted or are considering adopting legislation, regulations or other regulatory initiatives that are focused on such areas as GHG cap and trade programs, carbon taxes, reporting and tracking programs, and restriction of emissions. At the international level, there exists the United Nations-sponsored "Paris Agreement," which is a non-binding agreement for nations to limit their GHG emissions through individually-determined reduction goals every five years after 2020. Although the Trump Administration had withdrawn the United States from the Paris Agreement in November 2020, the Biden Administration officially reentered the United States into the agreement in February 2021 and committed the United States to reducing its greenhouse gas emissions by 50 to 52% from 2005 levels by 2030. In November 2021, the United States and other countries entered into the Glasgow Climate Pact, which includes a range of measures designed to address climate change, including but not limited to the phase-out of fossil fuel subsidies, reducing methane emissions 30% by 2030, and cooperating toward the advancement of the development of clean energy.

President Biden and the Democratic Party, which now controls Congress, have identified climate change as a priority, and it is likely that new executive orders, regulatory action, and/or legislation targeting greenhouse gas emissions, or prohibiting, delaying or restricting oil and gas development activities in certain areas, will be proposed and/or promulgated during the Biden Administration. In January 2021, President Biden signed an executive order that, among other things, instructed the Secretary of the Interior to pause new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of federal oil and natural gas permitting and leasing practices. Following that executive order, the acting Secretary of the Interior issued an order imposing a 60-day pause on the issuance of new leases, permits and right-of-way grants for oil and gas drilling on federal lands, unless approved by senior officials at the Department

of the Interior. In June 2021, a federal judge for the U.S. District Court of the Western District of Louisiana issued a nationwide preliminary injunction against the pause of oil and natural gas leasing on public lands or in offshore waters while litigation challenging that aspect of the executive order is ongoing.

President Biden's executive order also established climate change as a primary foreign policy and national security consideration, affirms that achieving net-zero greenhouse gas emissions by or before midcentury is a critical priority, affirms the Biden Administration's desire to establish the United States as a leader in addressing climate change, generally further integrates climate change and environmental justice considerations into government agencies' decision-making, and eliminates fossil fuel subsidies, among other measures. Litigation risks are also increasing, as a number of cities, local governments, and other plaintiffs have sought to bring suit against the largest oil and natural gas exploration and production companies in state or federal court, alleging, among other things, that such companies created public nuisances by producing fuels that contributed to global warming effects, such as rising sea levels, and therefore are responsible for roadway and infrastructure damages as a result, or alleging that the companies have been aware of the adverse effects of climate change for some time but defrauded their investors by failing to adequately disclose those impacts.

There are also increasing financial risks for fossil fuel producers, as stockholders and bondholders currently invested in fossil fuel energy companies concerned about the potential effects of climate change may elect in the future to shift some or all of their investments into non-fossil fuel energy related investments. Institutional investors who provide capital to fossil fuel energy companies also have become more attentive to sustainability issues, and some of them may elect not to provide funding for fossil fuel energy companies. Additionally, the lending and investment practices of institutional lenders have been the subject of intensive lobbying efforts in recent years, oftentimes public in nature, by environmental activists, proponents of the international Paris Agreement, and foreign citizenry concerned about climate change not to provide funding for fossil fuel producers. Limitation of investments in and financings for fossil fuel energy could restrict the availability of capital, resulting in the restriction, delay, or cancellation of development and production activities.

The adoption and implementation of any international, federal or state laws or regulations that impose more stringent standards for GHG emissions from the oil and natural gas sector or otherwise restrict the areas in which this sector may produce oil and natural gas or generate GHG emissions could require the Company to incur increased operating costs or costs of compliance and thereby reduce demand for the oil and natural gas produced by the Company. Additionally, political, litigation, and financial risks may result in the Company restricting or cancelling development or production activities, incurring liability for infrastructure damages as a result of climate changes, or impairing its ability to continue to operate in an economic manner, which also could reduce demand for or lower the value of, the oil and natural gas the Company produces. One or more of these developments could have a material adverse effect on the Company's business, financial condition and results of operations.

Finally, it should be noted that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on the Company's operations. At this time, the Company has not developed a comprehensive plan to address the legal, economic, social, or physical impacts of climate change on the Company's operations.

***Changes to the U.S. federal tax laws could adversely affect our financial position, results of operations and cash flow.***

Our future effective tax rates could be adversely affected by changes in tax laws, both domestically and internationally, or the interpretation or application thereof. From time to time, U.S. and foreign tax authorities, including state and local governments consider legislation that could increase our effective tax rate. For example, the U.S. Congress has advanced a variety of tax legislation proposals, and while the final form of any legislation is uncertain, the current proposals, if enacted, could have a material effect on our effective tax rate. Additionally, in recent years, lawmakers and the U.S. Department of the Treasury have proposed certain significant changes to U.S. tax laws applicable to oil and gas companies. These changes include, but are not limited to; (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, and (iii) an extension of the amortization period for certain geological and geophysical expenditures. No accurate prediction can be made as to whether any such legislative changes will be proposed or enacted in the future or, if enacted, what the specific provisions or the effective date of any such legislation would be. This legislation or any future similar changes in U.S. federal income tax laws, as well as any similar changes in state law, could eliminate or postpone certain tax deductions that currently are available with respect to natural gas and oil exploration and production, which could negatively affect our results of operations and financial condition.

***We may not be able to utilize a portion of our net operating loss carryforwards ("NOLs") to offset future taxable income for U.S. federal income tax purposes, which could adversely affect our net income and cash flow.***

As of December 31, 2021, we had federal net operating loss (“NOL”) carryforwards of approximately \$463 million, approximately \$274 million of which will expire in varying amounts beginning in 2033 through 2037. Utilization of these NOLs depends on many factors, including our future taxable income, which cannot be assured. In addition, Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), generally imposes an annual limitation on the amount of an NOL that may be used to offset taxable income when a corporation has undergone an “ownership change” (as determined under Section 382 of the Code). An ownership change generally occurs if one or more shareholders (or groups of shareholders) who are each deemed to own at least 5 percent of the corporation’s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. In the event that an ownership change occurs with respect to a corporation following its recognition of an NOL, utilization of such NOL is subject to an annual limitation, generally determined by multiplying the value of the corporation’s stock at the time of the ownership change by the applicable long-term tax-exempt rate. However, this annual limitation would be increased under certain circumstances by recognized built-in gains of the corporation existing at the time of the ownership change. In the case of an NOL that arose in a taxable year beginning before January 1, 2018, any unused annual limitation with respect to an NOL generally may be carried over to later years, subject to the expiration of such NOL 20 years after it arose. Future changes in our stock ownership or future regulatory changes could also limit our ability to utilize our NOLs. To the extent we are not able to offset future taxable income with our NOLs, our net income and cash flow may be adversely affected.

***Legal proceedings could result in liability affecting our results of operations.***

We are involved in various legal proceedings, such as title, royalty, environmental or contractual disputes, in the ordinary course of business. We defend ourselves vigorously in all such matters, if appropriate.

Because we maintain a portfolio of assets in the various areas in which we operate, the complexity and types of legal proceedings with which we may become involved may vary, and we could incur significant legal and support expenses in different jurisdictions. If we are not able to successfully defend ourselves, there could be a delay or even halt in our exploration, development or production activities or other business plans, resulting in a reduction in reserves, loss of production and reduced cash flow. Legal proceedings could result in a substantial liability. In addition, legal proceedings distract management and other personnel from their primary responsibilities.

**Risks Related to Ownership of Our Common Stock:**

***For as long as we are a smaller reporting company, we will not be required to comply with certain disclosure requirements that apply to other public companies.***

We are currently a “smaller reporting company” as defined by Rule 12b-2 of the Exchange Act. “Smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings, and have certain other scaled disclosure obligations in their SEC filings, including, among other things, being required to provide only two years of audited financial statements in annual reports. The scaled disclosures we provide in our SEC filings due to our status as a “smaller reporting company” may make it harder for investors to analyze our results of operations and financial prospects. If some investors find our common stock to be less attractive as a result of the scaled disclosures, there also may be a less active trading market for our common stock and our trading price may be more volatile.

***There may be circumstances in which the interests of our significant stockholders could be in conflict with the interests of our other stockholders.***

Funds associated with Strategic Value Partners LLC (“SVP”) own approximately 27%, of our outstanding common stock. SVP currently has a right to nominate two of our directors under our director nominating agreement described below. Other former noteholders who received our common stock pursuant to our plan of reorganization, collectively hold the current right to nominate one additional director. Our current board is limited to seven directors under the terms of the director nomination agreement. Circumstances may arise in which these stockholders may have an interest in pursuing or preventing acquisitions, divestitures or other transactions, including the issuance of additional shares or debt, that, in their judgment, could enhance their investment in us or another company in which they invest. Such transactions might adversely affect us or other holders of our common stock. Furthermore, we have entered into a director nomination agreement with SVP and other former holders of our senior notes that provides for certain continuing nomination rights subject to conditions on share ownership. In addition, our significant concentration of share ownership may adversely affect the trading price of our common shares because investors may perceive disadvantages in owning shares in companies with significant stockholders. For example, this concentration of ownership may limit our other stockholders’ ability to influence corporate matters, as our significant stockholders are able to

influence matters that require approval by our stockholders, including the election and removal of directors, changes to our organizational documents and approval of acquisition offers and other significant corporate transactions.

***Certain provisions of our Charter and our Bylaws may make it difficult for stockholders to change the composition of our Board and may discourage, delay or prevent a merger or acquisition that some stockholders may consider beneficial.***

Certain provisions of our Charter and our Bylaws and our existing director nomination agreement may have the effect of delaying or preventing changes in control if our Board determines that such changes in control are not in the best interests of the Company and our stockholders. The provisions in our Charter and Bylaws and our existing director nomination agreement include, among other things, those that:

- provide for a classified board of directors;
- authorize our Board to issue preferred stock and to determine the price and other terms, including preferences and voting rights, of those shares without stockholder approval;
- establish advance notice procedures for nominating directors or presenting matters at stockholder meetings;
- provide SVP and certain other institutional stockholders the right to nominate up to three of our directors; and
- limit the persons who may call special meetings of stockholders;

While these provisions have the effect of encouraging persons seeking to acquire control of the Company to negotiate with our Board, they could enable the Board to hinder or frustrate a transaction that some, or a majority, of the stockholders may believe to be in their best interests and, in that case, may prevent or discourage attempts to remove and replace incumbent directors. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board, which is responsible for appointing the members of our management. Furthermore, we have entered into a director nomination agreement with each of SVP, and other former holders of our senior notes that provides for certain continuing nomination rights subject to conditions on share ownership.

***Our Charter designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our Charter provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our Charter or our Bylaws, or (iv) any action asserting a claim against us or any director or officer or other employee of ours governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

The exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

The enforceability of similar choice of forum provisions in other companies' certificates of incorporation or similar governing documents has been challenged in legal proceedings, and it is possible that a court could find the choice of forum provisions contained in our Charter to be inapplicable or unenforceable, including with respect to claims arising under the U.S. federal securities laws.

Any person or entity purchasing or otherwise holding any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our Charter described in the preceding sentence. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our Charter inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

## Item 1B. Unresolved Staff Comments

None.

## Glossary of Abbreviations and Terms

The following abbreviations and terms have the indicated meanings when used in this report:

**ASC** - Accounting Standards Codification.

**Bbl** - Barrel or barrels of oil.

**Bcf** - Billion cubic feet of natural gas.

**Bcfe** - Billion cubic feet of natural gas equivalent (see Mcfe).

**Boe** - Barrels of oil equivalent.

**Completion** - Preparation of a well bore and installation of permanent equipment for production of oil, natural gas or NGLs or, in the case of a dry well, reporting to the appropriate authority that the well has been abandoned.

**Condensate** - Liquid hydrocarbons that are found in natural gas wells and condense when brought to the well surface. Condensate is used synonymously with oil.

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

**Developed Oil and Gas Reserves** - Oil and natural gas reserves of any category that can be expected to be recovered through existing wells with existing equipment and operating methods.

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

**Dry Well** - An exploratory or development well that is not a producing well.

**DUC** - A well that has been drilled and has not yet been completed

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

**FASB** - The Financial Accounting Standards Board.

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

**Gross Acre** - An acre in which a working interest is owned. The number of gross acres is the total number of acres in which a working interest is owned.

**Gross Well** - A well in which a working interest is owned. The number of gross wells is the total number of wells in which a working interest is owned.

**MBbl** - Thousand barrels of oil.

**MBoe** - Thousand barrels of oil equivalent.

**Mcf** - Thousand cubic feet of natural gas.

**Mcfe** - Thousand cubic feet of natural gas equivalent, which is determined using the ratio of one barrel of oil, condensate, or natural gas liquids to 6 Mcf of natural gas.

**MMBbl** - Million barrels of oil.

**MMBtu** - Million British thermal units, which is a heating equivalent measure for natural gas and is an alternate measure of natural gas reserves, as opposed to Mcf, which is strictly a measure of natural gas volumes. Typically, prices quoted for natural gas are designated as price per MMBtu, the same basis on which natural gas is contracted for sale.

**MMcf** - Million cubic feet of natural gas.

**MMcfe** - Million cubic feet of natural gas equivalent (see Mcfe).

**Net Acre** - A net acre is deemed to exist when the sum of fractional working interests owned in gross acres equals one. The number of net acres is the sum of fractional working interests owned in gross acres expressed as whole numbers and fractions thereof.

**Net Well** - A net well is deemed to exist when the sum of fractional working interests owned in gross wells equals one. The number of net wells is the sum of fractional working interests owned in gross wells expressed as whole numbers and fractions thereof.

**NGL** - Natural gas liquid.

**NYMEX** - The New York Mercantile Exchange.

**Producing Well** - An exploratory or development well found to be capable of producing either oil or natural gas in sufficient quantities to justify completion as an oil or natural gas well.

**Proved Oil and Gas Reserves** - Those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. For reserves calculations economic

conditions include prices based on either the preceding 12-months' average price based on closing prices on the first day of each month, or prices defined by existing contractual arrangements.

**Proved Undeveloped (PUD) Locations** - A location containing proved undeveloped reserves.

**PV-10 Value** - The estimated future net revenues to be generated from the production of proved reserves discounted to present value using an annual discount rate of 10%. These amounts are calculated net of estimated production costs and future development costs, using prices based on either the preceding 12-months' average price based on closing prices on the first day of each month, or prices defined by existing contractual arrangements, without escalation and without giving effect to non-property related expenses, such as general and administrative ("G&A") expenses, debt service, future income tax expense, or depreciation, depletion, and amortization. PV-10 Value is a non-GAAP measure and its use is explained under "Item 1 & 2. Business and Properties - Oil and Natural Gas Reserves" above in this Form 10-K.

**Reserves** - Estimated remaining quantities of oil and natural gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations.

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

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

**Standardized Measure** - The present value, discounted at 10% per year, of estimated future net revenues from the production of proved reserves, computed by applying sales prices and deducting the estimated future costs to be incurred in developing, producing and abandoning the proved reserves (computed based on current costs and assuming continuation of existing economic conditions). Future income taxes are calculated by applying the statutory federal and state income tax rate to pre-tax future net cash flow, net of the tax basis of the properties involved and utilization of available tax carryforwards related to oil and natural gas operations. Sales prices were prepared using average hydrocarbon prices equal to the unweighted arithmetic average of hydrocarbon prices on the first day of each month within the 12-month period preceding the reporting date (except for consideration of price changes to the extent provided by contractual arrangements).

**Undeveloped Oil and Gas Reserves** - Oil and natural gas reserves of any category that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for recompletion.

**WTI** - West Texas Intermediate.

### **Item 3. Legal Proceedings**

In the ordinary course of business, we are party to various legal actions, which arise primarily from our activities as operator of oil and natural gas wells. In our opinion, the outcome of any such currently pending legal actions will not have a material adverse effect on our financial position or results of operations.

### **Item 4. Mine Safety Disclosures**

Not Applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Common Stock

SilverBow's common stock is traded on the New York Stock Exchange under the symbol "SBOW." Since inception, no cash dividends have been declared on the Company's common stock. Cash dividends are restricted under the terms of SilverBow's credit agreements, and the Company presently intend to continue a policy of using retained earnings for expansion of its business.

SilverBow had approximately 99 stockholders of record as of January 31, 2022.

#### Stock Repurchase

There were no repurchases of the Company's common stock during the fourth quarter of 2021.

#### Unregistered Sales of Equity Securities and Use of Proceeds

Except as previously disclosed in a Quarterly Report on Form 10-Q or Current Report on Form 8-K, no unregistered sales of our common stock were made during the fiscal year ended December 31, 2021.



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the Company's financial information and its audited consolidated financial statements and accompanying notes for the years ended December 31, 2021 and 2020, included in this Form 10-K. The following information contains forward-looking statements; see "Forward-Looking Statements" on page 4 of this report.

### Operational Results

The Company continues to optimize completion techniques in order to enhance well performance across its portfolio. The following table and discussion highlights SilverBow's drilling and completion schedule for 2021:

Fields	Net Acreage	2021 Production (Mcf/d)	Gas as % of 2021 Production	2021 Net Wells Drilled	2021 Net Wells Completed
Artesia	12,105	48,964	40 %	9	
AWP	53,078	25,237	37 %	1	
Fasken	10,083	117,652	100 %	6	
Atascosa	4,947	723	9 %	—	
Eastern Eagle Ford	19,768	1,246	26 %	—	
Southern Eagle Ford Gas	36,800	18,448	99 %	—	
Other <sup>(1)</sup>	16,325	1,739	25 %	2	
<b>Total</b>	<b>153,106</b>	<b>214,009</b>	<b>77 %</b>	<b>18</b>	

(1) Other includes non-core properties.

During the fourth quarter of 2021, the Company completed and brought five net wells online. There was minimal drilling activity in the fourth quarter related to one gross non-operated well. For the full year, SilverBow drilled 18 net wells and completed and brought online 24 net wells.

The Company finished drilling one well in its Webb County Gas area in January 2021 and released its one drilling rig thereafter as part of a planned pause in development activity. In April 2021, SilverBow elected to accelerate and expand its planned mid-year liquids development program. This decision was based on favorable commodity prices and completion activity running ahead of schedule and under budget on development projects during the year. The Company's liquids development was focused primarily on its La Salle Condensate and McMullen Oil areas and comprised 11 net wells drilled and completed during the year. Additionally, five net Webb County Gas wells were incorporated in the expanded mid-year development and drilled in the third quarter of 2021. The drilling and completion activity over the second and third quarters drove production growth and higher cash flow in the second half of the year. SilverBow released its sole drilling rig in September 2021, and had no operated activity until the resumption of drilling at its Webb County Gas area in late December 2021.

In total the Company drilled six net operated wells in its Webb County Gas area in 2021. Of these, three net wells were in the Austin Chalk, a zone which the Company has been focused on proving up for future development. The Austin Chalk wells in Webb County continue to exceed expectations and exhibit strong commercial economics. SilverBow brought a fourth Austin Chalk well online in early 2022 in its Webb County Gas area, further enhancing its ability to deliver consistent and repeatable results across the position. The first well has produced approximately 3.7 billion cubic feet of natural gas in its first year. The Austin Chalk wells averaged 7,500 foot laterals with drilling and completion ("D&C") costs of \$727 per lateral foot, which compares favorably to recent Austin Chalk results from nearby operators. Given that D&C activity in the Austin Chalk to-date has focused on single-pad, delineation wells, SilverBow expects to realize greater cost efficiencies for future full-scale development. In the La Mesa and Fasken fields, multi-zone pad development efficiencies led to lower drilling and completion costs as the Company continued to leverage its technical experience and long operating history in the area. SilverBow also elected to participate in three gross non-operated wells in Webb County which were drilled in the second half of 2021 and will benefit from production in early 2022.

The Company closed three acquisitions in the second half of 2021. From the closing of each of these respective acquisitions, in aggregate, SilverBow added 286 barrels per day ("Bbls/d") of liquids and 4.5 million cubic feet per day ("MMcf/d") to the Company's full year net production. Additionally, the acquired assets provided SilverBow a deep runway of future oil and gas development locations in the Eagle Ford and Austin Chalk. The Company added more than 200 net drilling

locations from acquired assets in 2021, with further inventory upside potential based on optimizations to well costs, spacing and lateral lengths given the highly contiguous lease footprints with SilverBow's existing acreage. The Company is working to integrate these new assets into its low cost structure and should benefit from greater operating cost synergies due to increased size and scale. The acquisition activity in 2021 reflects a continued focus on identifying opportunities to add to core positions in high-return areas.

SilverBow's asset management program seeks to optimize recoverability and operating costs from producing wells. The Company proactively invests in workovers, compression and artificial lift installations and other enhancements to maintain production output, improve its base decline and lower field operating costs. Furthermore, SilverBow prioritizes operational safety and maintains a goal of zero total recordable incidents. The Company's production operations group recently celebrated its five year anniversary with zero OSHA recordable accidents.

SilverBow has spent last several years positioning its inventory and development plans to be flexible. This has allowed the Company to align with prevailing commodity prices, and to drive greater operational efficiencies by concentrating its efforts in areas in which the team possesses deep technical expertise and experience. Across all of its operating areas in the Eagle Ford in 2021, SilverBow drilled 10% more lateral footage per day while lowering completion costs per well by 17% as compared to 2020. The Company's demonstrated success in increasing field efficiencies, reducing cycle times and lowering costs is a direct result of its operational and supply teams working with vendors to negotiate prices and logistical considerations for the materials used in its operations. As a result, SilverBow's drilling and completion costs per lateral foot in 2021 decreased by 13% as compared to 2020. Although the rate of operational efficiency gains are anticipated to slow as the Company approaches field level limitations and focuses on developing newly acquired acreage requiring potentially longer transition times, maintaining and improving upon the efficiency gains to-date is core to SilverBow's cost mitigation efforts within an inflationary service cost environment expected in its near-term outlook.

Cost reduction initiatives: The Company continues to focus on cost reduction measures in the areas that it can control. These initiatives include the use of regional sand in completions, improved utilization of existing facilities, elimination of redundant equipment and replacement of rental equipment with SilverBow-owned equipment. As previously mentioned, the Company continues to improve its process for drilling, completing and equipping wells. SilverBow's procurement team takes a process-oriented approach to managing the total delivered costs of purchased services by examining costs at their most granular level. Services are routinely sourced directly from the suppliers. The Company's lease operating expenses were \$27.7 million or \$0.35 per Mcfe for the year ended December 31, 2021, as compared to \$21.4 million or \$0.32 per Mcfe for the year ended December 31, 2020. The increase in costs was due to incremental expenses related to Winter Storm Uri, higher salt water disposal, higher compression costs and higher utilities. These increases were partially mitigated by lower treating costs.

SilverBow's net G&A expenses were \$21.8 million or \$0.28 per Mcfe for the year ended December 31, 2021. After deducting \$4.6 million of share-based compensation, cash G&A expenses (a non-GAAP financial measure) were \$17.2 million or \$0.22 per Mcfe for the year ended December 31, 2021. This compares to net G&A expenses of \$22.6 million or \$0.34 per Mcfe for the same period in 2020. After deducting \$4.6 million of share-based compensation, cash G&A expenses (a non-GAAP financial measure) were \$18.0 million or \$0.27 per Mcfe for the same period in 2020.

The Company continued to maintain a safe working environment while implementing these cost-reduction efforts. SilverBow's corporate total recordable incident rate was 0.15 incidents per 1.3 million work hours in 2021.

The Company reports cash G&A because it believes this measure is commonly used by management, analysts and investors as an indicator of cost management and operating efficiency on a comparable basis from period to period. In addition, SilverBow believes cash G&A expenses are used by analysts and others in valuation, comparison and investment recommendations of companies in the oil and gas industry to allow for analysis of G&A spend without regard to stock-based compensation programs which can vary substantially from company to company. Cash G&A expenses should not be considered as an alternative to, or more meaningful than, total G&A expenses.

## Summary of 2021 Financial Results

- **Revenues and net income (loss):** The Company's oil and gas revenues were \$407.2 million and \$177.4 million for the years ended December 31, 2021 and 2020, respectively. Revenues were higher due to increased production volumes and overall higher commodity pricing. The Company had net income of \$86.8 million and a net loss of \$309.4 million for the years ended December 31, 2021 and 2020, respectively. The increase was primarily due to higher revenues due to increased production volumes and higher commodity pricing along with no non-cash impairment write-down during the current period.
- **Capital expenditures:** The Company's capital expenditures (excluding acquisitions) on an accrual basis were \$130.5 million and \$95.2 million for the years ended December 31, 2021 and 2020, respectively. The expenditures for the years ended December 31, 2021 and 2020, were primarily driven by continued legacy development. These expenditures were funded by cash flow from operations and borrowings under our Credit Facility.
- **Acquisitions:** The Company closed three acquisitions in the second half of 2021. These acquisitions, in aggregate, added 286 barrels per day of liquids and 4.5 million cubic feet per day to SilverBow's full year net production. This represents less than 3% of the Company's full year 2021 net production. SilverBow expects these acquisitions to comprise a greater percentage of its full year 2022 net production with a full year's contribution. In total the Company paid \$50.6 million in cash and issued \$83.5 million in equity related to these transactions.
- **Working capital:** The Company had a working capital deficit of \$65.8 million and \$23.1 million at December 31, 2021 and December 31, 2020, respectively. The working capital computation does not include available liquidity through our Credit Facility.
- **Cash Flow:** For the year ended December 31, 2021, the Company generated cash from operating activities of \$215.7 million, of which \$6.2 million was attributable to changes in working capital. Cash used for property additions was \$133.6 million. This included \$4.0 million attributable to a net decrease of capital related payables and accrued costs. Additionally, \$1.1 million was paid during the year for property sale obligations related to the sale of our former Bay De Chene field. The Company's net repayments under its revolving Credit Facility were \$3.0 million for the year ended December 31, 2021 and repayments under its Second Lien Facility were \$50.0 million.

For the year ended December 31, 2020, the Company generated cash from operating activities of \$165.2 million, of which \$7.1 million was attributable to changes in working capital. Cash used for property additions was \$114.7 million. This included \$19.4 million attributable to a net decrease of capital related to payables and accrued costs. Additionally, \$0.8 million was paid during the year for property sale obligations related to the sale of our former Bay De Chene field. The Company's net repayments under its Credit Facility were \$49.0 million for the year ended December 31, 2020.

## Liquidity and Capital Resources

SilverBow's primary use of cash has been to fund capital expenditures to develop its oil and gas properties. As of December 31, 2021, the Company's liquidity consisted of approximately \$1.1 million of cash-on-hand and \$233.0 million in available borrowings on its Credit Facility, which had a \$460.0 million borrowing base. SilverBow's 2022 capital budget, which is expected to be in the range of \$180-\$200 million, provides for drilling 39 gross (33 net) horizontal wells and is expected to be funded primarily from operating cash flow. Management believes the Company has sufficient liquidity to meet its obligations through at least the first quarter of 2023 and execute its long-term development plans. See Note 4 to SilverBow's consolidated financial statements for more information on its Debt Facilities.

**ATM Program.** On August 13, 2021, the Company entered into an equity distribution agreement pursuant to which the SilverBow may sell, from time to time in the open market, shares of the Company's common stock, having aggregate proceeds of up to \$40.0 million (the "ATM Program"). SilverBow intends to use the net proceeds from any sales through the ATM Program for general corporate purposes, including, but not limited to, financing of capital expenditures, repayment or refinancing of outstanding debt, financing acquisitions or investments, financing other business opportunities, and general working capital purposes. During the year ended December 31, 2021 (from August 13, 2021 through December 31, 2021), the Company sold 1,222,209 shares of common stock for net proceeds of \$27.0 million after deducting sales agents' commissions and other related expenses.

**Senior Secured Second Lien Notes.** Effective November 12, 2021, SilverBow entered into the Second Amendment to the Note Purchase Agreement, which extended the maturity date from December 15, 2024 to December 15, 2026 subject to paying down the principal amount of the Second Lien from \$200.0 million to \$150.0 million. The Company made the \$50 million redemption of the Second Lien Notes on November 29, 2021. SilverBow accounted for this paydown as a debt modification and incurred approximately \$0.1 million in third party fees in connection with the amendment. The unamortized debt issuance cost and discount on the Second Lien Notes will be amortized through the new maturity date of December 15, 2026.

### Contractual Commitments and Obligations

Our contractual commitments for the next five years and thereafter are shown below as of December 31, 2021 (in thousands):

	2022	2023	2024	2025	2026	Thereafter	Total
Non-cancelable operating leases	\$ 7,757	\$ 6,468	\$ 1,200	\$ 803	\$ 689	\$ 539	\$ 17,456
Gas transportation and processing <sup>(1)</sup>	1,802	2,730	1,718	1,171	—	—	7,421
Interest cost <sup>(2)</sup>	23,304	23,370	16,567	13,664	13,176	—	90,081
Long-term debt	—	—	227,000	—	150,000	—	377,000
Other contractual commitments <sup>(3)</sup>	477	—	—	—	—	—	477
<b>Total</b>	<b>\$ 33,340</b>	<b>\$ 32,568</b>	<b>\$ 246,485</b>	<b>\$ 15,638</b>	<b>\$ 163,865</b>	<b>\$ 539</b>	<b>\$ 492,435</b>

(1) Amounts shown represent fees for the minimum delivery obligations. Any amount of transportation utilized in excess of the minimum will reduce future year obligations. The Company's production and reserves are currently sufficient to fulfill the current minimum delivery obligations.

(2) Interest on our Credit Facility is estimated using the weighted average interest rate of 4.34% for the quarter ended December 31, 2021, while interest on our Second Lien is estimated using LIBOR plus 7.5%. See Note 4 of these consolidated financial statements in this Form 10-K for more information. Actual interest rate is variable over the term of the facility.

(3) Amount shown primarily for obligation under Bay De Chene sales contract.

### Off-Balance Sheet Arrangements

As of December 31, 2021, we had no off-balance sheet arrangements requiring disclosure pursuant to article 303(a) of Regulation S-K.

### Proved Oil and Gas Reserves

During 2021, our reserves increased by approximately 309.4 Bcfe due to increases in our natural gas reserves primarily from our Austin Chalk area and contributions from acquisitions closed in the second half of 2021. As of December 31, 2021, 46% of our total proved reserves were proved developed, compared with 46% and 41% at year-end 2020 and 2019.

At December 31, 2021, our proved reserves were 1,415.8 Bcfe with a Standardized Measure of \$1.6 billion, which is an increase of approximately \$1.0 billion, or 204%, from the prior year-end levels. In 2021, our proved natural gas reserves increased 207.3 Bcf, or 22%, while our proved oil reserves increased 11.8 MMBbl, or 94%, and our NGL reserves increased 5.2 MMBbl, or 38%, for a total equivalent increase of 309.4 Bcfe, or 28%.

We have added proved reserves primarily through our drilling activities and acquisitions, including 359.4 Bcfe added in 2021. We obtained reasonable certainty regarding these reserve additions by applying the same methodologies that have been used historically in this area.

We use the preceding 12-month's average price based on closing prices on the first business day of each month, adjusted for price differentials, in calculating our average prices used in the Standardized Measure calculation. Our average natural gas price used in the Standardized Measure calculation for 2021 was \$3.75 per Mcf. This average price increased from the average price of \$2.13 per Mcf used for 2020. Our average oil price used in the calculation for 2021 was \$63.98 per Bbl. This average price increased from the average price of \$37.83 per Bbl used in the calculation for 2020. Our average NGL price used in the calculation for 2021 was \$25.29 per Bbl. This average price increased from the average price of \$11.66 per Bbl used in the calculation for 2020.

## Results of Operations

### Revenues — Years Ended December 31, 2021 and 2020

2021 - Our oil and gas sales in 2021 increased by 130% compared to revenues in 2020, primarily due to overall higher commodity pricing and higher production volumes. Average oil prices we received were 78% higher than those received during 2020, while natural gas prices were 115% higher and NGL prices were 113% higher.

Crude oil production was 11% and 14% of our production volumes for the years ended December 31, 2021 and 2020, respectively, while crude oil sales revenues were 24% and 33% of oil and gas sales revenue for the years ended December 31, 2021 and 2020, respectively.

Natural gas production was 77% and 76% of our production volumes for the years ended December 31, 2021 and 2020, respectively, while natural gas sales revenues were 66% and 59% and of oil and gas sales for the years ended December 31, 2021 and 2020, respectively.

NGL production was 12% and 10% of our production volumes for the years ended December 31, 2021 and 2020, respectively, while NGL sales were 10% and 8% of oil and gas sales for the years ended December 31, 2021 and 2020, respectively.

The following tables provide information regarding the changes in the sources of our oil and gas sales and volumes for the years ended December 31, 2021 and 2020:

Fields	Oil and Gas Sales (In Millions)		Net Oil and Gas Production Volumes (MMcfe)	
	2021	2020	2021	2020
Artesia	\$ 110.2	\$ 42.1	17,872	13,299
AWP	64.3	50.5	9,211	12,432
Fasken	194.6	72.0	42,943	35,410
Atascosa	2.9	—	264	—
Eastern Eagle Ford	3.8	—	455	—
Southern Eagle Ford Gas	27.7	10.8	6,734	4,935
Other	3.7	1.9	634	724
Total	\$ 407.2	\$ 177.3	78,113	66,800

Our sales volume increase from 2020 to 2021 was primarily due to higher natural gas and NGL production, partially offset by lower crude oil production.

In 2021, our \$229.8 million, or 130%, increase in oil, NGL, and natural gas sales resulted from:

- Volume variances that had a \$22.0 million favorable impact on sales, with a \$2.3 million decrease due to the 0.1 million Bbl decrease in oil production volumes, a \$19.7 million increase due to the 9.5 Bcf increase in natural gas production volumes and a \$4.7 million increase due to the 0.4 million Bbl increase in NGL production volumes.
- Price variances that had a \$207.8 million favorable impact on sales, with an increase of \$142.8 million due to the 114% increase in natural gas prices received, an increase of \$43.2 million due to the 78% increase in oil prices received and an increase of \$21.7 million due to the 113% increase in NGL prices received.

The following table provides additional information regarding our oil and gas sales, by commodity type, as well as the effects of our hedging activities for derivative contracts held to settlement for the years ended December 31, 2021 and 2020 (in thousands, except per-dollar amounts):

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Production volumes:</b>		
Oil (MBbl) <sup>(1)</sup>	1,462	1,521
Natural gas (MMcf)	60,510	50,988
Natural gas liquids (MBbl) <sup>(1)</sup>	1,472	1,114
Total (MMcfe)	<u>78,113</u>	<u>66,800</u>
<b>Oil, natural gas and natural gas liquids sales:</b>		
Oil	\$ 98,607	\$ 57,651
Natural gas	267,687	105,234
Natural gas liquids	40,906	14,500
Total	<u>\$ 407,200</u>	<u>\$ 177,386</u>
<b>Average realized price:</b>		
Oil (per Bbl)	\$ 67.46	\$ 37.89
Natural gas (per Mcf)	4.42	2.06
Natural gas liquids (per Bbl)	27.78	13.02
Average per Mcfe	<u>\$ 5.21</u>	<u>\$ 2.66</u>
<b>Price impact of cash-settled derivatives:</b>		
Oil (per Bbl)	\$ (16.50)	\$ 13.27
Natural gas (per Mcf)	(0.69)	0.38
Natural gas liquids (per Bbl)	(5.07)	—
Average per Mcfe	<u>\$ (0.94)</u>	<u>\$ 0.59</u>
<b>Average realized price including impact of cash-settled derivatives:</b>		
Oil (per Bbl) <sup>(2)</sup>	\$ 50.96	\$ 51.16
Natural gas (per Mcf)	3.73	2.44
Natural gas liquids (per Bbl)	22.71	13.02
Average per Mcfe	<u>\$ 4.27</u>	<u>\$ 3.25</u>

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

(2) Excludes the impact of the \$38.3 million for derivative contracts monetized in the first quarter of 2020.

For the years ended December 31, 2021 and 2020 we recorded net losses of \$123 million and net gains of \$61.3 million, respectively, related to our derivative activities. Included in our gain during the year ended December 31, 2020 was \$38.3 million for monetized derivative contracts received in the first quarter of 2020. The change was driven primarily by changes in commodity pricing. This activity is recorded in "Net gain (loss) on commodity derivatives" on the accompanying consolidated statements of operations in this Form 10-K.

## Costs and Expenses

The following table provides additional information regarding our expenses for the years ended December 31, 2021 and 2020:

<b>Costs and Expenses</b>	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
General and administrative, net	\$ 21,799	\$ 22,608
Depreciation, depletion, and amortization	68,629	64,564
Accretion of asset retirement obligation	306	354
Lease operating expenses	27,206	21,360
Workovers	514	8
Transportation and gas processing	24,145	20,649
Severance and other taxes	19,307	10,514
Interest expense, net	29,129	31,228
Write-down of oil and gas properties	—	355,948

Our costs and expenses during 2021 versus 2020 were as follows:

*General and Administrative Expenses, Net.* These expenses on a per Mcfe basis were \$0.28 and \$0.34 for the years ended December 31, 2021 and 2020, respectively. The decrease per Mcfe was due to higher production while the decrease in costs was primarily due to lower salaries and burdens, temporary labor expenses and legal fees. Included in general and administrative expenses is \$4.6 million in share-based compensation for both the years ended December 31, 2021 and 2020.

*Depreciation, Depletion and Amortization (“DD&A”).* These expenses on a per Mcfe basis were \$0.88 and \$0.97 for the years ended December 31, 2021 and 2020, respectively. Our full year 2020 DD&A rate was impacted by non-cash impairment writedowns in the first half of 2020. Our DD&A rate is impacted by the timing and amount of reserve additions and the future development costs associated with those additions, revisions of previous reserve estimates, non-cash impairment writedowns, acquisitions and dispositions of proved reserves and the amount of costs subject to amortization.

*Lease Operating Expenses.* These expenses on a per Mcfe basis were \$0.35 and \$0.32 for the years ended December 31, 2021 and 2020, respectively. The increase in costs is due to higher compression costs and salt water disposal costs, partially offset by lower treating costs.

*Transportation and gas processing.* These expenses all related to natural gas and NGL sales. These expenses on a per Mcfe basis were \$0.31 for both the years ended December 31, 2021 and 2020.

*Severance and Other Taxes.* In general, severance taxes are based upon current year commodity prices and production whereas ad valorem taxes are based upon the value of oil and gas reserves at the beginning of the year. Severance taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold. The increase in severance and other taxes is directly attributable to the increase in oil and gas revenues associated with higher commodity prices. Our ad valorem expense included in Severance and other taxes remained relatively consistent from 2020 to 2021. Severance and other taxes, as a percentage of oil and gas sales, were approximately 4.7% and 5.9% for the years ended December 31, 2021 and 2020, respectively.

*Interest Expense.* Our gross interest expense was \$29.1 million and \$31.2 million for the years ended December 31, 2021 and 2020, respectively. The decrease in gross interest was primarily due to decreased borrowings. There was no capitalized interest for both of the years ended December 31, 2021 and 2020.

*Write-down of oil and gas properties.* There was no impairment for the year ended December 31, 2021. Due to the effects of pricing, we reported a non-cash impairment write-down of \$355.9 million impairment for the year ended December 31, 2020.

*Income Taxes.* The Company recorded an income tax provision of \$6.4 million for the year ended December 31, 2021 which was primarily attributable to deferred federal income tax expense. In March and April 2020, the COVID-19 pandemic caused volatility in the market price for crude oil due to the disruption of global supply and demand. In response to these market conditions and given the decline in oil prices and economic outlook for the Company, management determined that it

was not more likely than not that the Company would realize future cash benefits from its remaining federal carryover items and other deferred tax assets and, accordingly, recorded a full valuation allowance in the second quarter of 2020 to offset its net deferred tax assets in excess of deferred tax liabilities. This resulted in tax expense of \$21.2 million in the second quarter of 2020. Our income tax provision of \$20.9 million for the year ended December 31, 2020 is inclusive of state income tax benefit of \$1.8 million.

### **Critical Accounting Policies and New Accounting Pronouncements**

*Property and Equipment.* We follow the “full-cost” method of accounting for oil and natural gas property and equipment costs. Under this method of accounting, all productive and nonproductive costs incurred in the exploration, development, and acquisition of oil and natural gas reserves are capitalized including internal costs incurred that are directly related to these activities and which are not related to production, general corporate overhead, or similar activities. Future development costs are estimated on a property-by-property basis based on current economic conditions and are amortized to expense as our capitalized oil and natural gas property costs are amortized. We compute the provision for DD&A of oil and natural gas properties using the unit-of-production method.

The costs of unproved properties not being amortized are assessed quarterly, on a property-by-property basis, to determine whether such properties have been impaired. In determining whether such costs should be impaired, we evaluate current drilling results, lease expiration dates, current oil and gas industry conditions, international economic conditions, capital availability, and available geological and geophysical information. As these factors may change from period to period, our evaluation of these factors will change. Any impairment assessed is added to the cost of proved properties being amortized.

The calculation of the provision for DD&A requires us to use estimates related to quantities of proved oil and natural gas reserves and estimates of the impairment of unproved properties. The estimation process for both reserves and the impairment of unproved properties is subjective, and results may change over time based on current information and industry conditions. We believe our estimates and assumptions are reasonable; however, such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates.

*Full-Cost Ceiling Test.* At the end of each quarterly reporting period, the unamortized cost of oil and natural gas properties (including natural gas processing facilities, capitalized asset retirement obligations and deferred income taxes, and excluding the recognized asset retirement obligation liability) is limited to the sum of the estimated future net revenues from proved properties (excluding cash outflows from recognized asset retirement obligations, including future development and abandonment costs of wells to be drilled, using the preceding 12-months’ average price based on closing prices on the first day of each month, adjusted for price differentials, discounted at 10%, and the lower of cost or fair value of unproved properties) adjusted for related income tax effects. At December 31, 2021, the discounted present value of our estimated total proved reserves adjusted for related income tax effects exceeded our unamortized cost of oil and natural gas properties by approximately \$0.9 billion.

We believe our estimates and assumptions are reasonable; however, such estimates and assumptions are subject to a number of risks and uncertainties that may cause actual results to differ materially from such estimates.

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

*New Accounting Pronouncements.* In March 2020, the FASB issued ASU No. 2020-03. ASU 2020-03 improves and clarifies various financial instruments topics, including the current expected credit loss standard (“CECL”). ASU 2020-03 includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. This guidance is effective beginning on January 1, 2023 for smaller reporting companies. We are still assessing the requirements to determine the impact of this guidance on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity’s own equity. For convertible instruments with conversion features that are not accounted for as derivatives under ASC 815 or do not result in substantial premiums accounted for as paid-in capital, the convertible instrument's embedded conversion features are no longer

separated from the host contract. Consequently, and as long as no other feature requires bifurcation and recognition as a derivative, the convertible instrument is accounted for as a single liability measured at its amortized cost. This ASU also amends the impact of convertible instruments on the calculation of diluted earnings per share (EPS) and adds several new disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2021. The ASU can be adopted on either a fully retrospective or modified retrospective basis. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

In May 2021, the FASB issued ASU 2021-04. This guidance provides clarification and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. An issuer measures the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange. The ASU introduces a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). This guidance is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Our price-risk management policy permits the utilization of agreements and financial instruments (such as futures, forward contracts, swaps and options contracts) to mitigate price risk associated with fluctuations in oil and natural gas prices. We do not utilize these agreements and financial instruments for trading and only enter into derivative agreements with banks in our Credit Facility. For additional discussion related to our price-risk management policy, refer to Note 5 of the consolidated financial statements in this Form 10-K.

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

**Concentration of Sales Risk.** For the year ended December 31, 2021, approximately 26%, 10%, 15%, 16% and 12% of our oil and gas receipts were accounted for by Kinder Morgan, Inc. (“Kinder Morgan”), Plains Marketing, LP (“Plains Marketing”), Twin Eagle Resource Management LLC (“Twin Eagle”), Trafigura US, Inc (“Trafigura”) and Shell Trading (“Shell Trading”). There were no other purchasers who individually accounted for 10% or more of our oil and gas receipts. We expect to continue these relationships in the future. We believe that the risk of these unsecured receivables is mitigated by the size, reputation and nature of the businesses and the availability of other purchasers in the areas where we operate.

**Interest Rate Risk.** At December 31, 2021, we had a combined \$377.0 million drawn under our Credit Facility and our Second Lien Notes, which bear a floating rate of interest depending on the level of the borrowing base and the borrowing base loans outstanding and therefore is susceptible to interest rate fluctuations. These variable interest rate borrowings are impacted by changes in short-term interest rates. A hypothetical one-percentage point increase in interest rates on our borrowings outstanding under our Credit Facility and Second Lien Notes at December 31, 2021 would increase our annual interest expense by \$3.8 million.

**Item 8. Financial Statements and Supplementary Data**

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## **Management's Report on Internal Control Over Financial Reporting**

Management of SilverBow Resources is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with U. S. generally accepted accounting principles.

Management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) (2013 framework) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2021. BDO USA, LLP, our independent registered public accounting firm, has independently assessed the effectiveness of our internal control over financial reporting and its report is included below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
SilverBow Resources, Inc.  
Houston, Texas

### Opinion on Internal Control over Financial Reporting

We have audited SilverBow Resources, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes and our report dated March 3, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Houston, Texas  
March 3, 2022

## Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors  
SilverBow Resources, Inc.  
Houston, Texas

### Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of SilverBow Resources, Inc. (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated March 3, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### Proved Oil and Natural Gas Reserves Estimation and Impact on Depreciation, Depletion and Amortization (“DD&A”) Expense and Full-Cost Ceiling Test Impairment Calculation Related to Proved Oil and Natural Gas Properties

As described in Note 1 to the consolidated financial statements, proved oil and natural gas reserves volumes and associated future net cash flows directly impact the calculation of DD&A expense and the full-cost ceiling test impairment calculation. There are numerous uncertainties inherent in estimating proved oil and natural gas reserves volumes and associated future net cash flows including, among others, estimated future production volumes and timing of such production, pricing differentials, lease operating expenses, and amounts and timing of capital expenditures. The accuracy of these estimates is dependent on the quality of available data and on engineering and geological interpretation and judgment. The estimation of oil and natural gas reserve volumes and associated future net cash flows requires management’s use of internal petroleum engineers and independent petroleum engineers and geologists (referred to as “management’s specialists”).

We have identified the estimation of future production volumes, lease operating expenses, and amounts and timing of future capital expenditures used to estimate oil and natural gas reserves, and the associated impact on DD&A expense and the full-cost ceiling test impairment calculation related to proved oil and natural gas properties as a critical audit matter. Changes in these inputs and assumptions, which all require a high degree of subjectivity, could have a material impact on the overall estimate of proved oil and natural gas reserve volumes and associated future cash flows and the related measurement of DD&A expense or the full-cost ceiling test impairment calculation. Auditing management's judgment with respect to these inputs involved a high degree of auditor judgment in the design of our audit procedures and the evaluation of the audit evidence obtained.

The primary procedures we performed to address this critical audit matter included:

- Testing the design and operating effectiveness of internal controls relating to management's estimation of proved oil and natural gas reserves.
- Evaluating the professional qualifications of management's specialists and their relationship to the Company and making inquiries of management's specialists regarding the process followed and judgments used to assist in estimating the Company's proved oil and natural gas reserves.
- Comparing estimated production volumes and production decline analyses against results of actual production and actual production decline analyses to determine the appropriateness of management's estimates.
- Evaluating the estimates of lease operating expenses used in the reserve estimates compared to historical lease operating expenses.
- Comparing the estimates of future capital expenditures used in the reserve estimates to amounts expended for recently drilled and completed wells in similar locations.
- Evaluating the Company's evidence to support the amount of proved undeveloped properties reflected in the reserve estimates by examining historical conversion rates and support for the Company's intent to develop the proved undeveloped properties.
- Evaluating management's estimates of oil and natural gas reserve volumes, lease operating expenses and future capital expenditures against evidence obtained in other areas of the audit for consistency and reasonableness.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2016.

Houston, Texas  
March 3, 2022

**Consolidated Balance Sheets**

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

	December 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,121	\$ 2,118
Accounts receivable, net	49,777	25,850
Fair value of commodity derivatives	2,806	4,821
Other current assets	1,875	2,184
Total Current Assets	55,579	34,973
Property and Equipment:		
Property and Equipment, Full-Cost Method, including \$17,090 and \$28,090 of unproved property costs not being amortized	1,611,953	1,343,373
Less – Accumulated depreciation, depletion, amortization and impairment	(869,985)	(801,279)
Property and Equipment, Net	741,968	542,094
Right of use assets	16,065	4,366
Fair value of long-term commodity derivatives	201	281
Other long-term assets	5,641	1,421
Total Assets	\$ 819,454	\$ 583,135
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 35,034	\$ 26,991
Fair value of commodity derivatives	47,453	8,171
Accrued capital costs	7,354	7,324
Accrued interest	697	983
Current lease liability	7,222	3,473
Undistributed oil and gas revenues	23,577	11,098
Total Current Liabilities	121,337	58,040
Long-term debt	372,825	424,905
Non-current lease liability	9,090	951
Deferred tax liabilities, net	6,516	303
Asset retirement obligations	5,526	4,533
Fair value of long-term commodity derivatives	8,585	2,946
Other long-term liabilities	3,043	424
Commitments and Contingencies (Note 6)		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 40,000,000 shares authorized, 16,822,845 and 12,053,763 shares issued and 16,631,175 and 11,936,679 shares outstanding	168	121
Additional paid-in capital	413,017	297,712
Treasury stock held, at cost, 191,670 and 117,084 shares	(2,984)	(2,372)
Retained earnings (Accumulated deficit)	(117,669)	(204,428)
Total Stockholders' Equity	292,532	91,033
Total Liabilities and Stockholders' Equity	\$ 819,454	\$ 583,135

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Operations**

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

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Revenues:		
Oil and gas sales	\$ 407,200	\$ 177,386
Operating Expenses:		
General and administrative, net	21,799	22,608
Depreciation, depletion, and amortization	68,629	64,564
Accretion of asset retirement obligations	306	354
Lease operating expense	27,206	21,360
Workovers	514	8
Transportation and gas processing	24,145	20,649
Severance and other taxes	19,307	10,514
Write-down of oil and gas properties	—	355,948
Total Operating Expenses	<u>161,906</u>	<u>496,005</u>
Operating Income (Loss)	245,294	(318,619)
Non-Operating Income (Expense)		
Net gain (loss) on commodity derivatives	(123,018)	61,304
Interest expense, net	(29,129)	(31,228)
Other income (expense), net	<u>10</u>	<u>72</u>
Income (Loss) Before Income Taxes	93,157	(288,471)
Provision (Benefit) for Income Taxes	<u>6,398</u>	<u>20,911</u>
Net Income (Loss)	<u>\$ 86,759</u>	<u>\$ (309,382)</u>
Per Share Amounts:		
Basic: Net Income (Loss)	\$ 6.61	\$ (25.99)
Diluted: Net Income (Loss)	\$ 6.42	\$ (25.99)
Weighted Average Shares Outstanding - Basic	13,118	11,902
Weighted Average Shares Outstanding - Diluted	13,520	11,902

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Stockholders' Equity**  
SilverBow Resources, Inc. (in thousands, except share amounts)

	Common Stock	Additional Paid- in Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Total
Balance, December 31, 2019	\$ 119	\$ 292,916	\$ (2,282)	\$ 104,954	\$ 395,707
Shares issued from option exercise (5 shares issued)	—	—	—	—	—
Purchase of treasury shares (28,731 shares)	—	—	(90)	—	(90)
Vesting of share-based compensation (158,726 shares)	2	(1)	—	—	1
Share-based compensation	—	4,797	—	—	4,797
Net Loss	—	—	—	(309,382)	(309,382)
Balance, December 31, 2020	\$ 121	\$ 297,712	\$ (2,372)	\$ (204,428)	\$ 91,033
Shares issued from option exercise (no shares)	—	—	—	—	—
Purchase of treasury shares (74,586 shares)	—	—	(612)	—	(612)
Vesting of share-based compensation (336,247 shares)	3	(3)	—	—	—
Issuance of common stock (1,222,209 shares)	12	26,944	—	—	26,956
Issuance pursuant to acquisitions (3,210,626 shares)	32	83,490	—	—	83,522
Share-based compensation	—	4,874	—	—	4,874
Net Income	—	—	—	86,759	86,759
Balance, December 31, 2021	\$ 168	\$ 413,017	\$ (2,984)	\$ (117,669)	\$ 292,532

See accompanying Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**

SilverBow Resources, Inc. (in thousands)

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Cash Flows from Operating Activities:</b>		
Net income (loss)	\$ 86,759	\$ (309,382)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities-		
Write-down of oil and gas properties	—	355,948
Depreciation, depletion, and amortization	68,629	64,564
Accretion of asset retirement obligations	306	354
Deferred income tax expense (benefit)	6,212	21,390
Share-based compensation expense	4,645	4,557
(Gain) Loss on derivatives, net	123,018	(61,304)
Cash settlements (paid) received on derivatives	(70,582)	78,421
Settlements of asset retirement obligations	(158)	(94)
Write-down of debt issuance cost	229	557
Other	2,877	3,061
Change in operating assets and liabilities-		
(Increase) decrease in accounts receivable and other assets	(23,513)	9,011
Increase (decrease) in accounts payable and accrued liabilities	17,507	(977)
Increase (decrease) in income taxes payable	83	(480)
Increase (decrease) in accrued interest	(286)	(414)
Net Cash Provided by (Used in) Operating Activities	215,726	165,212
<b>Cash Flows from Investing Activities:</b>		
Additions to property and equipment	(133,638)	(114,738)
Acquisition of oil and gas properties	(51,734)	(4,544)
Proceeds from the sale of property and equipment	—	4,777
Payments on property sale obligations	(1,084)	(826)
Net Cash Provided by (Used in) Investing Activities	(186,456)	(115,331)
<b>Cash Flows from Financing Activities:</b>		
Payments of long-term debt	(50,000)	—
Proceeds from bank borrowings	335,000	107,000
Payments of bank borrowings	(338,000)	(156,000)
Net proceeds from issuances of common stock	26,956	—
Purchase of treasury shares	(612)	(90)
Payments of debt issuance costs	(3,611)	(31)
Net Cash Provided by (Used in) Financing Activities	(30,267)	(49,121)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	(997)	760
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	2,118	1,358
Cash, Cash Equivalents and Restricted Cash at End of Year	\$ 1,121	\$ 2,118
<b>Supplemental Disclosures of Cash Flows Information:</b>		
Cash paid during period for interest	\$ 27,221	\$ 28,929
Changes in capital accounts payable and capital accruals	\$ (4,033)	\$ (19,365)
Non-cash equity consideration for acquisitions	\$ (83,522)	\$ —
See accompanying Notes to Consolidated Financial Statements.		

## Notes to Consolidated Financial Statements

SilverBow Resources, Inc. and Subsidiary

### 1. Summary of Significant Accounting Policies

**Principles of Consolidation.** The accompanying consolidated financial statements include the accounts of SilverBow Resources and its wholly owned subsidiary, SilverBow Resources Operating LLC, (collectively, the “Company”, “SilverBow”, “we”, “our” or “us”) which are engaged in the exploration, development, acquisition, and operation of oil and gas properties, with a focus on oil and natural gas reserves in the Eagle Ford and Austin Chalk trend in Texas. Our undivided interests in oil and gas properties are accounted for using the proportionate consolidation method, whereby our proportionate share of the assets, liabilities, revenues, and expenses are included in the appropriate classifications in the accompanying consolidated financial statements. Intercompany balances and transactions have been eliminated in preparing the accompanying consolidated financial statements. We operate in and report our financial results and disclosures as one segment, which is the exploration, development and production of oil and natural gas.

**COVID-19.** The spread of COVID-19 and its impact on the global supply of and demand for crude oil caused volatility in the market price for crude oil during 2020. The spot price of West Texas Intermediate (“WTI”) crude oil declined over 50% in March and April of 2020 before gradually improving through the rest of 2020 and 2021. The spot price of Brent and WTI crude oil closed at approximately \$64 and \$59 per barrel, respectively, on March 31, 2021, and thereafter increased to approximately \$77 and \$75 per barrel, respectively, on December 31, 2021.

In response to these market conditions, including the COVID-19 pandemic and the volatility in oil prices during 2020, the Company released its sole drilling rig in April 2020 and deferred the completion and placement on production of eight wells until the second half of 2020. In the third quarter of 2020, the Company restarted completions activity and returned to sales all previously curtailed volumes as of December 31, 2020.

Except as described above regarding the curtailment of production in 2020, SilverBow has not experienced any material interruption to its ordinary course business processes as a result of the COVID-19 pandemic and the volatility in oil and gas prices. The Company will continue to monitor the COVID-19 situation and follow the advice of government and health leaders.

**Subsequent Events.** We have evaluated subsequent events requiring potential accrual or disclosure in our condensed consolidated financial statements.

Through February 25, 2022, the Company entered into additional derivative contracts. The following tables summarize the weighted-average prices as well as future production volumes for our future derivative contracts entered into after December 31, 2021:

<b>Oil Derivative Swaps (New York Mercantile Exchange (“NYMEX”) WTI Settlements)</b>	<b>Total Volumes (Bbls)</b>	<b>Weighted Average Price</b>
<b>Swap Contracts</b>		
<b>2022 Contracts</b>		
4Q22	23,000	\$ 80.82
<b>2023 Contracts</b>		
1Q23	45,000	\$ 78.60
2Q23	45,500	\$ 76.90
3Q23	46,000	\$ 75.45
4Q23	94,300	\$ 73.52

<b>Natural Gas Derivative Contracts (NYMEX Henry Hub Settlements)</b>	<b>Total Volumes (MMBtu)</b>	<b>Weighted Average Price</b>	<b>Weighted-Average Collar Floor Price</b>	<b>Weighted-Average Collar Call Price</b>
<b>Swap Contracts</b>				
2Q22	600,000	\$ 4.50		
3Q22	310,000	\$ 4.57		
<b>Collar Contracts</b>				
<b>2022 Contracts</b>				
1Q22	310,000		\$ 5.00	\$ 7.40
3Q22	920,000		\$ 4.40	\$ 5.02
4Q22	920,000		\$ 4.40	\$ 5.43
<b>2023 Contracts</b>				
1Q23	900,000		\$ 4.40	\$ 5.84
4Q23	4,462,000		\$ 3.25	\$ 3.92
<b>2024 Contracts</b>				
1Q24	910,000		\$ 3.25	\$ 5.19
<b>NGL Swaps (Mont Belvieu)</b>				
		<b>Total Volumes (Bbls)</b>	<b>Weighted-Average Price</b>	
<b>2022 Contracts</b>				
1Q22		15,500	\$	35.40
2Q22		45,500	\$	35.40
3Q22		46,000	\$	35.40
4Q22		46,000	\$	35.40
<b>Oil Basis Derivative Swaps (Argus Cushing (WTI) and Magellan East Houston)</b>				
		<b>Total Volumes (Bbls)</b>	<b>Weighted Average Price</b>	
<b>Calendar Monthly Roll Differential Swaps</b>				
<b>2022 Contracts</b>				
2Q22			45,500	\$ 2.63

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

- the estimated quantities of proved oil and natural gas reserves used to compute depletion of oil and natural gas properties, the related present value of estimated future net cash flow therefrom, and the Ceiling Test impairment calculation,
- estimates related to the collectability of accounts receivable and the credit worthiness of our customers,
- estimates of the counterparty bank risk related to letters of credit that our customers may have issued on our behalf,
- estimates of future costs to develop and produce reserves,
- accruals related to oil and gas sales, capital expenditures and lease operating expenses (“LOE”),
- estimates in the calculation of share-based compensation expense,
- estimates of our ownership in properties prior to final division of interest determination,
- the estimated future cost and timing of asset retirement obligations,
- estimates made in our income tax calculations, including the valuation of our deferred tax assets,
- estimates in the calculation of the fair value of commodity derivative assets and liabilities,

- estimates in the assessment of current litigation claims against the Company,
- estimates used in the assessment of business combinations and asset purchases,
- estimates in amounts due with respect to open state regulatory audits, and
- estimates on future lease obligations.

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

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

**Property and Equipment.** We follow the “full-cost” method of accounting for oil and natural gas property and equipment costs. Under this method of accounting, all productive and nonproductive costs incurred in the exploration, development, and acquisition of oil and natural gas reserves are capitalized. Such costs may be incurred both prior to and after the acquisition of a property and include lease acquisitions, geological and geophysical services, drilling, completion, and equipment. Internal costs incurred that are directly identified with exploration, development, and acquisition activities undertaken by us for our own account, and which are not related to production, general corporate overhead, or similar activities, are also capitalized. For the years ended December 31, 2021 and 2020, such internal costs when capitalized totaled \$4.8 million and \$3.5 million, respectively. There was no capitalized interest on our unproved properties for both the years ended December 31, 2021 and 2020.

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Property and Equipment		
Proved oil and gas properties	\$ 1,588,978	\$ 1,310,008
Unproved oil and gas properties	17,090	28,090
Furniture, fixtures, and other equipment	5,885	5,275
Less – Accumulated depreciation, depletion, amortization & impairment	(869,985)	(801,279)
Property and Equipment, Net	<u>\$ 741,968</u>	<u>\$ 542,094</u>

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

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

Geological and geophysical (“G&G”) costs incurred on developed properties are recorded in “Proved oil and gas properties” and therefore subject to amortization. G&G costs incurred that are associated with unproved properties are

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

The Company evaluates each acquisition of oil and gas properties to determine whether each should be accounted for as an acquisition of assets or business in accordance with Accounting Standards Update No. 2017-01: Business Combinations (Topic 805) Clarifying the Definition of a Business (“ASU 2017-01”). If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set of transferred assets and activities are not a business combination.

A business combination may result in the recognition of a bargain purchase gain or goodwill based on the measurement of the fair value of the assets and liabilities acquired at the acquisition date as compared to the fair value of consideration transferred, adjusted for purchase price adjustments. The initial accounting for acquisitions may not be complete and adjustments to provisional amounts, or recognition of additional assets acquired or liabilities assumed, may occur as more detailed analyses are completed and additional information is obtained about the facts and circumstances that existed as of the acquisition dates. Asset acquisitions are recorded at the cost of acquiring the property. The results of operations of the oil and gas properties acquired in the Company’s acquisitions have been included in the consolidated financial statements since the closing dates of the respective acquisitions. See Note 9 for further discussion on recent acquisitions.

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

The quarterly calculations of the Ceiling Test and provision for DD&A are based on estimates of proved reserves. There are numerous uncertainties inherent in estimating quantities of proved reserves and in projecting the future rates of production, timing and plan of development. The accuracy of any reserves estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimates. Accordingly, reserves estimates are often different from the quantities of oil and natural gas that are ultimately recovered. There was no ceiling test write-down for the year ended December 31, 2021. Due to the effects of pricing and timing of projects we reported a non-cash impairment write-down, on a pre-tax basis, of \$355.9 million for the year ended December 31, 2020.

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

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

The following table provides information regarding our oil and gas sales, by product, reported on the Consolidated Statements of Operations for years ended December 31, 2021 and 2020 (in thousands):

	<u>Year Ended December 31, 2021</u>	<u>Year Ended December 31, 2020</u>
Oil, natural gas and NGLs sales:		
Oil	\$ 98,607	\$ 57,651
Natural gas	267,687	105,234
NGLs	40,906	14,500
Total	<u>\$ 407,200</u>	<u>\$ 177,386</u>

**Accounts Receivable, Net.** We assess the collectability of accounts receivable, and based on our judgment, we accrue a reserve when we believe a receivable may not be collected. At both December 31, 2021 and 2020, we had an allowance for doubtful accounts of less than \$0.1 million. The allowance for doubtful accounts has been deducted from the total "Accounts receivable, net" balance on the accompanying consolidated balance sheets.

At December 31, 2021, our "Accounts receivable, net" balance included \$45.3 million for oil and gas sales, \$1.9 million due from joint interest owners, \$1.0 million for severance tax credit receivables and \$1.5 million for other receivables. At December 31, 2020, our "Accounts receivable, net" balance included \$18.8 million for oil and gas sales, \$4.0 million for joint interest owners, \$2.4 million for severance tax credit receivables and \$0.7 million for other receivables.

**Supervision Fees.** Consistent with industry practice, we charge a supervision fee to the wells we operate, including our wells, in which we own up to a 100% working interest. Supervision fees are recorded as a reduction to "General and administrative, net", on the accompanying consolidated statements of operations. The amount of supervision fees charged for each of the years ended December 31, 2021 and 2020 did not exceed our actual costs incurred. The total amount of supervision fees charged to the wells we operated was \$5.1 million and \$4.4 million for the years ended December 31, 2021 and 2020, respectively.

**Income Taxes.** Deferred taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities, given the provisions of the enacted tax laws. Tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Our policy is to record interest and penalties relating to uncertain tax positions in income tax expense. At December 31, 2021, we did not have any accrued liability for uncertain tax positions and do not anticipate recognition of any significant liabilities for uncertain tax positions during the next 12 months.

In March and April 2020, the COVID-19 pandemic caused volatility in the market price for crude oil due to the disruption of global supply and demand. In response to these market conditions and given the decline in oil prices and economic outlook for our Company, management determined that it was not more likely than not that the Company would realize future cash benefits from its remaining federal carryover items and other deferred tax assets and, accordingly, recorded a full valuation allowance in the second quarter of 2020 to offset its net deferred tax assets in excess of deferred tax liabilities. Our income tax provision of \$20.9 million for the year ended December 31, 2020 is inclusive of a state income tax benefit of \$1.8 million. The Company maintains a full valuation allowance against its net federal deferred tax assets in excess of deferred tax liabilities as of December 31, 2021. We recorded an income tax provision of \$6.4 million which was primarily attributable to deferred federal income tax expense for the year ended December 31, 2021.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer-side Social Security payments, net operating loss carryback periods, alternative minimum tax credit refunds and modifications to the net interest deduction limitation. The Company has examined the impact of the CARES Act and has concluded the CARES Act will not have a material effect on its financial condition, results of operation, or liquidity.

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

	December 31, 2021	December 31, 2020
Trade accounts payable	\$ 9,688	\$ 15,930
Accrued operating expenses	4,192	2,491
Accrued compensation costs	7,029	3,771
Asset retirement obligations – current portion	524	441
Accrued non-income based taxes	3,314	1,819
Accrued corporate and legal fees	1,972	150
Other payables <sup>(1)</sup>	8,315	2,389
Total accounts payable and accrued liabilities	<u>\$ 35,034</u>	<u>\$ 26,991</u>

(1) Included in Other Payables is \$6.4 million and \$0.8 million in payables for settled derivatives for the years ended December 31, 2021 and 2020, respectively.

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

**Credit Risk Due to Certain Concentrations.** We extend credit, primarily in the form of uncollateralized oil and gas sales and joint interest owners' receivables, to various companies in the oil and gas industry, which results in a concentration of credit risk. The concentration of credit risk may be affected by changes in economic or other conditions within our industry and may accordingly impact our overall credit risk. However, we believe that the risk of these unsecured receivables is mitigated by the size, reputation, and nature of the companies to which we extend credit. From certain customers we also obtain letters of credit or parent company guarantees, if applicable, to reduce risk of loss.

For the years ended December 31, 2021 and 2020, parties that accounted for 10% or more of our total oil and gas receipts were as follows:

Purchasers greater than 10%	Year Ended December 31, 2021	Year Ended December 31, 2020
Kinder Morgan	26 %	19 %
Plains Marketing	10 %	17 %
Twin Eagle	15 %	17 %
Trafigura US	16 %	13 %
Shell Trading	12 %	*

\*Oil and gas receipts less than 10%

**Treasury Stock.** Our treasury stock repurchases are reported at cost and are included in “Treasury stock held, at cost” on the accompanying consolidated balance sheets. For the years ended December 31, 2021 and 2020, we purchased 74,586 and 28,731 treasury shares to satisfy withholding tax obligations arising upon the vesting of restricted shares.

**New Accounting Pronouncements.** In March 2020, the FASB issued ASU No. 2020-03. ASU 2020-03 improves and clarifies various financial instruments topics, including the current expected credit loss standard (“CECL”). ASU 2020-03 includes seven different issues that describe the areas of improvement and the related amendments to GAAP, intended to make the standards easier to understand and apply by eliminating inconsistencies and providing clarifications. This guidance is effective beginning on January 1, 2023 for smaller reporting companies. We are still assessing the requirements to determine the impact of this guidance on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06. This ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts in an entity’s own equity. For convertible instruments with conversion features that are not accounted for as derivatives under ASC 815 or do not result in substantial premiums accounted for as paid-in capital, the convertible instrument's embedded conversion features are no longer separated from the host contract. Consequently, and as long as no other feature requires bifurcation and recognition as a derivative, the convertible instrument is accounted for as a single liability measured at its amortized cost. This ASU also amends the impact of convertible instruments on the calculation of diluted earnings per share (EPS) and adds several new

disclosure requirements. The ASU is effective for fiscal years beginning after December 15, 2021. The ASU can be adopted on either a fully retrospective or modified retrospective basis. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

In May 2021, the FASB issued ASU 2021-04. This guidance provides clarification and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. An issuer measures the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange. The ASU introduces a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). This guidance is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements or disclosures.

**ATM Program.** On August 13, 2021, the Company entered into an equity distribution agreement pursuant to which the Company may sell, from time to time in the open market, shares of the Company's common stock, having aggregate proceeds of up to \$40.0 million (the "ATM Program"). The Company intends to use the net proceeds from any sales through the ATM Program for general corporate purposes, including, but not limited to, financing of capital expenditures, repayment or refinancing of outstanding debt, financing acquisitions or investments, financing other business opportunities, and general working capital purposes. During the year ended December 31, 2021 (from August 13, 2021 through December 31, 2021), the Company sold 1,222,209 shares of common stock for net proceeds of \$27.0 million after deducting sales agents' commissions and other related expenses.

## 2. Earnings Per Share

Basic earnings per share ("Basic EPS") has been computed using the weighted average number of common shares outstanding during each period. Diluted earnings per share ("Diluted EPS") assumes, as of the beginning of the period, exercise of stock options and restricted stock grants using the treasury stock method. Diluted EPS also assumes conversion of performance-based restricted stock units to common shares based on the number of shares (if any) that would be issuable, according to predetermined performance and market goals, if the end of the reporting period was the end of the performance period.

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

	Year Ended December 31, 2021			Year Ended December 31, 2020		
	Net Income (Loss)	Shares	Per Share Amount	Net Income (Loss)	Shares	Per Share Amount
<b>Basic EPS:</b>						
Net Income (Loss) and Share Amounts	\$ 86,759	13,118	\$ 6.61	\$ (309,382)	11,902	\$ (25.99)
<b>Dilutive Securities:</b>						
Restricted Stock Unit Awards		285			—	
Performance Based Stock Unit Awards		117			—	
<b>Diluted EPS:</b>						
Net Income (Loss) and Assumed Share Conversions	\$ 86,759	13,520	\$ 6.42	\$ (309,382)	11,902	\$ (25.99)

Approximately 0.3 million stock options to purchase shares were not included in the computation of Diluted EPS for both the years ended December 31, 2021 and 2020, because these stock options were antidilutive.

There were no antidilutive shares of restricted stock units for the year ended December 31, 2021. Approximately 0.2 million shares of restricted stock units that could be converted to common shares were not included in the computation of Diluted EPS for the year ended December 31, 2020 because they were antidilutive.

There were no antidilutive shares of performance-based restricted stock units for the year ended December 31, 2021. Approximately 0.1 million shares of performance-based restricted stock units were not included in the computation of Diluted EPS for the year ended December 31, 2020 because they were antidilutive.

### 3. Provision (Benefit) for Income Taxes

Income (Loss) before taxes is as follows (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Income (Loss) Before Income Taxes	\$ 93,157	\$ (288,471)

The following is an analysis of the consolidated income tax provision (benefit) (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Current	\$ 186	\$ (480)
Deferred	6,212	21,391
<b>Total</b>	<b>\$ 6,398</b>	<b>\$ 20,911</b>

Reconciliations of income taxes computed using the U.S. Federal statutory rate of (21%) to the effective income tax rate are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020
Federal Statutory Rate	21.0 %	21.0 %
State tax provisions (benefits), net of federal benefits	1.0 %	0.6 %
Executive compensation limitation	0.6 %	— %
Other, net	0.6 %	(0.2) %
Valuation allowance adjustments	(16.2) %	(28.6) %
Effective rate	6.9 %	(7.2) %

The tax effects of temporary differences representing the net deferred tax asset (liability) at December 31, 2021 and 2020 were as follows (in thousands):

	December 31, 2021	December 31, 2020
<b>Deferred tax assets:</b>		
Federal net operating loss (“NOL”) carryovers	\$ 97,142	\$ 93,293
Other carryover items	642	610
Asset retirement obligations	1,306	1,074
Share-based compensation	579	959
Lease liability	3,425	929
Derivative contracts	11,451	—
Other	2,111	1,029
Valuation allowance	(67,578)	(82,618)
<b>Total deferred tax assets</b>	<b>\$ 49,078</b>	<b>\$ 15,276</b>
<b>Deferred tax liabilities:</b>		
Oil and gas exploration and development costs	\$ (52,219)	\$ (13,008)
Derivative contracts	—	(1,653)
Leased assets	(3,374)	(917)
Other	(1)	(1)
<b>Total deferred tax liabilities</b>	<b>(55,594)</b>	<b>(15,579)</b>
<b>Net deferred tax asset (liabilities)</b>	<b>\$ (6,516)</b>	<b>\$ (303)</b>
State net deferred tax liabilities	\$ (1,016)	\$ (303)
Federal net deferred tax liabilities	(5,500)	—
<b>Net deferred tax asset (liabilities)</b>	<b>\$ (6,516)</b>	<b>\$ (303)</b>

The Company’s valuation allowance balance was \$67.6 million and \$82.6 million at December 31, 2021 and 2020, respectively. The Company recorded a net deferred tax liability for state income tax purposes at December 31, 2021 and 2020.

The Company’s NOL carryforward asset is attributable to Federal tax losses of \$114.6 million generated from 2013 through 2015, \$159.6 million generated in 2017 and \$188.3 million generated from 2018 through 2021. The losses generated between 2013 and 2015 are subject to an annual utilization limit under Sec. 382. These losses will expire between 2033 and 2035 if not utilized. The 2017 loss will expire in 2037 if not utilized. The losses generated from 2018 through 2021 will not expire under the current tax code, but their usage will be limited to 80% of taxable income.

Our U.S. federal and most state income tax returns from 2018 forward are subject to examination. For years prior to 2018 our U.S. federal returns are subject to examination to the extent of our net operating loss (NOL) carryforwards. Our Texas tax returns from 2017 forward are subject to examination. There are no material unresolved items related to periods previously audited by the taxing authorities.

#### 4. Long-Term Debt

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

	December 31, 2021	December 31, 2020
Credit Facility Borrowings <sup>(1)</sup>	\$ 227,000	\$ 230,000
Second Lien Notes due 2026	150,000	200,000
	377,000	430,000
Unamortized discount on Second Lien Notes	(1,061)	(1,295)
Unamortized debt issuance cost on Second Lien Notes	(3,114)	(3,800)
<b>Total Long-Term Debt</b>	<b>\$ 372,825</b>	<b>\$ 424,905</b>

(1) Unamortized debt issuance costs on our Credit Facility borrowings are included in “Other Long-Term Assets” in our consolidated balance sheet. As of December 31, 2021 and 2020, we had \$3.6 million and \$1.4 million, respectively, in unamortized debt issuance costs on our Credit Facility borrowings.

**Revolving Credit Facility.** Amounts outstanding under our Credit Facility (defined below) were \$227.0 million and \$230.0 million as of December 31, 2021 and 2020, respectively. The Company is a party to a First Amended and Restated Senior Secured Revolving Credit Agreement with JPMorgan Chase Bank, National Association, as administrative agent, and certain lenders party thereto, as amended (such agreement, the “Credit Agreement” and the borrowing facility provided thereby, the “Credit Facility”). In conjunction with its regularly scheduled semi-annual redetermination, the Company entered into the Eighth Amendment to the Credit Facility, effective November 12, 2021 (the “Eighth Amendment”), which increased the borrowing base under the Credit Facility to \$460.0 million (from \$300.0 million).

The Credit Facility matures April 19, 2024 and provides for a maximum credit amount of \$1.0 billion and a current borrowing base of \$460.0 million as of December 31, 2021. The borrowing base is regularly redetermined on or about May and November of each calendar year and is subject to additional adjustments from time to time, including for asset sales, elimination or reduction of hedge positions and incurrence of other debt. Additionally, the Company and the administrative agent may request an unscheduled redetermination of the borrowing base between scheduled redeterminations. The amount of the borrowing base is determined by the lenders, in their discretion, in accordance with their oil and gas lending criteria at the time of the relevant redetermination. The Company may also request the issuance of letters of credit under the Credit Agreement in an aggregate amount up to \$25 million, which reduces the amount of available borrowings under the borrowing base in the amount of such issued and outstanding letters of credit. There were no outstanding letters of credit as of December 31, 2021 and 2020. Maintaining or increasing our borrowing base under our Credit Facility is dependent on many factors, including commodity prices, our hedge positions, changes in our lenders' lending criteria and our ability to raise capital to drill wells to replace produced reserves.

Interest under the Credit Facility accrues at the Company's option either at an Alternative Base Rate plus the applicable margin (“ABR Loans”), the Adjusted Term Secured Overnight Financing Rate (“SOFR”) plus the applicable margin (“Term Benchmark Loans”) or Adjusted Daily Simple SOFR plus the applicable margin (“RFR Loans”). Effective November 12, 2021, the applicable margin ranged from 2.25% to 3.25% for ABR Loans and 3.25% to 4.25% for Term Benchmark Loans and RFR Loans. The Alternate Base Rate and SOFR are defined, and the applicable margins are set forth, in the Credit Agreement. Undrawn amounts under the Credit Facility are subject to a 0.50% commitment fee. To the extent that a payment default exists and is continuing, all amounts outstanding under the Credit Facility will bear interest at 2.00% per annum above the rate and margin otherwise applicable thereto.

The obligations under the Credit Agreement are secured, subject to certain exceptions, by a first priority lien on substantially all assets of the Company and its subsidiary, including a first priority lien on properties attributed with at least 90% of estimated proved reserves of the Company and its subsidiary.

The Credit Agreement contains the following financial covenants:

- a ratio of total debt to earnings before interest, tax, depreciation and amortization (“EBITDA”), as defined in the Credit Agreement, for the most recently completed four fiscal quarters, not to exceed (i) 3.25 to 1.0 as of the last day of each fiscal quarter for any fiscal quarter ending on or before December 31, 2021 and (ii) 3.0 to 1.0 as of the last day of each fiscal quarter, commencing with fiscal quarter ending March 31, 2022, and for any fiscal quarter thereafter; and
- a current ratio, as defined in the Credit Agreement, which includes in the numerator available borrowings undrawn under the borrowing base, of not less than 1.0 to 1.0 as of the last day of each fiscal quarter.

As of December 31, 2021, the Company was in compliance with all financial covenants under the Credit Agreement.

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

Total interest expense on the Credit Facility, which includes commitment fees and amortization of debt issuance costs, was \$11.3 million and \$12.6 million for the years ended December 31, 2021 and 2020, respectively. The amount of commitment fee amortization included in interest expense, net was \$0.5 million and \$0.4 million for the years ended December 31, 2021 and 2020, respectively.

**Senior Secured Second Lien Notes.** On December 15, 2017, the Company entered into a Note Purchase Agreement for Senior Secured Second Lien Notes (as amended, the “Note Purchase Agreement”, such second lien facility, the “Second Lien” and such notes, the “Second Lien Notes”) among the Company as issuer, U.S. Bank National Association as agent and collateral agent and certain holders that are a party thereto, and issued notes in an initial principal amount of \$200.0 million, with a \$2.0 million discount, for net proceeds of \$198.0 million.

Effective November 12, 2021, the Company entered into the Second Amendment to the Note Purchase Agreement, which extended the maturity date from December 15, 2024 to December 15, 2026 subject to paying down the principal amount of the Second Lien from \$200.0 million to \$150.0 million. The Company made the \$50 million redemption of the Second Lien Notes on November 29, 2021. The Company accounted for this paydown as a debt modification and incurred approximately \$0.1 million in third party fees in connection with the amendment. The unamortized debt issuance cost and discount on the Second Lien Notes will be amortized through the new maturity date of December 15, 2026.

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

The Company has the right, to the extent permitted under the Credit Facility and subject to the terms and conditions of the Second Lien, to optionally prepay the notes, subject to a repayment fee of 1.0% of the principal amount of the Second Lien being prepaid through December 15, 2022; and thereafter, no premium. Additionally, the Second Lien contains customary mandatory prepayment obligations upon asset sales (including hedge terminations), casualty events and incurrences of certain debt, subject to, in certain circumstances, reinvestment periods. Management believes the probability of mandatory prepayment due to default is remote.

The obligations under the Second Lien are secured, subject to certain exceptions and other permitted liens (including the liens created under the Credit Facility), by a perfected security interest, second in priority to the liens securing our Credit Facility, and mortgage lien on substantially all assets of the Company and its subsidiary, including a mortgage lien on oil and gas properties attributed with at least 90% of estimated PV-9 (defined below), of proved reserves of the Company and its subsidiary and 90% of the book value attributed to the PV-9 of the non-proved oil and gas properties of the Company. PV-9 is determined using commodity price assumptions by the administrative agent of the Credit Facility. PV-9 value is the estimated future net revenues to be generated from the production of proved reserves discounted to present value using an annual discount rate of 9%.

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

The Second Lien also contains a financial covenant measuring the ratio of total net debt to EBITDA, as defined in the Note Purchase Agreement, for the most recently completed four fiscal quarters, not to exceed (i) 3.5 to 1.0 as of the last day of each fiscal quarter for any fiscal quarter ending on or before December 31, 2021, (ii) and 3.25 to 1.0 as of the last day of each fiscal quarter, commencing with fiscal quarter ending March 31, 2022, and for any fiscal quarter thereafter. As of December 31, 2021, the Company was in compliance with all financial covenants under the Second Lien.

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

As of December 31, 2021, net amounts recorded for the Second Lien Notes were \$145.8 million, net of unamortized debt discount and debt issuance costs. Interest expense on the Second Lien totaled \$17.8 million and \$18.6 million for the years ended December 31, 2021 and 2020, respectively.

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

## 5. Price-Risk Management Activities

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

During the years ended December 31, 2021 and 2020, the Company recorded losses of \$123.0 million and gains of \$61.3 million, respectively, relating to our derivative activities. The Company made net cash payments of \$70.6 million and received net cash payments of \$78.4 million for settled derivative contracts during the years ended December 31, 2021 and 2020, respectively. Included in our collected cash payments during the year ended December 31, 2020 was \$38.3 million for monetized derivative contracts received in the first quarter of 2020.

At December 31, 2021 and 2020, we had \$0.9 million and \$0.8 million, respectively, in receivables for settled derivatives which were included on the accompanying consolidated balance sheets in “Accounts receivable, net” and were subsequently collected in January 2022 and 2021, respectively. At December 31, 2021 and 2020, we also had \$6.4 million and \$0.8 million, respectively, in payables for settled derivatives which were included on the accompanying consolidated balance sheets in “Accounts payable and accrued liabilities” and were subsequently paid in January 2022 and 2021, respectively.

The fair values of our swap contracts are computed using observable market data whereas our collar contracts are valued using a Black-Scholes pricing model. At December 31, 2021 there was \$2.8 million and \$0.2 million in current unsettled derivative assets and long-term unsettled derivative assets, respectively, and \$47.5 million and \$8.6 million in current unsettled derivative liabilities and long-term unsettled derivative liabilities, respectively. At December 31, 2020, the Company had \$4.8 million and \$0.3 million in current unsettled derivative assets and long-term unsettled derivative assets, respectively, and \$8.2 million and \$2.9 million in current unsettled derivative liabilities and long-term unsettled derivative liabilities, respectively.

The Company uses an International Swap and Derivatives Association master agreement for our derivative contracts. This is an industry-standardized contract containing the general conditions of our derivative transactions including provisions relating to netting derivative settlement payments under certain circumstances (such as default). For reporting purposes, the Company has elected to not offset the asset and liability fair value amounts of its derivatives on the accompanying consolidated balance sheets. Under the right of set-off, there was an \$53.0 million net fair value liability at December 31, 2021 and \$6.0 million net fair value liability at December 31, 2020. For further discussion related to the fair value of the Company's derivatives, refer to Note 10 of these Notes to Consolidated Financial Statements.

The following tables summarize the weighted average prices as well as future production volumes for our future derivative contracts in place as of December 31, 2021.

<b>Oil Derivative Swaps (New York Mercantile Exchange (“NYMEX”) WTI Settlements)</b>	<b>Total Volumes (Bbls)</b>	<b>Weighted Average Price</b>	<b>Weighted Average Collar Floor Price</b>	<b>Weighted Average Collar Call Price</b>
<b>Swap Contracts</b>				
<b>2022 Contracts</b>				
1Q22	223,455	\$ 49.32		
2Q22	136,500	\$ 56.66		
3Q22	246,100	\$ 49.63		
4Q22	184,000	\$ 54.84		
<b>2023 Contracts</b>				
1Q23	82,175	\$ 55.75		
2Q23	575	\$ 68.40		
3Q23	53,980	\$ 66.55		
<b>Collar Contracts</b>				
<b>2022 Contracts</b>				
1Q22	85,500		\$ 57.37	\$ 63.55
2Q22	161,350		\$ 48.21	\$ 55.16
3Q22	46,000		\$ 70.00	\$ 75.40
4Q22	46,000		\$ 68.00	\$ 73.60
<b>2023 Contracts</b>				
1Q23	45,000		\$ 65.00	\$ 72.80
2Q23	111,475		\$ 59.27	\$ 66.32
3Q23	46,000		\$ 63.00	\$ 69.10
4Q23	46,000		\$ 62.00	\$ 67.55
<b>Natural Gas Derivative Swaps (NYMEX Henry Hub Settlements)</b>				
	<b>Total Volumes (MMBtu)</b>	<b>Weighted Average Price</b>	<b>Weighted Average Collar Floor Price</b>	<b>Weighted Average Collar Call Price</b>
<b>Swap Contracts</b>				
<b>2022 Contracts</b>				
1Q22	232,500	\$ 4.00		
2Q22	3,795,000	\$ 2.99		
3Q22	4,142,100	\$ 3.02		
4Q22	2,760,000	\$ 3.14		
<b>Collar Contracts</b>				
<b>2022 Contracts</b>				
1Q22	9,645,000		\$ 3.06	\$ 3
2Q22	6,156,500		\$ 2.29	\$ 2
3Q22	6,739,000		\$ 2.60	\$ 2
4Q22	7,765,076		\$ 2.69	\$ 3
<b>2023 Contracts</b>				
1Q23	8,347,000		\$ 2.89	\$ 3
2Q23	4,898,500		\$ 2.57	\$ 2
3Q23	4,600,000		\$ 2.88	\$ 3

<b>Natural Gas Basis Derivative Swaps (East Texas Houston Ship Channel vs. NYMEX Settlements)</b>	<b>Total Volumes (MMBtu)</b>	<b>Weighted Average Price</b>
<b>2022 Contracts</b>		
1Q22	8,100,000	\$ 0.093
2Q22	3,640,000	\$ (0.051)
3Q22	3,680,000	\$ (0.043)
4Q22	3,680,000	\$ (0.048)
<b>Oil Basis Derivative Swaps (Argus Cushing (WTI) and Magellan East Houston)</b>	<b>Total Volumes (Bbls)</b>	<b>Weighted Average Price</b>
<b>Calendar Monthly Roll Differential Swaps</b>		
<b>2022 Contracts</b>		
1Q22	261,000	\$ 0.19
2Q22	263,900	\$ 0.19
3Q22	266,800	\$ 0.19
4Q22	266,800	\$ 0.19
<b>NGL Swaps (Mont Belvieu)</b>	<b>Total Volumes (Bbls)</b>	<b>Weighted-Average Price</b>
<b>2022 Contracts</b>		
1Q22	180,000	\$ 29.13
2Q22	136,500	\$ 28.85
3Q22	138,000	\$ 28.34
4Q22	138,000	\$ 28.27

## 6. Commitments and Contingencies

We have gas transportation and processing minimum obligations amounting to \$1.8 million for 2022, \$2.7 million for 2023, \$1.7 million for 2024, \$1.2 million for 2025 and \$7.4 million in the aggregate. These gas transportation and processing minimum obligations represent gross future minimum transportation charges we are obligated to pay as of December 31, 2021. However, our financial statements will reflect our proportionate share of the charges based on our working interest and net revenue interest, which will vary from property to property. Actual transportation under these contracts may exceed the minimum commitments previously stated. The Company incurred transportation expense related to these contracts of \$7.5 million and \$4.4 million for the years ended December 31, 2021 and 2020, respectively.

In the ordinary course of business, we are party to various legal actions, which arise primarily from our activities as operator of oil and natural gas wells. In management's opinion, the outcome of any such currently pending legal actions will not have a material adverse effect on our financial position or results of operations.

## 7. Share-Based Compensation

### Share-Based Compensation Plans

In 2016, the Company adopted the 2016 Equity Incentive Plan (as amended from time to time, the "2016 Plan"). The Company also adopted the Inducement Plan (as amended from time to time, the "Inducement Plan," and, together with the 2016 Plan, the "Plans") on December 15, 2016.

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

The expense for awards issued to both employees and non-employees, which was recorded in "General and administrative, net" in the accompanying consolidated statements of operations was \$4.6 million for both the years ended December 31, 2021 and 2020. Capitalized share-based compensation was \$0.2 million and for both the years ended December 31, 2021 and 2020.

We view stock option awards and restricted stock unit awards with graded vesting as single awards with an expected life equal to the average expected life of component awards, and we amortize the awards on a straight-line basis over the life of the awards. The Company accounts for forfeitures in compensation cost when they occur.

Our shares available for future grant under the Plans were 349,265 at December 31, 2021.

### Stock Option Awards

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

At December 31, 2021, we had \$0.1 million in unrecognized compensation cost related to stock option awards. The following table represents stock option award activity for the year ended December 31, 2021:

	Shares	Wtd. Avg. Exer. Price
Options outstanding, beginning of period	303,705	\$ 27.73
Options forfeited	(3,896)	\$ 16.96
Options expired	(23,800)	\$ 23.25
Options outstanding, end of period	276,009	\$ 28.12
Options exercisable, end of period	226,950	\$ 28.53

Our outstanding stock option awards at December 31, 2021 had no measurable aggregate intrinsic value. At December 31, 2021 the weighted-average remaining contract life of stock option awards outstanding was 4.1 years and exercisable was 3.8 years. The stock option awards exercisable as of December 31, 2021 had no intrinsic value.

### Restricted Stock Units

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

As of December 31, 2021, we had unrecognized compensation expense of \$0.7 million related to our restricted stock units which is expected to be recognized over a weighted-average period of 0.7 years.

The following table provides information regarding restricted stock unit activity for the year ended December 31, 2021:

	Shares	Wtd. Avg. Grant Price
Restricted units outstanding, beginning of period	574,916	\$ 9.02
Restricted stock units granted	100,178	\$ 8.33
Restricted stock units forfeited	(17,802)	\$ 11.09
Restricted stock units vested	(312,447)	\$ 9.14
Restricted stock units outstanding, end of period	344,845	\$ 8.60

### Performance-Based Stock Units

On February 20, 2018, the Company granted 30,700 performance share units for which the number of shares earned is based on the total shareholder return ("TSR") of the Company's common stock relative to the TSR of its selected peers during the performance period from January 1, 2018 to December 31, 2020. The awards contain market conditions which allow a payout ranging between 0% payout and 200% of the target payout. The fair value as of the date of valuation was \$41.66 per unit or 150.61% of the stock price. The compensation expense for these awards is based on the per unit grant date valuation using a Monte-Carlo simulation multiplied by the target payout level. The payout level is calculated based on actual stock price performance achieved during the performance period. The awards have a cliff-vesting period of three years. There are no

outstanding PSUs related to this award as of December 31, 2021. During the year ended December 31, 2021 23,800 shares vested under this award.

On May 21, 2019, the Company granted an additional 99,500 performance-based stock units for which the number of shares earned is based on the TSR of the Company's common stock relative to the TSR of its selected peers during the performance period from January 1, 2019 to December 31, 2021. The awards contain market conditions which allow a payout ranging between 0% payout and 200% of the target payout. The fair value as of the grant date was \$18.86 per unit or 112.9% of stock price. The awards have a cliff-vesting period of three years. There were 83,600 PSUs outstanding related to this award as of December 31, 2021. In the first quarter of 2022, the Board and its Compensation Committee approved payout of these awards at 117% of target. Accordingly, 97,812 shares were issued on February 23, 2022.

On February 24, 2021, the Company granted 161,389 PSUs for which the number of shares earned is based on the TSR of the Company's common stock relative to the TSR of its selected peers during the performance period from January 1, 2021 to December 31, 2022. The awards contain market conditions which allow a payout ranging between 0% and 200% of the target payout. The fair value as of the grant date was \$13.13 per unit or 157.6% of the stock price. The compensation expense for these awards is based on the per unit grant date valuation using a Monte Carlo simulation multiplied by the target payout level. The payout level is calculated based on actual stock price performance achieved during the performance period. The awards have a cliff-vesting period of two years. All PSUs granted remain outstanding related to this award as of December 31, 2021.

As of December 31, 2021, we had unrecognized compensation expense of \$1.1 million related to our performance-based stock units based on the assumption of 100.0% target payout. The remaining weighted-average performance period is 1.0 year.

The following table provides information regarding performance-based stock unit activity for the year ended December 31, 2021:

	Shares	Wtd. Avg. Grant Price
Performance based stock units outstanding, beginning of period	107,400	\$ 32.48
Performance based stock units granted	161,389	\$ 13.13
Performance based stock units vested	(23,800)	\$ 41.66
Performance based stock units outstanding, end of period	244,989	\$ 18.84

#### Employee Savings Plan

We have a savings plan under Section 401(k) of the Internal Revenue Code. The Company contributed on behalf of eligible employees an amount up to 100% of the first 6% of compensation based on the contributions made by the eligible employees in 2021 and 2020. The Company's plan contributions of \$0.5 million and \$0.6 million for the years ended December 31, 2021 and 2020, respectively, were paid in cash during each pay period. These amounts were recorded as "General and administrative, net" on the accompanying consolidated statements of operations.

#### 8. Leases

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

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

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Lease Costs Included in the Asset Additions in the Condensed Consolidated Balance Sheets</b>		
Property and equipment acquisitions - short-term leases	\$ 3,472	\$ 3,774
Property and equipment acquisitions - operating leases	—	10
Total lease costs in property, plant and equipment additions	<u>\$ 3,472</u>	<u>\$ 3,784</u>
<b>Lease Costs Included in the Condensed Consolidated Statements of Operations</b>		
Lease operating costs - short-term leases	\$ 1,873	\$ 724
Lease operating costs - operating leases	5,325	5,655
General and administrative, net - operating leases	844	704
Total lease cost expensed	<u>\$ 8,042</u>	<u>\$ 7,083</u>

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

	As of December 31, 2021
Weighted-average remaining lease term (in years)	3.0
Weighted-average discount rate	4.1 %

As of December 31, 2021, the Company's future undiscounted cash payment obligation for its operating lease liabilities are as follows (in thousands):

	As of December 31, 2021
2022	\$ 7,757
2023	6,468
2024	1,200
2025	803
2026	689
Thereafter	539
Total undiscounted lease payments	<u>\$ 17,456</u>
Present value adjustment	(1,144)
Net operating lease liabilities	<u>\$ 16,312</u>

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

	Year Ended December 31, 2021	Year Ended December 31, 2020
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows	\$ 6,011	\$ 6,352
Investing cash flows	\$ —	\$ 10
<b>Non-cash Investing and Financing Activities</b>		
Additions to ROU assets obtained from new operating lease liabilities	\$ 8,779	\$ 1,751

Rental and lease expense was \$7.0 million and \$5.8 million for the years ended December 31, 2021 and 2020, respectively. The rental and lease expense primarily relates to compressor rentals and the lease of our office space in Houston, Texas. During 2021 the Company entered into a five-year lease agreement for office space in Houston, Texas. The operating lease commenced

on May 18, 2021. As of December 31, 2021, the minimum contractual obligations were approximately \$3.5 million in the aggregate.

## 9. Acquisitions and Dispositions

### Bay De Chene Disposition

Effective December 22, 2017, the Company closed a purchase and sale contract to sell the Company's wellbores and facilities in Bay De Chene and recorded a \$16.3 million obligation related to the funding of certain plugging and abandonment costs. Of the \$16.3 million original obligation, \$1.1 million and \$0.8 million was paid during the years ended December 31, 2021 and 2020, respectively. The remaining obligation under this contract is \$0.5 million and is carried in the accompanying consolidated balance sheet as a current liability in "Accounts payable and accrued liabilities" as of December 31, 2021.

### April 2020 Acquisition

On April 3, 2020, we acquired additional properties in the Eagle Ford for approximately \$5.0 million, including assumed liabilities. The acquisition included eight producing wells, basic infrastructure and acreage in Webb, La Salle, and McMullen Counties. We allocated all of the purchase price to proved oil and gas properties. The Company accounted for this transaction as an asset acquisition with the properties added to our full cost pool balance.

### May 2020 Disposition

On May 13, 2020, the Company divested an overriding royalty interest in Converse and Niobrara Counties, Wyoming for approximately \$4.8 million. The sales of our Wyoming assets did not significantly alter the relationship between capitalized costs and proved reserves, and as such, all proceeds were recorded as adjustments to our full cost pool with no gain or loss recognized. These consolidated financial statements include the results of our Wyoming operations through the date of sale.

### August 2021 Acquisition

On August 3, 2021, the Company acquired the remaining working interest in 12 wells that SilverBow operates and additional acreage in Webb county. The total aggregate consideration was approximately \$23.0 million, consisting of \$13.0 million in cash and 516,675 shares of common stock valued at approximately \$10.0 million based on the Company's share price on the closing date. Management determined that substantially all the fair value of the gross assets acquired were concentrated in the proved oil and gas properties and have therefore accounted for this transaction as an asset acquisition and allocated the purchase price based on the relative fair value of the assets acquired and liabilities assumed. As a result, we allocated substantially all of the purchase price to proved oil and gas properties.

### October 2021 Acquisition

On October 1, 2021, we closed on an all-stock transaction to acquire oil and gas assets in the Eagle Ford. The acquired assets include working interests in oil and gas properties across Atascosa, Fayette, Lavaca, McMullen and Live Oak counties. After consideration of closing adjustments, we issued 1,341,990 shares of our common stock valued at approximately \$35.6 million, based on the Company's share price on the closing date. The acquisition was subject to further customary post-closing adjustments. We incurred approximately \$0.6 million in transaction costs for the year ended December 31, 2021. Management determined that substantially all the fair value of the gross assets acquired were concentrated in the proved oil and gas properties and have therefore accounted for this transaction as an asset acquisition and allocated the purchase price based on the relative fair value of the assets acquired and liabilities assumed. As a result, we allocated substantially all of the purchase price to proved oil and gas properties.

### November 2021 Acquisition

On November 19, 2021, the Company closed on an acquisition of oil-weighted assets in the Eagle Ford (the "Transaction"). The acquired assets included wells and acreage in La Salle, McMullen, DeWitt and Lavaca counties. After consideration of closing adjustments, total aggregate consideration was approximately \$77.4 million, consisting of \$37.6 million in cash, 1,351,961 shares of our common stock valued at approximately \$37.9 million based on the Company's share price on the closing date, and contingent consideration with an estimated fair value of \$1.9 million. The contingent consideration consists of up to three earn-out payments of \$1.6 million per year for each of 2022, 2023 and 2024, contingent upon the average monthly settlement price of WTI exceeding \$70 per barrel for such year ("WTI Contingency Payout"). For further discussion of the fair value related to the Company's contingent consideration, refer to Note 10 of these Notes to Consolidated Financial Statements. The acquisition is subject to further customary post-closing adjustments. We incurred

approximately \$0.3 million in transaction costs for the year ended December 31, 2021. Management determined that substantially all the fair value of the gross assets acquired were concentrated in the proved oil and gas properties and have therefore accounted for this transaction as an asset acquisition and allocated the purchase price based on the relative fair value of the assets acquired and liabilities assumed. As a result, we allocated the purchase price to proved oil and gas properties.

The following table represents the allocation of the total cost of the Transaction to the assets acquired and liabilities assumed:  
(in thousands)

Total Cost		
Cash consideration	\$	37,581
Equity consideration		37,923
Fair value of contingent consideration		1,855
Total Consideration		77,359
Transaction costs		302
Total Cost of Transaction	\$	77,661
Allocation of Total Cost		
Assets		
Oil and gas properties	\$	78,431
Right of use assets		1,881
Total assets		80,312
Liabilities		
Undistributed oil and gas revenues		344
Non-current lease liability		1,881
Asset retirement obligations		426
Total Liabilities	\$	2,651
Net Assets Acquired	\$	77,661

#### 10. Fair Value Measurements

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

The fair values of our derivative swap contracts are computed using observable market data whereas our derivative collar contracts are valued using a Black-Scholes pricing model. The fair value of the WTI Contingency Payout, included within “Other long-term liabilities” on the consolidated balance sheets, is estimated using observable market data and a Monte Carlo pricing model. These are considered Level 2 valuations (defined below).

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

**Fair Value on a Nonrecurring Basis.** The Company applies the provisions of the fair value measurement standard on a non-recurring basis to its non-financial assets and liabilities, including oil and gas properties acquired and assessed for classification as a business or an asset and asset retirement obligations. These assets and liabilities are not measured at fair value

on an ongoing basis but are subject to fair value estimation when acquisitions occur or asset retirement obligations are recorded. These are considered Level 3 valuations (defined below).

*Asset retirement obligations.* The initial measurement of asset retirement obligations (“ARO”) at fair value is recorded in the period in which the liability is incurred. Fair value is determined by calculating the present value of estimated future cash flows related to the liability. Estimating the future ARO requires management to make estimates and judgments regarding the timing and existence of a liability, as well as what constitutes adequate restoration when considering current regulatory requirements. Inherent in the fair value calculation are numerous assumptions and judgments, including the ultimate costs, inflation factors, credit-adjusted discount rates, timing of settlement and changes in the legal, regulatory, environmental and political environments.

*2021 and 2020 Acquisitions.* The Company recognized the assets acquired in our 2021 and 2020 acquisitions at cost at a relative fair value basis (refer to Note 9 of these Notes to Consolidated Financial Statements). Fair value was determined using a discounted cash flow model. The underlying future commodity prices included in the Company’s estimated future cash flows of its proved oil and gas properties were determined using NYMEX forward strip prices as of the closing date of each acquisition. The estimated future cash flows also included management’s assumptions for the estimates of crude oil and natural gas proved properties, future operating and development costs of the acquired properties and risk adjusted discount rates.

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

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

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

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

The following table presents our assets and liabilities that are measured on a recurring basis as of December 31, 2021 and 2020, and are categorized using the fair value hierarchy. For additional discussion related to the fair value of the Company's derivatives, refer to Note 5 of these Notes to Consolidated Financial Statements.

(in thousands)	Fair Value Measurements at			
	Total	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2021</b>				
<i>Assets</i>				
Natural Gas Derivatives	\$ 1,159	\$ —	\$ 1,159	\$ —
Natural Gas Basis Derivatives	\$ 1,025	\$ —	\$ 1,025	\$ —
Oil Derivatives	\$ 371	\$ —	\$ 371	\$ —
Oil Basis Derivatives	\$ 3	\$ —	\$ 3	\$ —
NGL Derivatives	\$ 449	\$ —	\$ 449	\$ —
<i>Liabilities</i>				
Natural Gas Derivatives	\$ 31,801	\$ —	\$ 31,801	\$ —
Natural Gas Basis Derivatives	\$ 452	\$ —	\$ 452	\$ —
Oil Derivatives	\$ 21,330	\$ —	\$ 21,330	\$ —
Oil Basis Derivatives	\$ 514	\$ —	\$ 514	\$ —
NGL Derivatives	\$ 1,941	\$ —	\$ 1,941	\$ —
WTI Contingency Payout	\$ 1,841	\$ —	\$ 1,841	\$ —
<b>December 31, 2020</b>				
<i>Assets</i>				
Natural Gas Derivatives	\$ 1,471	\$ —	\$ 1,471	\$ —
Natural Gas Basis Derivatives	\$ 1,135	\$ —	\$ 1,135	\$ —
Oil Derivatives	\$ 2,493	\$ —	\$ 2,493	\$ —
Oil Basis Derivatives	\$ 3	\$ —	\$ 3	\$ —
<i>Liabilities</i>				
Natural Gas Derivatives	\$ 3,967	\$ —	\$ 3,967	\$ —
Natural Gas Basis Derivatives	\$ 416	\$ —	\$ 416	\$ —
Oil Derivatives	\$ 5,887	\$ —	\$ 5,887	\$ —
Oil Basis Derivatives	\$ 847	\$ —	\$ 847	\$ —

Our current and long-term unsettled derivative assets and liabilities in the table above are measured at gross fair value and are shown on the accompanying consolidated balance sheets in "Fair value of commodity derivatives" and "Fair value of long-term commodity derivatives," respectively.

#### 11. Asset Retirement Obligations

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

The following provides a roll-forward of our asset retirement obligations (in thousands):

<b>Asset Retirement Obligations as of December 31, 2019</b>	<b>\$ 4,447</b>
Accretion expense	354
Liabilities incurred for new wells and facilities construction	281
Reductions due to plugged wells and facilities	(103)
Revisions in estimates	(5)
<b>Asset Retirement Obligations as of December 31, 2020</b>	<b>\$ 4,974</b>
Accretion expense	306
Liabilities incurred for new wells, acquired wells and facilities construction	1,120
Reductions due to plugged wells and facilities	(192)
Revisions in estimates	(158)
<b>Asset Retirement Obligations as of December 31, 2021</b>	<b>\$ 6,050</b>

At December 31, 2021 and 2020, approximately \$0.5 million and \$0.4 million of our asset retirement obligations were classified as current liabilities in “Accounts payable and accrued liabilities” on the accompanying consolidated balance sheets.

## Supplementary Information (unaudited)

SilverBow Resources, Inc. and Subsidiary  
Oil and Gas Operations

**Capitalized Costs.** The following table presents our aggregate capitalized costs relating to oil and natural gas producing activities and the related depreciation, depletion, and amortization (in thousands):

	<b>Total</b>
<b>December 31, 2021</b>	
Proved oil and gas properties	\$ 1,588,978
Unproved oil and gas properties	17,090
Total	1,606,068
Accumulated depreciation, depletion, amortization and impairment	(866,339)
Net capitalized costs	\$ 739,729
<b>December 31, 2020</b>	
Proved oil and gas properties	\$ 1,310,008
Unproved oil and gas properties	28,090
Total	1,338,098
Accumulated depreciation, depletion, amortization and impairment	(797,963)
Net capitalized costs	\$ 540,135

There were \$17.1 million and \$28.1 million of unproved property costs at December 31, 2021 and 2020, respectively, excluded from the amortizable base. We evaluate the majority of these unproved costs within a two- to four-year time frame.

Capitalized asset retirement obligations have been included in the Proved oil and gas properties as of December 31, 2021 and 2020.

**Costs Incurred.** The following table sets forth costs incurred related to our oil and natural gas operations (in thousands) for the periods indicated:

	<b>Year Ended December 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Lease acquisitions and prospect costs	\$ 7,241	\$ 5,810
Exploration	—	—
Development <sup>(1) (3)</sup>	122,712	89,550
Acquisition of property <sup>(4)</sup>	138,016	5,019
Total acquisition, exploration, and development <sup>(2)</sup>	\$ 267,969	\$ 100,379

(1) Facility construction costs and capital costs have been included in development costs, and totaled \$9.2 million and \$4.2 million for the years ended December 31, 2021 and 2020, respectively.

(2) Includes capitalized general and administrative costs directly associated with the acquisition, exploration, and development efforts of approximately \$4.8 million and \$3.5 million for the years ended December 31, 2021 and 2020, respectively. There was no capitalized interest on unproved properties for the years ended December 31, 2021 and 2020.

(3) Includes asset retirement obligations incurred, including revisions, of approximately \$0.1 million and \$0.2 million for the years ended December 31, 2021 and 2020, respectively. Does not include accrued payments associated with our Bay De Chene sale for the years ended December 31, 2021 and 2020.

(4) Includes \$83.5 million in equity consideration for acquisitions of property for the year ended December 31, 2021. Also includes \$0.7 million in asset retirement obligations assumed in connection with acquisitions of property for the year ended December 31, 2021.

**Supplementary Reserves Information.** The following information presents estimates of our proved oil and natural gas reserves. Reserves were prepared in accordance with SEC rules by Gruy as of December 31, 2021, 2020 and 2019. Proved reserves, as of December 31, 2021, 2020 and 2019, were based upon the preceding 12-months' average price based on closing prices on the first business day of each month, or prices defined by existing contractual arrangements which are held constant, for that year's reserves calculation. The 12-month 2021 average adjusted prices after differentials used in our calculations were \$3.75 per Mcf of natural gas, \$63.98 per barrel of oil, and \$25.29 per barrel of NGL compared to \$2.13 per Mcf of natural gas, \$37.83 per barrel of oil, and \$11.66 per barrel of NGL for the 12-month average 2020 prices and \$2.62 per Mcf of natural gas, \$58.37 per barrel of oil, and \$16.83 per barrel of NGL for 2019.

<b>Estimates of Proved Reserves</b>	<b>Total (Mcf)</b>	<b>Natural Gas (Mcf)</b>	<b>Oil (Bbls)</b>	<b>NGL (Bbls)</b>
Proved reserves as of December 31, 2019	1,420,438,811	1,158,352,078	17,067,606	26,613,516
Extensions, discoveries, and other additions <sup>(3)</sup>	31,651,332	23,120,341	1,079,804	342,028
Revisions of previous estimates <sup>(1)</sup>	(289,880,078)	(193,642,309)	(4,053,158)	(11,986,475)
Purchases of minerals in place	11,576,517	11,576,517	—	—
Sales of minerals in place	(571,321)	(323,726)	(41,266)	—
Production	(66,800,181)	(50,987,958)	(1,521,485)	(1,113,881)
Proved reserves as of December 31, 2020	1,106,415,080	948,094,943	12,531,501	13,855,188
Extensions, discoveries, and other additions <sup>(3)</sup>	359,374,661	324,625,474	3,930,631	1,860,900
Revisions of previous estimates <sup>(1)</sup>	(198,471,444)	(199,625,710)	(1,644,367)	1,836,746
Purchases of minerals in place	226,564,990	142,794,045	10,942,051	3,019,773
Production	(78,112,880)	(60,509,606)	(1,461,657)	(1,472,222)
Proved reserves as of December 31, 2021	1,415,770,407	1,155,379,146	24,298,159	19,100,385
Proved developed reserves <sup>(2)</sup>				
December 31, 2020	506,149,407	415,390,459	6,962,826	8,163,666
December 31, 2021	658,230,618	525,736,580	9,692,076	12,390,263
Proved undeveloped reserves				
December 31, 2020	600,265,673	532,704,484	5,568,676	5,691,522
December 31, 2021	757,539,789	629,642,566	14,606,082	6,710,122

(1) Revisions of previous estimates are related to upward or downward variations based on current engineering information for production rates, volumetrics, reservoir pressure and commodity pricing. The downward revisions for 2021 and 2020 were primarily attributable to the reclassification of PUDs to unproved due to changes in the Company's five-year development plans.

(2) At both December 31, 2021 and 2020, 46% our reserves were proved developed.

(3) We have added proved reserves through our drilling activities. The 2021 additions were primarily due to additions from drilling results, leasing of adjacent acreage and acquisitions while 2020 additions were primarily due to additions from drilling results and leasing of adjacent acreage.

**Standardized Measure of Discounted Future Net Cash Flows.** The Standardized Measure of discounted future net cash flows relating to proved oil and natural gas reserves is as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Future gross revenues	\$ 6,370,628	\$ 2,652,512
Future production costs	(1,853,856)	(1,037,498)
Future development costs <sup>(1)</sup>	(753,046)	(426,849)
Future net cash flows before income taxes	3,763,726	1,188,165
Future income taxes	(584,613)	(56,576)
Future net cash flows after income taxes	3,179,113	1,131,589
Discount at 10% per annum	(1,620,651)	(618,637)
Standardized Measure of discounted future net cash flows relating to proved oil and natural gas reserves	<u>\$ 1,558,462</u>	<u>\$ 512,952</u>

(1) These amounts include future costs related to plugging and abandoning the Company's wells.

The Standardized Measure of discounted future net cash flows from production of proved reserves as of December 31, 2021 and 2020, were developed as follows:

1. Estimates were made of quantities of proved reserves and the future periods during which they are expected to be produced based on year-end economic conditions.
2. The estimated future gross revenues of proved reserves were based on the preceding 12-months' average price based on closing prices on the first day of each month, or prices defined by existing contractual arrangements.
3. The future gross revenues were reduced by estimated future costs to develop and to produce the proved reserves, including asset retirement obligation costs, based on year-end cost estimates and the estimated effect of future income taxes.
4. Future income taxes were computed by applying the statutory tax rate to future net cash flows reduced by the tax basis of the properties, the estimated permanent differences applicable to future oil and natural gas producing activities and tax carry forwards.

The Standardized Measure of discounted future net cash flows is not intended to present the fair market value of our oil and natural gas reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves in excess of proved reserves, anticipated future changes in prices and costs, an allowance for return on investment, and the risks inherent in reserves estimates.

The following are the principal sources of changes in the Standardized Measure of discounted future net cash flows (in thousands) for the years ended December 31, 2021 and 2020:

	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 512,952	\$ 868,2
Revisions to reserves proved in prior years:		
Net changes in prices, net of production costs	781,786	(360,2
Net changes in future development costs	1,569	26,0
Net changes due to revisions in quantity estimates	(43,379)	(112,2
Accretion of discount	52,627	84,7
Other	29,303	(63,9
Total revisions	821,906	(425,6
New field discoveries and extensions, net of future production and development costs	400,008	4,9
Purchase of reserves	345,300	8,9
Sales of minerals in place	—	(1,0
Sales of oil and gas produced, net of production costs	(336,028)	(124,8
Previously estimated development costs incurred	59,318	90,9
Net change in income taxes	(244,994)	92,4
Net change in Standardized Measure of discounted future net cash flows	1,045,510	(355,2
Ending balance	\$ 1,558,462	\$ 512,9

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

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

As of the end of the period covered by this Form 10-K, the Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the last day of the period covered by this report at the reasonable assurance level. See management's report on internal control over financial reporting and the report of independent registered public accounting firm at Item 8 in this Form 10-K.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the fourth quarter of 2021 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 9C. Disclosures Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

### PART III

#### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required under Item 10 which will be set forth in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our May 17, 2022 annual shareholders' meeting is incorporated herein by reference.

The Company has adopted a Code of Ethics and Business Conduct ("Code of Ethics") which applies to our employees, officers, directors, independent contractors and other representatives including our accounting officers and managers. The Company has posted this Code of Ethics on its website at [www.sbow.com](http://www.sbow.com) where it also intends to post any waivers from or amendments to this Code of Ethics, to the extent required.

#### **Item 11. Executive Compensation.**

The information required under Item 11 which will be set forth in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our May 17, 2022 annual shareholders' meeting is incorporated herein by reference.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required under Item 12 which will be set forth in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our May 17, 2022 annual shareholders' meeting is incorporated herein by reference.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required under Item 13 which will be set forth in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our May 17, 2022 annual shareholders' meeting is incorporated herein by reference.

#### **Item 14. Principal Accounting Fees and Services.**

The information required under Item 14 which will be set forth in our definitive proxy statement to be filed within 120 days after the close of the fiscal year-end in connection with our May 17, 2022 annual shareholders' meeting is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

1. The following consolidated financial statements of SilverBow Resources together with the report thereon of BDO USA, LLP dated March 3, 2022, and the data contained therein are included in Item 8 hereof:

Management's Report on Internal Control Over Financial Reporting	49
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	50
Report of Independent Registered Public Accounting Firm	51
Consolidated Balance Sheets	53
Consolidated Statements of Operations	54
Consolidated Statements of Stockholders' Equity	55
Consolidated Statements of Cash Flows	56
Notes to Consolidated Financial Statements	57

2. Financial Statement Schedules

None.

3. Exhibits

3.1	<a href="#">First Amended and Restated Certificate of Incorporation of SilverBow Resources, Inc., effective May 5, 2017 (incorporated by reference as Exhibit 3.1 to SilverBow Resources, Inc.'s Form 10-Q filed May 8, 2017, File No. 001-087541).</a>
3.2	<a href="#">First Amended and Restated Bylaws of SilverBow Resources, Inc., effective May 5, 2017 (incorporated by reference as Exhibit 3.2 to SilverBow Resources, Inc.'s Form 10-Q filed May 8, 2017, File No. 001-08754).</a>
4.1*	<a href="#">Form of stock certificate for common stock, \$0.01 par value per share.</a>
4.2	<a href="#">Registration Rights Agreement, dated as of April 22, 2016, by and among SilverBow Resources, Inc. and the stockholders party thereto (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed April 28, 2016, File No. 001-08754).</a>
4.3	<a href="#">Registration Rights Agreement, dated as of January 26, 2017, by and among SilverBow Resources, Inc. and the Purchasers named therein (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed February 1, 2017, File No 001-08754).</a>
4.4	<a href="#">Registration Rights Agreement, dated October 1, 2021, by and between SilverBow Resources, Inc. and PetroEdge Energy IV LLC (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form S-3 filed October 8, 2021, File No 333-260142).</a>
4.5	<a href="#">Registration Rights Agreement, dated October 1, 2021, by and between SilverBow Resources, Inc. and Sierra EF, LP. (incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form S-3 filed October 8, 2021, File No 333-260142).</a>
4.6	<a href="#">Registration Rights Agreement, dated October 1, 2021, by and between SilverBow Resources, Inc. and Tri-C Energy Partners I, LLC (incorporated by reference as Exhibit 10.3 to SilverBow Resources, Inc.'s Form S-3 filed October 8, 2021, File No 333-260142).</a>
4.7	<a href="#">Registration Rights Agreement, dated November 19, 2021, between SilverBow Resources, Inc. and TNR-CRX STX Holdings, LLC (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form S-3 filed November 24, 2021, File No. 333-261346).</a>
4.8	<a href="#">Director Nomination Agreement, dated as of April 22, 2016, by and among SilverBow Resources, Inc. and the stockholders party thereto (incorporated by reference as Exhibit 4.7 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936).</a>
4.9*	<a href="#">Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934, as amended.</a>
10.1	<a href="#">First Amended and Restated Senior Secured Revolving Credit Agreement among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and certain lenders that are a party thereto (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed April 21, 2017, File No. 001-08754).</a>

- 10.2 [First Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent and certain lenders that are a party thereto \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 8-K filed March 1, 2018, File No. 001-08754\).](#)
- 10.3 [Second Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement dated as of December 15, 2017 by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed December 19, 2017 File No. 001-08754\).](#)
- 10.4 [Third Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement dated as of April 20, 2018, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Current Report on Form 8-K filed April 25, 2018, File No. 001-08754\).](#)
- 10.5 [Fourth Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement effective as of November 6, 2018, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 10-Q filed November 7, 2018, File No. 001-08754\).](#)
- 10.6 [Fifth Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement effective as of May 12, 2020, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated by reference as Exhibit 10.1 to SilverBow Resources Inc's Form 8-K filed May 13, 2020, File No. 001-08754\).](#)
- 10.7 [Sixth Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement effective as of November 2, 2020, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 10-Q filed November 5, 2020, File No. 001-08754\).](#)
- 10.8 [Seventh Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement effective as of April 16, 2021, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed April 19, 2021, File No. 001-08754\).](#)
- 10.9 [Eighth Amendment to First Amended and Restated Senior Secured Revolving Credit Agreement effective as of November 12, 2021, by and among SilverBow Resources, Inc., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, the guarantors party thereto and certain lenders party thereto \(incorporated reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed November 15, 2021, File No. 001-08754\).](#)
- 10.10 [Note Purchase Agreement dated as of December 15, 2017 by and among SilverBow Resources, Inc., as issuer, U.S. Bank National Association, as agent and collateral agent and the purchasers party thereto \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 8-K filed December 19, 2017, File No. 001-08754\).](#)
- 10.11 [First Amendment to Note Purchase Agreement dated as of April 20, 2018, by and among SilverBow Resources, Inc., as issuer, U.S. Bank National Association, as agent and collateral agent, the guarantors party thereto and the purchasers party thereto \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc. Form 8-K filed April 25, 2018, File No. 001-08754\).](#)
- 10.12 [Second Amendment to Note Purchase Agreement dated as of November 12, 2021, by and among SilverBow Resources, Inc., as issuer, U.S. Bank National Association, as agent and collateral agent, the guarantors party thereto and the purchasers party thereto \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 8-K filed November 15, 2021, File No. 001-08754\).](#)
- 10.13 [Intercreditor Agreement dated as of December 15, 2017 by and among SilverBow Resources, Inc., as borrower, certain of its subsidiaries, as grantors, JPMorgan Chase Bank, N.A., as first lien administrative agent and U.S. Bank National Association, as second lien collateral agent \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed December 19, 2017, File No. 001-08754\).](#)
- 10.14+ [SilverBow Resources, Inc. 2016 Equity Incentive Plan \(incorporated by reference as Exhibit 4.1 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936\).](#)
- 10.15+ [Amendment to SilverBow Resources, Inc. 2016 Equity Incentive Plan, effective May 5, 2017 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed May 5, 2017, File No. 001-08754\).](#)
- 10.16+ [First Amendment to SilverBow Resources, Inc. 2016 Equity Incentive Plan, effective January 1, 2017 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed May 17, 2017, File No. 001-08754\).](#)

- 10.17+ [Second Amendment to SilverBow Resources, Inc. 2016 Equity Incentive Plan, effective April 2, 2019 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed May 22, 2019, File No. 001-08754\).](#)
- 10.18+ [Form of Stock Option Agreement - Emergence Grant \(Type I\) \(incorporated by reference as Exhibit 4.2 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936\).](#)
- 10.19+ [Form of Stock Option Agreement - Emergence Grant \(Type II\) \(incorporated by reference as Exhibit 4.3 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936\).](#)
- 10.20+ [Form of Restricted Stock Unit Agreement - Emergence Grant \(Type I\) \(incorporated by reference as Exhibit 4.4 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936\).](#)
- 10.21+ [Form of Restricted Stock Unit Agreement - Emergence Grant \(Type II\) \(incorporated by reference as Exhibit 4.5 to SilverBow Resources, Inc.'s Form S-8 filed April 27, 2016, File No. 333-210936\).](#)
- 10.22+ [Form of Stock Option Agreement - Non Employee Directors \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 8-K filed June 14, 2016, File No. 001-08754\).](#)
- 10.23+ [Form of Restricted Stock Unit Agreement - Officers 2019 \(incorporated by reference as Exhibit 10.6 to SilverBow Resources, Inc.'s Form 10-Q filed August 9, 2019, File No. 001-08754\).](#)
- 10.24+ [Form of Performance Restricted Stock Unit Agreement - Officers 2019 \(incorporated by reference as Exhibit 10.7 to SilverBow Resources, Inc.'s Form 10-Q filed August 9, 2019, File No. 001-08754\).](#)
- 10.25+ [Form of Restricted Stock Unit Agreement – Non-Employee Directors 2020 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 10-Q filed May 7, 2020, File No. 001-08754\).](#)
- 10.26+ [Form of Cash Incentive Award Agreement – Non-Employee Directors 2020 \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 10-Q filed May 7, 2020, File No. 001-08754\).](#)
- 10.27+ [Form of Restricted Stock Unit Agreement – Officers 2020 \(incorporated by reference as Exhibit 10.3 to SilverBow Resources, Inc.'s Form 10-Q filed May 7, 2020, File No. 001-08754\).](#)
- 10.28+ [Form of Cash Performance Incentive Award Agreement – Officers 2020 \(incorporated by reference as Exhibit 10.4 to SilverBow Resources, Inc.'s Form 10-Q filed May 7, 2020, File No. 001-08754\).](#)
- 10.29+ [Form of Restricted Stock Unit Agreement – Non-Employee Directors 2021 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 10-Q filed May 6, 2021, File No. 001-08754\).](#)
- 10.30+ [Form of Cash Incentive Award Agreement – Non-Employee Directors 2021 \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc.'s Form 10-Q filed May 6, 2021, File No. 001-08754\).](#)
- 10.31+ [Form of Performance Share Unit Agreement – Officers 2021 \(incorporated by reference as Exhibit 10.3 to SilverBow Resources, Inc.'s Form 10-Q filed May 6, 2021, File No. 001-08754\).](#)
- 10.32+ [Form of Cash Incentive Award Agreement – Officers 2021 \(incorporated by reference as Exhibit 10.4 to SilverBow Resources, Inc.'s Form 10-Q filed May 6, 2021, File No. 001-08754\).](#)
- 10.33+ [SilverBow Resources Inc. Inducement Plan \(incorporated by reference as Exhibit 4.4 to SilverBow Resources, Inc.'s Form S-8 filed December 21, 2016, File No. 333-21535\).](#)
- 10.34+ [First Amendment to SilverBow Resources, Inc. Inducement Plan, effective May 5, 2017 \(incorporated by reference as Exhibit 10.2 to SilverBow Resources, Inc. Form 8-K filed May 5, 2017, File No. 001-08754\).](#)
- 10.35+ [Form of Restricted Stock Unit Agreement - Inducement Plan \(incorporated by reference as Exhibit 4.5 to SilverBow Resources, Inc.'s Form S-8 filed December 21, 2016, File No. 333-21535\).](#)
- 10.36+ [Form of Stock Option Agreement - Inducement Plan \(incorporated by reference as Exhibit 4.6 to SilverBow Resources, Inc.'s Form S-8 filed December 21, 2016, File No. 333-215235\).](#)
- 10.37+ [Employment Agreement by and between SilverBow Resources, Inc. and Sean C. Woolverton, effective as of March 1, 2017 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed February 28, 2017, File No. 001-08754\).](#)
- 10.38+ [Amendment to Employment Agreement by and between SilverBow Resources, Inc. and Sean C. Woolverton, effective as of April 2, 2019 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754\).](#)
- 10.39+ [Employment Agreement by and between SilverBow Resources, Inc. and Steven W. Adam, effective as of November 6, 2017 \(incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed November 6, 2017, File No. 001-08754\).](#)

10.40+	<a href="#"><u>Amendment to Employment Agreement by and between SilverBow Resources, Inc. and Steven W. Adam, effective as of April 2, 2019 (incorporated by reference as Exhibit 10.3 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754).</u></a>
10.41+	<a href="#"><u>Employment Agreement by and between SilverBow Resources, Inc. and Christopher M. Abundis, effective as of March 20, 2017 (incorporated by reference as Exhibit 10.1 to SilverBow Resources, Inc.'s Form 8-K filed March 21, 2017, File No. 001-08754).</u></a>
10.42+	<a href="#"><u>Amendment to Employment Agreement by and between SilverBow Resources, Inc. and Christopher M. Abundis, effective as of April 2, 2019 (incorporated by reference as Exhibit 10.4 to SilverBow Resources, Inc.'s Form 8-K filed April 8, 2019, File No. 001-08754).</u></a>
10.43+	<a href="#"><u>Form of Indemnity Agreement for SilverBow Resources, Inc. directors and officers (incorporated by reference as Exhibit 10.28 to SilverBow Resources, Inc.'s Form 10-K filed March 1, 2018, File No. 001-08754).</u></a>
10.44*	<a href="#"><u>Purchase and Sale Agreement, dated October 8, 2021, between SilverBow Resources, Inc. and SilverBow Resources Operating, LLC and Teal Natural Resources LLC and Castlerock Production, LLC.</u></a>
21 *	<a href="#"><u>List of Subsidiaries of SilverBow Resources, Inc.</u></a>
23.1 *	<a href="#"><u>Consent of H.J. Gruy and Associates, Inc.</u></a>
23.2 *	<a href="#"><u>Consent of BDO USA, LLP.</u></a>
31.1 *	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u></a>
31.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.</u></a>
32#	<a href="#"><u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.</u></a>
99.1*	<a href="#"><u>The reserves letter of H.J. Gruy and Associates, Inc. dated January 21, 2022.</u></a>
	The following materials from SilverBow Resources, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets (Unaudited), (ii) the Condensed Consolidated Statements of Operations (Unaudited), (iii) the Consolidated Statements of Stockholders Equity (Unaudited), (iv) the Condensed Consolidated Statements of Cash Flows (Unaudited), and (v) Notes to the Condensed Consolidated Financial Statements.
101*	
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

# Furnished herewith.

+ Management contract or compensatory plan or arrangement.

**Item 16. 10-K Summary.**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant, SilverBow Resources, Inc., has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 3, 2022.

**SILVERBOW RESOURCES, INC.**

By: /s/ Sean C. Woolverton

Sean C. Woolverton  
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, SilverBow Resources, Inc., and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<hr/> <u>/s/ Sean C. Woolverton</u> Sean C. Woolverton	Chief Executive Officer and Director	<hr/> March 3, 2022
<hr/> <u>/s/ Christopher M. Abundis</u> Christopher M. Abundis	Executive Vice President, Chief Financial Officer, General Counsel and Secretary	<hr/> March 3, 2022
<hr/> <u>/s/ W. Eric Schultz</u> W. Eric Schultz	Controller	<hr/> March 3, 2022
<hr/> <u>/s/ Marcus C. Rowland</u> Marcus C. Rowland	Chairman of the Board Director	<hr/> March 3, 2022
<hr/> <u>/s/ Michael Duginski</u> Michael Duginski	Director	<hr/> March 3, 2022
<hr/> <u>/s/ Gabriel L. Ellisor</u> Gabriel L. Ellisor	Director	<hr/> March 3, 2022
<hr/> <u>/s/ David Geenberg</u> David Geenberg	Director	<hr/> March 3, 2022
<hr/> <u>/s/ Christoph O. Majeske</u> Christoph O. Majeske	Director	<hr/> March 3, 2022
<hr/> <u>/s/ Charles W. Wampler</u> Charles W. Wampler	Director	<hr/> March 3, 2022

NUMBER

1001



SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

AUTHORIZED: 40,000,000 COMMON SHARES,  
\$0.01 PAR VALUE PER SHARE

CUSIP 82836G 10 2

SEE REVERSE FOR  
CERTAIN DEFINITIONS

This Certifies That

**SPECIMEN**

is the owner of

Fully Paid and Non-Assessable Common Stock, \$0.01 Par Value of  
**SILVERBOW RESOURCES, INC.**

transferable on the books of this Corporation in person or by attorney upon surrender of this Certificate duly endorsed or assigned. This Certificate and the shares represented hereby are subject to the laws of the State of Delaware, and to the Articles of Incorporation and the Bylaws of the Corporation, as now or hereafter amended. This Certificate is not valid until countersigned by the Transfer Agent.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by the facsimile signatures of its duly authorized officers and to be sealed with the facsimile seal of the Corporation.

Dated:

*Santhoshan*  
CHIEF EXECUTIVE OFFICER



*Christopher M. Asand*  
SECRETARY

By \_\_\_\_\_  
Transfer Agent and Registrar American Online  
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC  
4201 18th Avenue  
Brooklyn, NY 11210

**SILVERBOW RESOURCES, INC.**  
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC  
TRANSFER FEE: AS REQUIRED

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with right  
of survivorship and not as  
tenants in common

UNIF GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts to Minors

Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the above list.

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

FOR VALUE RECEIVED, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

\_\_\_\_\_ Shares  
of the Common Stock represented by the within Certificate and do hereby irrevocably constitute and appoint

\_\_\_\_\_ Attorney to transfer  
the said stock on the books of the within-named Corporation, with full power of substitution in the premises.

Dated: \_\_\_\_\_ 20\_\_\_\_.

Signature: X \_\_\_\_\_

Signature(s) Guaranteed:

Signature: X \_\_\_\_\_

THE SIGNATURE(S) TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME(S) AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER. THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (Banks, Stockbrokers, Savings and Loan Associations and Credit Unions) WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM, PURSUANT TO S.E.C. RULE 17Ad-15.

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

The following description of the capital stock of SilverBow Resources, Inc. (the “Company,” “we,” “us,” and “our”) is based upon our First Amended and Restated Certificate of Incorporation and our First Amended and Restated Bylaws, which we refer to as our “Certificate of Incorporation” and “Bylaws,” respectively, and applicable provisions of law. The following summary does not purport to be complete and is qualified in its entirety by reference to the provisions of applicable law and to our Certificate of Incorporation and Bylaws.

**Authorized Capital Stock**

We are authorized to issue up to 50,000,000 shares of stock, including up to 40,000,000 shares of common stock, par value \$0.01 per share, and up to 10,000,000 shares of preferred stock, par value \$0.01 per share.

**Common Stock**

*Voting Rights.* Each holder of common stock is entitled to one vote per share. Subject to the rights, if any, of the holders of any series of preferred stock pursuant to applicable law or the provisions of the certificate of designation creating that series, all voting rights are vested in the holders of shares of common stock. Holders of shares of common stock have noncumulative voting rights, which means that the holders of more than 50% of the shares voting for the election of directors can elect 100% of the directors, and the holders of the remaining shares voting for the election of directors will not be able to elect any directors.

*Dividends.* Dividends may be paid to the holders of common stock when, as and if declared by the board of directors (the “Board”) out of funds legally available for their payment, subject to the rights of holders of any preferred stock.

*Rights upon Liquidation.* In the event of our voluntary or involuntary liquidation, dissolution or winding up, the holders of common stock will be entitled to share equally, in proportion to the number of shares of common stock held by them, in any of our assets available for distribution after the payment in full of all debts and distributions and after the holders of all series of outstanding preferred stock, if any, have received their liquidation preferences in full.

*Non-Assessable.* All outstanding shares of common stock are fully paid and non-assessable.

*No Preemptive Rights.* Holders of common stock are not entitled to preemptive purchase rights in future offerings of our common stock.

*Section 1123.* We are prohibited from issuing any nonvoting equity securities to the extent required under Section 1123(a)(6) of the U.S. Bankruptcy Code and only for so long as Section 1123 of the U.S. Bankruptcy Code is in effect and applicable to us.

**Preferred Stock**

The Board can, without approval of our stockholders, issue one or more series of preferred stock and determine the number of shares of each series and the rights, preferences and limitations of each series. The Board shall determine the designations and the powers, preferences, rights, qualifications, limitations and restrictions of the

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preferred stock and may, at its option, divide such preferred stock into series and determine variations, if any, between any series so established.

#### **Anti-Takeover Effects of Delaware Law, Our Certificate of Incorporation and Our Bylaws**

Some provisions of Delaware law, our Certificate of Incorporation and our Bylaws contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest or otherwise or removal of our incumbent officers and directors. These provisions may also have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for our shares.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

##### *Delaware Law*

Section 203 of the Delaware General Corporation Law (“DGCL”) prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless:

- the transaction is approved by the Board before the date the interested stockholder attained that status;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- on or after such time the business combination is approved by the Board and authorized at a meeting of stockholders by at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

We have elected to not be subject to the provisions of Section 203 of the DGCL.

##### *Our Certificate of Incorporation and Our Bylaws*

Among other things, our Certificate of Incorporation and Bylaws:

- provide for the division of the Board into three classes, each class consisting as nearly as possible of one-third of the whole. The term of office of one class of directors expires each year; with each class of directors elected for a term of three years and until the stockholders elect their qualified successors, subject to the terms of the Nomination Agreement (as defined below);
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- provide that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock or certain board designation rights, and subject to the terms of the Nomination Agreement, be filled by a majority of directors then in office, even if less than a quorum, or by the sole remaining director;
- provide that our Bylaws may be amended by the affirmative vote of the holders of at least 66 2/3% of our then outstanding voting stock;
- provide that special meetings of our stockholders may only be called by our Chairman of the Board, Chief Executive Officer or by a majority of the total number of directors which the Company would have if there were no vacancies;
- authorize the Board to adopt resolutions providing for the issuance of undesignated preferred stock. This ability makes it possible for the Board to issue, without stockholder approval, preferred stock with voting or other rights or preferences that could impede the success of any attempt to change control of us;
- provide that the authorized number of directors may be changed only by the Board, subject to the terms of the Nomination Agreement;
- establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business (other than proposals submitted in accordance with Rule 14a-8 for inclusion in our proxy proposals) to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, for a proposal to be timely submitted for consideration at an annual meeting, notice must be delivered to our secretary not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our Bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting;
- provide that our Bylaws may be amended by the Board; and
- provide that that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on behalf of the Company, (b) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of the Company to the Company or the Company's stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, the Certificate of Incorporation or Bylaws, or (d) any action asserting a claim against the Company or any director or officer or other employee of the Company governed by the internal affairs doctrine, in each such case subject to such Court of Chancery having personal jurisdiction over the indispensable parties named as defendants therein.

Any person or entity purchasing or otherwise holding any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our Certificate of Incorporation regarding exclusive forum. The enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with one or more actions or proceedings described above, a court could rule that this provision in our Certificate of Incorporation is inapplicable or unenforceable.

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The exclusive forum provision would not apply to suits brought to enforce any liability or duty created by the Securities Act of 1933, as amended (the "Securities Act"), or the Securities Exchange Act of 1934, as amended ("Exchange Act"), or any other claim for which the federal courts have exclusive jurisdiction. To the extent that any such claims may be based upon federal law claims, Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

#### *Director Nomination Agreement*

In connection with our emergence from bankruptcy on April 22, 2016 (the "Effective Date"), we entered into the Director Nomination Agreement (the "Nomination Agreement") with Strategic Value Partners, LLC ("SVP") and certain other consenting noteholders named therein (the "Consenting Noteholders"). The Nomination Agreement is referenced in the Certificate of Incorporation as necessary to effectuate its terms. Pursuant to the Nomination Agreement:

(a) following the expiration of the initial terms of the Board, the Board will consist of seven members as follows:

(i) the Chief Executive Officer of the Company, which shall be a Class III Director;

(ii) two nominees designated by SVP (the "SVP Designated Directors"), which shall be one Class I Director and one Class III Director; provided, that (A) the number of nominees designated by SVP shall be reduced to one director, which shall be a Class III Director, at such time as SVP and its affiliates (other than other Consenting Noteholders) (the "SVP Entities") collectively beneficially own common stock representing an equity percentage of less than 15% and greater than or equal to 8%, with the understanding that such reduction to one director shall be permanent and despite any later increase in their equity percentage, and (B) SVP shall permanently, and despite any later increase in their equity percentage, no longer be entitled to designate a nominee at such time as the SVP Entities collectively beneficially own common stock representing an equity percentage of less than 8%;

(iii) two nominees designated by the Consenting Noteholders (excluding SVP until such time that SVP is no longer entitled to designate an SVP Designated Director), which shall be two Class II Directors; provided, that (A) the number of nominees designated by the Consenting Noteholders shall be reduced to one director, which shall be a Class II Director, at such time as the Consenting Noteholders and their affiliates (the "Noteholder Entities") collectively beneficially own common stock representing an equity percentage of less than 15% and greater than or equal to 8%, with the understanding that such reduction to one director shall be permanent and despite any later increase in their equity percentage, and (B) except as set forth in section (b)(iv) below, such Consenting Noteholders shall permanently, and despite any later increase in their equity percentage, no longer be entitled to designate a nominee at such time as the Noteholder Entities collectively beneficially own common stock representing an equity percentage of less than 8%;

(iv) for the purposes of calculating the equity percentage in clauses (A) and (B) of section (b)(iii), with respect to SVP's ownership, the equity percentage shall only include the portion of SVP's equity percentage that exceeds 15% up to a maximum of 7.9%, until such time that SVP is no longer entitled to designate an SVP Designated Director. At such time that SVP is no longer entitled to designate an SVP Designated Director, all of SVP's ownership shall be included in the equity percentage calculations in clauses (A) and (B) of section (b)(iii). For the purposes of section (b)(iii), the designation right contained in such provision shall still be available at the time SVP is no longer entitled to designate an SVP Designated Director, if at such time, the equity percentage ownership threshold in clause (B) of section (b)(iii) is satisfied; and

(v) one independent director and one additional director (which will be the Non-Executive Chairman) nominated by the Nominating and Strategy Committee of the Board, which shall be a Class I Director and a Class III Director.

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(b) for so long as such persons are entitled to designate a nominee for director under the terms thereof, SVP and the Consenting Noteholders have the right to remove the respective directors nominated by them pursuant to the Nomination Agreement, and to designate an individual to fill the vacancy created by such removal or upon any other removal of such person as director under the Certificate of Incorporation or Bylaws on the date of such replacement designation.

The Nomination Agreement terminates upon the earlier to occur of (a) such time as the Consenting Noteholders in the aggregate no longer beneficially own common stock representing an equity percentage equal to or greater than 8% or (b) the delivery of written notice to the Company by all of the Consenting Noteholders, requesting the termination of the Nomination Agreement. Further, at such time as a particular Consenting Noteholder no longer beneficially owns any shares of common stock, all rights and obligations of such Consenting Noteholder under the Nomination Agreement will terminate.

As of March 3, 2022, the Consenting Noteholders own less than the requisite equity percentage necessary to maintain their right to nominate two Class II Directors under the Nomination Agreement and certain negative control rights provided for in the Certificate of Incorporation. As such, the related provisions of the Nomination Agreement and Certificate of Incorporation are no longer operative.

**PURCHASE AND SALE AGREEMENT**

**among**

**TEAL NATURAL RESOURCES, LLC,**

**CASTLEROCK PRODUCTION, LLC**

**together as Seller**

**and**

**SILVERBOW RESOURCES, INC.,**

**and**

**SILVERBOW RESOURCES OPERATING, LLC,**

**as Buyer**

**dated**

**October 8, 2021**

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## PURCHASE AND SALE AGREEMENT

This PURCHASE AND SALE AGREEMENT (this “*Agreement*”) is executed as of this 8th day of October, 2021 (the “*Execution Date*”), and is among TEAL NATURAL RESOURCES, LLC, a Delaware limited liability company (“*Teal*”), and CASTLEROCK PRODUCTION, LLC, a Delaware limited liability company (“*Castlerock*” and together with Teal, “*Seller*”), and SILVERBOW RESOURCES OPERATING LLC, a Texas limited liability company (“*Buyer*”) and SILVERBOW RESOURCES, INC., a Delaware corporation (“*SilverBow*” and together with Buyer, the “*Buyer Parties*”). Teal, Castlerock, Buyer and SilverBow are referred to in this Agreement each individually as a “*Party*” and together as the “*Parties*”.

### RECITALS

WHEREAS, subject to the terms and conditions of this Agreement, Seller desires to sell and assign, and Buyer desires to purchase and pay for, all of Seller’s right, title and interest in and to the Assets (as defined in this Agreement) effective as of the Effective Time (as defined in this Agreement); and

WHEREAS, in connection with such sale and purchase, SilverBow has agreed to issue and contribute shares of SilverBow Common Stock to Buyer in an amount equal to the Stock Consideration (in each case as defined herein).

NOW THEREFORE, for and in consideration of the mutual promises, representations, warranties, covenants and agreements contained in this Agreement, the benefits to be derived by each Party pursuant to this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

### Article I DEFINITIONS AND INTERPRETATION

**Section 1.01** *Defined Terms.* Capitalized terms used in this Agreement have the meanings set forth in Annex I.

**Section 1.02** *References and Rules of Construction.* All references in this Agreement to Annexes, Exhibits, Schedules, Articles, Sections, subsections and other subdivisions refer to the corresponding Annexes, Exhibits, Schedules, Articles, Sections, subsections and other subdivisions of or to this Agreement unless expressly provided otherwise. The Annexes, Exhibits and Schedules to this Agreement are incorporated in this Agreement as if set forth in full herein and are an integral part of this Agreement, but if there is any conflict or inconsistency between the main body of this Agreement and an Exhibit or Schedule, the provisions of the main body of this Agreement shall prevail. All terms defined in this Agreement will have their defined meanings when used in any Annex, Exhibit or Schedule to this Agreement or any certificate or other document made or delivered pursuant to it, unless otherwise defined therein. Titles appearing at the beginning of any Article, Section, subsection or other subdivision of this Agreement are for convenience only, do not constitute any part of this Agreement, and are to be disregarded in construing the language of this Agreement. The words “this Agreement,” “herein,” “hereby,” “hereunder” and “hereof,” and words of similar import, refer to this Agreement as a whole and not to any particular Article, Section subsection or other subdivision unless expressly so limited. The words “this Article,” “this Section,” and “this subsection,” and words of similar import, refer only to the Article, Section or subsection of this Agreement in which such words occur. The word “or” is disjunctive but not necessarily exclusive, and has the meaning represented by the phrase “and/or.” The word “including” (in its various forms) means

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“including without limitation” and the phrase “such as” means “such as without limitation,” and each shall be deemed to be followed by the words “without limiting the foregoing in any respect.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” The word “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and such phrase will not mean simply “if.” Examples will not be construed to limit, expressly or by implication, the matter they illustrate. The term “cost” includes expense and the term “expense” includes cost. All references to “\$” or “dollars” are deemed references to United States Dollars. Each accounting term not defined in this Agreement will have the meaning given to it under GAAP as applied by Seller. To the extent that this Agreement provides that a document or information was “made available” or otherwise provided to Buyer, it means that such document or information was delivered electronically to Buyer and its Representatives (as that term is defined in the Confidentiality Agreement) or posted to Seller’s electronic dataroom prior to the Execution Date. Pronouns in masculine, feminine or neuter genders are to be construed to state and include any other gender, and words, terms and titles (including terms defined in this Agreement) in the singular form are to be construed to include the plural and vice versa, unless the context otherwise requires. The serial comma is sometimes included and sometimes omitted. Its inclusion or exclusion will not affect the interpretation of any phrase. Reference in this Agreement to any federal, state, local or foreign Law are to be deemed to also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise, and reference herein to any agreement, instrument or Law means such agreement, instrument or Law as from time to time amended, modified or supplemented, including, in the case of agreements or instruments, by waiver or consent and, in the case of Laws, by succession of comparable successor Laws. References to any date mean such date in Dallas, Texas, and for purposes of calculating the period of time in which any notice or action is to be given or undertaken hereunder, such period will be deemed to begin at 12:01 a.m. on the applicable date in Dallas, Texas. With respect to the determination of any period of time, “from” means “from and including”, “to” means “to but excluding” and “through” means “through and including”. When calculating the period of time before which, within which, or following which any act is to be done or step to be taken pursuant to this Agreement, the date that is the reference date in calculating such period will be excluded. If any period of days referred to in the Agreement would otherwise end on a day that is not a Business Day, then the expiration of such period will be automatically extended until the end of the first succeeding Business Day. Whenever the Parties have agreed that any approval or consent shall not be unreasonably withheld, such phrase includes the Parties’ agreement the approval or consent shall not be unreasonably delayed or conditioned. References to a Person are also to its permitted successor and permitted assigns, and reference to a Person in a particular capacity excludes such Person in any other capacity or individually. If Teal or Castlerock, but not both have an interest in one or more Assets subject to or affected by a dispute, agreement, decision or approval that is otherwise required to be resolved, made or given by the Seller under this Agreement, then notwithstanding anything in this Agreement to the contrary, only the Seller having an interest in the affected Asset or Assets will have a right to participate in such dispute or make such agreement or decision or give such approval.

## **Article II PURCHASE AND SALE**

**Section 1.01 *Purchase and Sale.*** Subject to the terms and conditions of this Agreement, Seller agrees to sell, and Buyer agrees to purchase and pay for, effective as of the Effective Time, all of Seller’s right, title and interest in and to the following assets (such right, title and interest in such assets, less and except the Excluded Assets, collectively, the “Assets”):

(a) the oil and gas leases set forth on Exhibit A, together with any and all other right, title and interest of Seller in and to the leasehold estates created thereby, including all royalties, overriding royalties net profits interests and all other rights therein and the lands covered thereby

or pooled therewith, subject to the terms, conditions, covenants and obligations set forth in such leases or interests or on Exhibit A, and all other interests of Seller of any kind or character in such leases (the “**Leases**”);

(b) (i) all oil and gas wells (such wells, including the oil and gas wells set forth on Exhibit B, the “**Wells**”), and (ii) all water, injection and other wells (such wells, including the non-oil and gas wells set forth on Exhibit B, the “**Other Wells**”), in each case, located on (x) any of the Leases or on any other lease with which any such Lease has been pooled or unitized, whether producing, operating, plugged, permanently abandoned, shut-in or temporarily abandoned or (y) any of the Surface Rights;

(c) all rights and interests in, under or derived from all unitization and pooling agreements or orders in effect with respect to any of the Leases, Wells or Other Wells and the units created thereby (the “**Units**”, including the Units set forth on Exhibit C);

(d) to the extent that they may be assigned, all Applicable Contracts and all rights thereunder;

(e) to the extent that they may be assigned, all fee interests, surface leases, surface rights, permits, licenses, servitudes, easements and rights-of-way to the extent primarily used or held for use in connection with the ownership or operation of any of the other Assets (collectively, the “**Surface Rights**”), including the Surface Rights set forth on Exhibit D;

(f) all structures, equipment, machinery, fixtures, vehicles and other personal, moveable and mixed property, operational and nonoperational, known or unknown, located on any of the other Assets and that is primarily used or held for use in connection with such other Assets (collectively, the “**Personal Property**”), including the SCADA equipment;

(g) all Hydrocarbons in storage or existing in pipelines, plants and tanks (including inventory and line fill) and upstream of the sales meter as of the Effective Time and all other Hydrocarbons produced from or allocated to the Wells after the Effective Time;

(h) to the extent that they may be assigned without consent and without any cost or expense to Seller, all tangible geophysical and other tangible seismic and related technical data and information to the extent primarily relating to the other Assets;

(i) all Imbalances relating to the Assets;

(j) to the extent that they may be assigned (with consent, if applicable, but without any cost or expense unless Buyer agrees in writing to pay such cost or expense), all Permits that are primarily used in connection with the ownership or operation of the Assets;

(k) all (i) trade credits, accounts receivable, notes receivable, take-or-pay amounts receivable, and other receivables and general intangibles, in each case, to the extent attributable to the other Assets (i.e., those items described in the other subsections of this Section 2.01) with respect to periods of time from and after the Effective Time, and (ii) liens and security interests in favor of Seller, whether choate or inchoate, under any Law or Contract, to the extent arising from, or relating to, the ownership, operation, or sale or other disposition at or after the Effective Time of any of the other Assets (i.e., those items described in the other subsections of this Section 2.01);

(l) to the extent that they may be assigned (with consent, if applicable, but without any cost or expense unless Buyer agrees in writing to pay such cost or expense), all rights to audit the records of any Person and to receive refunds or payments of any nature, and all

amounts of money relating thereto, in each case, only to the extent relating to any Assumed Obligations or with respect to which Buyer has an obligation to indemnify Seller;

(m) to the extent that they may be assigned (with consent, if applicable, but without any cost or expense unless Buyer agrees in writing to pay such cost or expense), all intangible rights, inchoate rights, transferable rights under warranties made by prior owners, manufacturers, vendors, and Third Parties, and rights accruing under applicable statutes of limitation or prescription, in each case, to the extent that they are primarily related or attributable to the Assets;

(n) to the extent that they may be assigned (with consent, if applicable, but without any cost or expense unless Buyer agrees in writing to pay such cost or expense) and to the extent related to the other Assets (i.e., those items described in the other subsections of this Section 2.01), all claims, rights, demands, complaints, causes of action, suits, actions, judgments, damages, awards, fines, penalties, recoveries, settlements, appeals, duties, obligations, liabilities, losses, debts, costs, and expenses (including court costs, expert witness fees, and reasonable attorneys' fees) in favor of Seller (i) arising from acts, omissions, or events occurring from and after the Effective Time, or (ii) relating to the period prior to the Effective Time to the extent covering, related or attributable to the Assumed Obligations, in each case, excluding items that relate to matters for which Seller is required to provide indemnification to Buyer hereunder; and

(o) all of the files, records, information and data, whether written or electronically stored, to the extent primarily relating to the Assets, in Seller's possession (but excluding any files, records, information or data to the extent pertaining to the Excluded Assets), including (i) land and title records (including abstracts of title and title opinions), (ii) Applicable Contract files, (iii) operations records, (iv) environmental, production and accounting records, and (v) facility and well records (collectively, "**Records**").

**Section 1.02 Excluded Assets.** Seller shall reserve and retain all of the Excluded Assets.

**Section 1.03 Revenues and Expenses.** Subject to the provisions of this Agreement, Seller shall remain entitled to all of the rights of ownership (including the right to all production, proceeds of production and all other income, proceeds, receipts and credits) and shall remain responsible (by payment, or through the adjustments to the Base Purchase Price hereunder) for all Property Expenses, in each case, attributable to the Assets for the period of time prior to the Effective Time. Subject to the provisions of this Agreement, and subject to the occurrence of Closing, Buyer shall be entitled to all of the rights of ownership (including the right to all production, proceeds of production and other proceeds), and shall be responsible (by payment, through the adjustments to the Base Purchase Price hereunder or otherwise) for all Property Expenses, in each case, attributable to the Assets for the period of time from and after the Effective Time. "Property Expenses" means all operating expenses (including expenses for insurance, bonds and other guarantees) and all capital expenses incurred in the drilling completion, ownership and operation of the Assets and Third Party overhead charged or chargeable to the Assets under the relevant operating agreement or unit agreement, if any, but excluding any Income Taxes, Assets Taxes, Transfer Taxes and any expenses that are typically charged by Seller to the Assets in respect of its overhead (such expenses incurred from and after the Effective Time being addressed by the Base Purchase Price adjustment for overhead in Section 3.02(a)(iv)). Additionally, Property Expenses include any expenses paid by Seller or its Affiliates on behalf of the other joint interest owners with respect of the Assets that are attributable to the Interim Period. After the Closing, each Party shall be entitled to participate in

all joint interest audits and other audits of Property Expenses for which such Party is entirely or in part responsible under the terms of this Section 2.03.

### **Article III PURCHASE PRICE**

#### **Section 1.01 Base Purchase Price; Earn-Out Consideration; Deposit.**

(a) The purchase price for the Assets will be an amount equal to Seventy Five Million Dollars (\$75,000,000.00) (the “**Base Purchase Price**”), adjusted in accordance with this Agreement (the “**Adjusted Purchase Price**”). The Base Purchase Price shall be paid as follows: (i) Forty-Five Million Dollars (\$45,000,000.00) in cash (the “**Cash Consideration**”) and (ii) an aggregate number of fully paid and non-assessable shares of SilverBow Common Stock equal to the greater of (x) 1,351,961 shares of SilverBow Common Stock, and (y) the number of such shares equal to Twenty-Five Million Dollars (\$25,000,000) *divided* by the Reference Price (the “**Stock Consideration**”).

(b) Seller shall be entitled to receive from Buyer the Earn-Out Consideration if and to the extent required by this Section 3.01(b) as additional consideration to Seller hereunder, which shall be paid in accordance with this Section 3.01(b). Subject to the remainder of this Section 3.01(b), the Earn-Out Consideration for each Applicable Calendar Year shall be due and payable by Buyer to Seller on or before the date that is thirty (30) days after each Applicable NYMEX Settlement Data Date (the “**Earn-Out Consideration Due Dates**”); *provided, however*, that any portion of the Earn-Out Consideration submitted to the Accounting Arbitrator shall be due and payable by Buyer as provided in Section 3.01(b)(i).

(i) Notwithstanding anything to the contrary contained in this Section 3.01(b), on or before the date which is ten (10) calendar days following the Applicable NYMEX Settlement Data Date, Buyer shall deliver to Seller a written notification setting forth the amount of the applicable Earn-Out Consideration, together with Buyer’s calculations and supporting documentation with respect to such Earn-Out Consideration. Within ten (10) calendar days following receipt of Buyer’s notice, Seller shall deliver to Buyer a report containing any changes that Seller proposes to be made in the statement for the applicable Earn-Out Consideration. Any dispute with respect to a portion of such Earn-Out Consideration owed hereunder that is not resolved by Buyer and Seller on or before the applicable Earn-Out Consideration Due Date shall be submitted by Buyer and Seller to the Accounting Arbitrator for binding dispute resolution in accordance with the dispute resolution procedures set forth in Section 3.05, *mutatis mutandis*. Such dispute shall be submitted by the Parties no later than five (5) Business Days following the applicable Earn-Out Consideration Due Date. The amount of any applicable Earn-Out Consideration determined by the Accounting Arbitrator in accordance with the terms hereof shall be paid (and SilverBow shall cause Buyer to pay) to Seller no later than five (5) Business Days after the Accounting Arbitrator issues a final decision with respect to such Earn-Out Consideration. Any undisputed portion of the Earn-Out Consideration shall be paid (and SilverBow shall cause Buyer to pay) on the Earn-Out Consideration Due Date.

(ii) Buyer and SilverBow shall not, and shall cause their Affiliates not to, enter into any agreement, contract, or arrangement with any Person or take any other action or enter into or cause any Person to enter into any alternative transaction that would result in the circumvention of the intent and obligations of the Parties with respect to the Earn-Out Consideration hereunder, including any transfers to Affiliates and subsequent sale of some or all of the equity of such Affiliate to a non-Affiliate (i.e., a “Texas two-step” or similar transaction).

(iii) If Buyer fails to pay the Earn-Out Consideration (or any portion thereof, as applicable) owing to Seller pursuant to this Section 3.01(b) on or prior to the Earn-Out Consideration Due Date, including as a result of a dispute resolved in Seller's favor in accordance with Section 3.01(b)(i), then Buyer shall pay the costs and expenses (including reasonable legal fees and expenses) incurred by Seller in connection with any Proceeding taken to collect payment of such amount (or any unpaid portion thereof, as applicable), at a rate equal to the Reference Rate, calculated on a daily basis from the Earn-Out Consideration Due Date.

(iv) The Parties understand and agree that the contingent rights to receive the Earn-Out Consideration shall not be represented by any form of certificate or other instrument, (y) Seller shall not have any rights as a security holder of Buyer as a result of Seller's contingent right to receive the Earn-Out Consideration hereunder and (z) no interest is payable with respect to the Earn-Out Consideration.

(c) Notwithstanding Section 3.01(a) or Section 3.01(b), other than any shares of SilverBow Common Stock issued by SilverBow full or partial consideration in connection with a bona fide acquisition, purchase of the capital stock or assets of, or transaction or series of transactions with, an unaffiliated third party that is the result of arm's length negotiations, including, for the avoidance of doubt, any shares of SilverBow Common Stock issued by SilverBow as consideration pursuant to SilverBow's previously announced acquisition of oil and gas assets in the Eagle Ford, if at any time on or after the Execution Date and prior to the Closing, (x) SilverBow, in accordance with this Agreement, makes (or any record date occurs with respect to) (A) any dividend or distribution on the SilverBow Common Stock, whether in SilverBow Common Stock or securities or obligations convertible or exchangeable into, or exercisable for, SilverBow Common Stock, (B) subdivision or split of any SilverBow Common Stock, (C) combination or reclassification of SilverBow Common Stock into a smaller number of shares of SilverBow Common Stock or (D) issuance of any securities by reclassification of SilverBow Common Stock (including any reclassification in connection with a merger, consolidation or business combination in which SilverBow or Buyer is the surviving person) or (y) any merger, consolidation, combination, or other transaction is consummated pursuant to which SilverBow Common Stock is converted to cash or other securities, then (1) the number of shares of SilverBow Common Stock to be issued to Seller (and/or, if applicable, to those Seller Designees to whom Seller designates in the Preliminary Settlement Statement to receive all or a portion of the shares of SilverBow Common Stock comprising the Stock Consideration) shall be proportionately adjusted, including, for the avoidance of doubt, in the cases of clause (i)(D) and clause (ii) to provide for the receipt by Seller (or the Seller Designees, as applicable), in lieu of any SilverBow Common Stock, the same number or amount of cash and/or securities as is received in exchange for each share of SilverBow Common Stock in connection with any such transaction described in clause (i)(D) or clause (ii) hereof, and (2) the Reference Price and the Stock Consideration and any other amounts or similarly-dependent items related to the SilverBow Common Stock, the Reference Price or the Stock Consideration shall be appropriately and equitably adjusted to reflect such change to provide the same economic effect as contemplated by their Agreement prior to such action (and thereafter all reference in this Agreement to "**SilverBow Common Stock**", "**Reference Price**", "**Stock Consideration**" and other similarly dependent items shall be references to such terms, as so adjusted). An adjustment made pursuant to the foregoing sentence shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, split, combination, reclassification or other transaction.

(d) Within three (3) Business Days of the Execution Date, Buyer will deposit, by wire transfer in immediately available funds, with the Escrow Agent pursuant to the Escrow Agreement an amount equal to Seven Million Five Hundred Thousand Dollars (\$7,500,000.00) (such amount, the "**Deposit**"), which amount represents ten percent (10%) of the Base Purchase

Price. If Closing occurs, at the Closing, the Deposit will be released to Seller pursuant to Section 9.03(d). If this Agreement is terminated before Closing occurs, the Deposit will be released to Seller or Buyer, as applicable, and fulfillment of all the conditions and requirements set forth in the Escrow Agreement relating to such disbursements in the absence of joint instructions.

**Section 1.02 Adjustments to Base Purchase Price.** The Base Purchase Price will be adjusted as follows:

(a) The Base Purchase Price will be adjusted upward by the following amounts (without duplication):

(i) An amount equal to, to the extent that such amount has been received by Buyer and not remitted or paid to Seller, the value of all Hydrocarbons from or attributable to the Assets in storage or existing in pipelines, plants and tanks (including inventory and line fill) and upstream of the sales meter as of the Effective Time, the value to be based upon the contract price in effect as of the Effective Time (or the sales price, if there is no contract price, in effect as of the Effective Time);

(ii) Except to the extent covered by Section 3.02(a)(iv), an amount equal to all Property Expenses (excluding any expenses that are typically charged by Seller to the Assets in respect of its overhead, which are addressed in Section (iv)) and all other costs and expenses (excluding, for the avoidance of doubt, any Income Taxes, Assets Taxes, and Transfer Taxes) paid by Seller that are attributable to the Assets during the period from and after the Effective Time, whether paid before or after the Effective Time, including (A) bond and insurance premiums paid by or on behalf of Seller with respect to the Interim Period, (B) Burdens, (C) rental and other lease maintenance payments, and (D) prepayments for work or services performed (or to be performed) after the Effective Time;

(iii) [RESERVED]

(iv) a monthly overhead amount (for the period commencing from the Effective Time through the Closing Date, but not exceeding three (3) months in any event) equal to \$110,000 per month, prorated for any partial month;

(v) subject to Section 3.08, to the extent that Seller either (x) is underproduced for Hydrocarbons, or (y) has overdelivered any Hydrocarbons, in each case, as of the Effective Time as set forth in Schedule 4.10, as complete and final settlement of all Imbalances attributable to the Assets, the sum of (A) an amount equal to the product of the underproduced or overdelivered volumes times \$4.50/MMBtu for gaseous Hydrocarbons, and (B) an amount equal to the product of the underproduced or overdelivered volumes times \$70.00/Bbl for liquid Hydrocarbons;

(vi) the amount of all Asset Taxes allocated to Buyer in accordance with Article XIII but only to the extent they are paid or otherwise economically borne by Seller; and

(vii) any other amount provided for elsewhere in this Agreement or otherwise agreed upon in writing by Seller and Buyer.

(b) The Base Purchase Price will be adjusted downward by the following amounts (without duplication):

(i) an amount equal to, to the extent that such amount has been received by Seller and not remitted or paid to Buyer, all proceeds actually received by Seller attributable to the ownership or operation of the Assets, including the sale of Hydrocarbons produced from or allocable to such Assets during the period following the Effective Time, net of expenses (other than Property Expenses and other expenses taken into account pursuant to Section 3.02(a), Income Taxes, Asset Taxes, and Transfer Taxes) directly incurred in earning or receiving such proceeds;

(ii) if Seller makes the election under Section 11.02(d)(i) with respect to a Title Defect, the Title Defect Amount with respect to such Title Defect if the Title Defect Amount has been determined as of or prior to the Closing;

(iii) if Seller makes the election under Section 12.01(c)(i) with respect to an Environmental Defect, the Remediation Amount with respect to such Environmental Defect if the Remediation Amount has been determined as of or prior to the Closing;

(iv) the Allocated Value of the Assets excluded from the Transactions pursuant to Section 11.02(d)(ii), Section 11.04(b), Section 11.05(a), Section 11.05(b) or Section 12.01(c)(ii);

(v) subject to Section 3.08, to the extent that Seller either (x) is overproduced for Hydrocarbons, or (y) has underdelivered any Hydrocarbons, in each case, as of the Effective Time as set forth in Schedule 4.10, as complete and final settlement of all Imbalances attributable to the Assets, the sum of (A) an amount equal to the product of the overproduced or underdelivered volumes times \$4.50/MMBtu for gaseous Hydrocarbons, and (B) an amount equal to the product of the overproduced or underdelivered volumes times \$70.00/Bbl for liquid Hydrocarbons;

(vi) the amount of all Asset Taxes allocated to Seller in accordance with Article XIII but only to the extent they are paid or otherwise economically borne by Buyer;

(vii) an amount equal to all proceeds from sales of Hydrocarbons arising from the Assets and payable to owners of Working Interests, royalties, overriding royalties and other similar interests (in each case) that are held by Seller in suspense as of the Closing Date; and

(viii) any other amount provided for elsewhere in this Agreement or otherwise agreed upon in writing by Seller and Buyer.

Notwithstanding anything to the contrary in this Agreement, all adjustments to the Base Purchase Price shall be made only to the Cash Consideration (the Cash Consideration, as so adjusted, the "*Adjusted Cash Consideration*").

**Section 1.03 Preliminary Settlement Statement.** Not less than three (3) Business Days prior to Closing, Seller shall prepare and submit to Buyer a draft settlement statement (the "Preliminary Settlement Statement") that sets forth Seller's estimate of the Adjusted Purchase Price, reflecting each adjustment made in accordance with this Agreement as of the date of preparation of such Preliminary Settlement Statement and the calculation of the adjustments used to determine such amount, together with the designation of Seller's or any designee's account(s) for the wire transfers of funds as required by Section 3.01 and Section 9.03(d) and Section 9.03(e). Within two (2) Business Days after receipt of the Preliminary Settlement Statement, Buyer shall deliver to Seller a written report containing all changes that Buyer proposes to be made to the Preliminary Settlement Statement together with the explanation for such changes and

the supporting documents therefor. The Parties shall in good faith attempt to agree in writing on the Preliminary Settlement Statement as soon as possible after Seller's receipt of Buyer's written report. The Preliminary Settlement Statement, as agreed upon in writing by the Parties, will be used to adjust the Base Purchase Price at Closing, except that if the Parties do not agree in writing upon any or all of the adjustments set forth in the Preliminary Settlement Statement, then the amount of such adjustment or adjustments used to adjust the Base Purchase Price at Closing will be that amount set forth in the draft Preliminary Settlement Statement delivered by Seller to Buyer pursuant to this Section 3.03.

**Section 1.04 Final Settlement Statement.**

(a) On or before one hundred twenty (120) days after Closing, a final settlement statement (the "**Final Settlement Statement**") will be prepared by Seller and delivered to Buyer, based on actual income and expenses (if known) during the Interim Period and which takes into account all final adjustments made to the Base Purchase Price and shows the resulting final Base Purchase Price (the "**Final Price**"). The Final Settlement Statement will set forth the actual proration of the amounts required by this Agreement. As soon as practicable, and in any event within thirty (30) days after receipt of the Final Settlement Statement, Buyer shall return to Seller a written report containing any proposed changes to the Final Settlement Statement and an explanation of any such changes and the reasons for such changes (the "**Dispute Notice**"). Any changes not so specified in the Dispute Notice will be deemed waived, and Seller's determinations with respect to all such elements of the Final Settlement Statement that are not addressed specifically in the Dispute Notice will prevail. If Buyer fails to timely deliver a Dispute Notice to Seller containing changes Buyer proposes to be made to the Final Settlement Statement, the Final Settlement Statement as delivered by Seller will be deemed to be correct and will be, without limiting Section 13.01, final and binding on the Parties and not subject to further audit or arbitration. If the Final Price set forth in the Final Settlement Statement is agreed upon in writing by Seller and Buyer, the Final Settlement Statement and the Final Price, will be, without limiting Section 13.01, final and binding on the Parties and not subject to further audit or arbitration.

(b) Any difference in the Adjusted Purchase Price as paid at Closing pursuant to the Preliminary Settlement Statement and the Final Price shall be paid by the owing Party within ten (10) Business Days of final determination of such owed amounts in accordance with this Section 3.04 to the owed Party:

(i) if the Final Price is more than the Adjusted Purchase Price set forth on the Preliminary Settlement Statement, then Buyer shall pay to Seller by wire transfer of immediately available funds to the account specified in writing by Seller an amount equal to the Settlement Amount; and

(ii) if the Final Price is less than the Adjusted Purchase Price set forth on the Preliminary Settlement Statement, Seller shall pay to Buyer by wire transfer of immediately available funds to the account specified in writing by Buyer an amount equal to the Settlement Amount.

(c) If, after the delivery of the Final Settlement Statement pursuant to the provisions of Section 3.04(a), either Party receives monies (including proceeds of production) belonging to the other Party pursuant to Section 2.03 or otherwise, then such monies shall, within five (5) Business Days after the end of the month in which they were received, be paid over by the receiving Party to the owed Party. Additionally, if after delivery of the Final Settlement Statement, Seller pays monies relating to the Assets that are the obligation of Buyer, then Buyer shall, within five (5) Business Days after the end of the month in which the applicable invoice and proof of payment of such invoice are received by it, reimburse Seller. Seller shall be

permitted to offset any monies owed by it to Buyer pursuant to this Section 3.04 against amounts owed to it by Buyer pursuant to this Section 3.04.

(d) Except (i) as provided in Section 3.04(c) and (ii) for those matters for which a Party has an indemnity obligation pursuant to Article X or Article XIV, if the Final Price set forth in the Final Settlement Statement is agreed upon by Seller and Buyer or determined pursuant to Section 3.05, the Final Settlement Statement and the Final Price will be final and binding on the Parties, and will be the final accounting for any and all Property Expenses, and there will be no adjustment for, or obligation to pay, any Property Expenses between the Parties following the Final Settlement Statement.

**Section 1.05 Disputes.** Seller and Buyer shall work together in good faith to resolve any matters addressed in the Dispute Notice. If Seller and Buyer are unable to resolve all of the matters addressed in the Dispute Notice within ten (10) Business Days after the delivery of such Dispute Notice by Buyer to Seller, either Party may, upon notice to the other Party, submit all unresolved matters addressed in the Dispute Notice to arbitration in accordance with this Section 3.05. Within ten (10) Business Days of a matter being submitted to arbitration by a Party in accordance with the preceding sentence, each of Buyer and Seller shall (a) summarize its position with regard to such dispute in a written document of twenty (20) pages or less and (b) submit such summaries to the Dallas, Texas office of KPMG US LLP, or such other Person as the Parties may mutually select in writing (the “**Accounting Arbitrator**”), together with the Dispute Notice, the Final Settlement Statement and any other documentation such Party may desire to submit. If the Parties cannot agree on an Accounting Arbitrator within ten (10) Business Days after a Party’s election to submit such matters to arbitration under this Section 3.05, then either Party may request the Dallas, Texas office of the American Arbitration Association (the “AAA”) (or, if there is no such office, the office of the AAA serving Dallas, Texas) to select the Accounting Arbitrator. Within ten (10) Business Days after receiving the Parties’ respective submissions, the Accounting Arbitrator shall render a decision choosing either Seller’s position or Buyer’s position with respect to each matter addressed in any Dispute Notice, based on the materials submitted to the Accounting Arbitrator as described above. Any decision rendered by the Accounting Arbitrator pursuant to this Section 3.05 will be, without limiting Section 13.01(c), final, conclusive and binding on Seller and Buyer and will be enforceable against any of the Parties in any court of competent jurisdiction. The Accounting Arbitrator shall act as an expert for the limited purpose of determining the specific dispute submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter except as otherwise provided in the following sentence. The costs of the Accounting Arbitrator and the reasonable legal costs and other expenses incurred by the Parties in connection with the arbitration will be borne pro rata between the Parties, with each Party being responsible for such expenses to the extent the Accounting Arbitrator has not selected such Party’s position on an aggregate dollar basis with respect to all amounts submitted for resolution by the Accounting Arbitrator.

**Section 1.06 Allocated Values.** Solely for the purposes of determining the value of the Assets in connection with any Title Defect, Environmental Defect, Preferential Purchase Right, Hard Consent, and/or breach of Special Warranty under this Agreement, Buyer and Seller agree that the Base Purchase Price shall be allocated among the Assets as set forth on Schedule 3.06 (the “Allocated Values”). Buyer and Seller agree that such allocation is reasonable and they shall not take any position inconsistent with such allocation, including in notices to holders of Preferential Purchase Rights. Seller, however, makes no representation or warranty as to the accuracy of such values or allocation.

**Section 1.07 Base Purchase Price Allocation.** Buyer and Seller shall use commercially reasonable efforts to agree to an allocation of the Adjusted Purchase Price and any other items properly treated as consideration for U.S. federal Income Tax purposes among the Assets in

accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder and, to the extent allowed under federal income Tax Law, in a manner consistent with the Allocated Values within thirty (30) days after the date that the Final Settlement Statement is finally determined pursuant to Section 3.04 (the "Allocation"). If the Parties reach a written agreement with respect to the Allocation, (i) Buyer and Seller shall use commercially reasonable efforts to update the Allocation in accordance with Section 1060 of the Code following any adjustment to the Base Purchase Price pursuant to this Agreement, and (ii) Buyer and Seller shall, and shall cause their Affiliate to, report consistently with the Allocation, as adjusted, on all Tax Returns, including Internal Revenue Service Form 8594 (Asset Acquisition Statement under Section 1060), and neither Seller nor Buyer shall take any position on any filed Tax Return that is inconsistent with the Allocation, as adjusted, unless otherwise required by Law; except that no Party will be unreasonably impeded in its ability and discretion to negotiate, compromise or settle any Tax audit, claim or similar proceedings in connection with such Allocation. If the Parties are unable to reach agreement within thirty (30) days after the date that the Final Settlement Statement is finally determined, then each Party will be entitled to adopt its own position regarding the Allocation, on the condition that such position shall be consistent with the Allocated Values. Seller and Buyer each agree to promptly advise each other regarding the existence of any Tax audit, controversy or litigation related to the Allocation.

**Section 1.08 Allocation for Imbalances at Closing.** If, prior to Closing, either Party discovers an error in the Imbalances set forth in Schedule 4.10, then the Base Purchase Price will be further adjusted at Closing pursuant to Section 3.02(a)(v) or Section 3.02(b)(v), as applicable, and Schedule 4.10 will be deemed amended immediately prior to Closing to reflect the Imbalances for which the Base Purchase Price is so adjusted.

**Section 1.09 Disclosures with Multiple Applicability; Materiality.** If any fact, condition, or matter disclosed in the Seller's disclosure Schedules applies to more than one section of this Agreement, a single disclosure of such fact, condition, or matter on Seller's disclosure Schedules will constitute disclosure with respect to all sections of this Agreement to which such fact, condition, or other matter applies to the extent reasonably apparent on the face of the Seller's disclosure Schedules, regardless of the section of the Seller's disclosure Schedules in which such fact, condition, or other matter is described. Inclusion of a matter on the Seller's disclosure Schedules with respect to a representation or warranty that is qualified by "material" or any variant thereof shall not necessarily be deemed an indication that such matter does, or may, be material. Matters may be disclosed on a Schedule to this Agreement for purposes of information only.

#### **Article IV REPRESENTATIONS AND WARRANTIES OF SELLER**

Seller represents and warrants to Buyer as follows:

**Section 1.01 Organization, Existence and Qualification.** Teal and Castlerock are limited liability companies duly formed and validly existing under the Laws of the State of Delaware. Each of Teal and Castlerock has all requisite limited liability company power and authority to own and operate its property (including the Assets) and to carry on its business as now conducted. Teal and Castlerock are duly licensed or qualified to do business as a foreign limited liability companies in all jurisdictions in which they carry on business or own assets and such qualification is required by Law, except where the failure to be so qualified would not have a Seller Material Adverse Effect.

**Section 1.02 Authority, Approval and Enforceability.** Each of Teal and Castlerock has full limited liability company power and authority to enter into and perform this Agreement, the Transaction Documents to which it is a party and the Transactions. The execution, delivery and

performance by Teal and Castlerock of this Agreement and the Transaction Documents to which they are a Party have been authorized and approved by all necessary limited liability company action on the part of Teal and Castlerock. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement is, and the Transaction Documents to which Seller is party when executed and delivered by Seller will be, the valid and binding obligations of Seller and enforceable against Seller in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

**Section 1.03 No Conflicts.** Assuming the receipt of all Consents and the waiver of or compliance with all Preferential Purchase Rights, the execution, delivery and performance by Seller of this Agreement and the Transaction Documents to which it is a Party and the consummation of the Transactions will not (a) conflict with or result in a breach of any provisions of the organizational documents of Teal or Castlerock, (b) except for Permitted Encumbrances, result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage or indenture, or (c) assuming HSR Approval has been received (to the extent applicable), violate any Law applicable to Seller or any of the Assets, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not have a Seller Material Adverse Effect.

**Section 1.04 Consents.** Except (a) as set forth on Schedule 4.04, (b) for Customary Post-Closing Consents, and (c) under Contracts that are terminable upon not greater than ninety (90) days' notice without payment of any fee, there are no restrictions on assignment, including requirements for consents from Third Parties to any assignment (in each case), that Teal or Castlerock is required to obtain in connection with the transfer of the Assets by Seller to Buyer in connection with the consummation of the Transactions (each, a "Consent"), except where the failure to obtain such Consent would not be material.

**Section 1.05 Bankruptcy.** There are no bankruptcy, reorganization or receivership proceedings pending, being contemplated by or, to Seller's Knowledge, Threatened against Seller.

**Section 1.06 Litigation.** As of the Execution Date, except as set forth on Schedule 4.06, there are no material Proceedings pending against Seller with respect to the Assets of which Seller has received service or written notice or, to Seller's Knowledge, Threatened against Seller with respect to the Assets.

**Section 1.07 Material Contracts.**

(a) Schedule 4.07 sets forth, as of the Execution Date, all Applicable Contracts of the type described below (collectively, the "**Material Contracts**") of which Seller has Knowledge:

(i) any Applicable Contract that can reasonably be expected to result in aggregate payments by Seller of more than \$100,000.00 (net to the aggregate interest of Seller in the Assets) during the remainder of the current or any subsequent calendar year (based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(ii) any Applicable Contract that can reasonably be expected to result in aggregate revenues to Seller of more than \$100,000.00 (net to the aggregate interest of Seller in the Assets) during the remainder of the current or any subsequent calendar year

(based solely on the terms thereof and current volumes, without regard to any expected increase in volumes or revenues);

(iii) any Applicable Contract that (A) is a Hydrocarbon purchase and sale, marketing, transportation, storage, gathering, treating, separation, compression, processing or similar Contract, and (B) is not terminable without penalty upon sixty (60) days' or less notice;

(iv) any indenture, mortgage, loan, credit, or sale-leaseback or similar Contract;

(v) any Contract of Seller to sell, lease, exchange, transfer, or otherwise dispose of all or any part of the Assets (other than with respect to production of Hydrocarbons in the ordinary course) from and after the Effective Time, but excluding rights of reassignment upon intent to abandon an Asset;

(vi) any Applicable Contract that constitutes a lease under which Seller is the lessor or the lessee of real or Personal Property which lease (A) cannot be terminated by Seller without penalty upon sixty (60) days' or less notice, and (B) involves an annual base rental of more than \$100,000.00 (net to the aggregate interest of Seller in the Assets) (without regard to any increase in price);

(vii) any Applicable Contract that is a farmout agreement, participation agreement, exploration agreement, development agreement, joint operating agreement, unit agreement or any similar Applicable Contract where, in each case, the primary obligation thereunder has not been fully performed;

(viii) any Applicable Contract between Seller and any Affiliate of Seller that will not be terminated prior to or as of the Closing;

(ix) any Applicable Contract that provides for an area of mutual interest that is in full force and effect as the Closing;

(x) any Applicable Contract that contains a non-compete agreement or otherwise purports to restrict, limit or prohibit the manner in which, or the locations in which, Seller may conduct its business (but specifically excluding any confidentiality agreements that Seller or its Affiliates executed in connection with their evaluation of potential acquisitions in the State of Texas); and

(xi) any Applicable Contract containing a Tax partnership agreement.

(b) Except as set forth on Schedule 4.07, there exists no material default under any Material Contract by Seller or, to Seller's Knowledge, by any other Person that is party to such Material Contract, and no event has occurred that with notice or lapse of time or both would constitute any material default under any such Contract by Seller or, to Seller's Knowledge, any other Person who is party to such Material Contract. Seller has not received any written notice of, and to Seller's Knowledge no Person seeks, any price redetermination, curtailments, or terminations of any of the Material Contracts. Prior to the execution of this Agreement, Seller has made available to Buyer true and complete copies of each Material Contract and all amendments thereto.

**Section 1.08 No Violation of Laws.** To Seller's Knowledge, except as set forth on Schedule 4.08, as of the Execution Date, Seller is not in violation of any Laws (except for any

Environmental Laws) in any material respect with respect to its ownership and operation of the Assets.

**Section 1.09 *Preferential Purchase Rights.*** Except as set forth on Schedule 4.09, there are no material preferential purchase rights, tag rights, rights of first refusal or other similar rights that are applicable to the transfer of the Assets in connection with the Transactions (each a “Preferential Purchase Right”).

**Section 1.10 *Imbalances.*** To Seller’s Knowledge, Schedule 4.10 sets forth all material Imbalances associated with the Assets as of the Effective Time.

**Section 1.11 *Current Commitments.*** Schedule 4.11 sets forth, as of the Execution Date, each authority for expenditures for an amount greater than \$250,000.00 (net to the aggregate interest of Seller) (collectively, the “AFEs”) relating to the Assets to drill or rework wells or for other capital expenditures for which all of the activities anticipated in such AFEs or commitments have not been completed by the Execution Date.

**Section 1.12 *Payout Balances.*** The payout balance for each Well operated by Seller or its Affiliates is reflected in all material respects in Schedule 4.12 as of the respective dates shown on such Schedule with respect to each Well listed thereon.

**Section 1.13 *Taxes.*** To Seller’s Knowledge, all material Asset Taxes that have become due and payable have been timely paid (other than Asset Taxes that are being contested in good faith), and all material Tax Returns with respect to Asset Taxes required to be filed have been duly and timely filed. None of the Assets is subject to any tax partnership agreement or is otherwise treated, or required to be treated, as held in an arrangement requiring a partnership income Tax return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code. Notwithstanding any other provision in this Agreement, the representations and warranties in this Section 4.13 are the only representations and warranties in this Agreement with respect to Tax matters.

**Section 1.14 *Brokers’ Fees.*** Neither Seller nor its Affiliates have incurred any Liability, contingent or otherwise, for brokers’ or finders’ fees relating to the Transactions for which Buyer or Buyer’s Affiliates will have any responsibility.

**Section 1.15 *Payments for Production.*** Seller is not obligated by virtue of a take-or-pay payment, advance payment or other similar payment (other than gas balancing agreements) to deliver Hydrocarbons, or proceeds from the sale of Hydrocarbons, attributable to Seller’s interests in the Assets at some future time without receiving full payment therefor at or after the time of delivery.

**Section 1.16 *Non-Consent Operations.*** Except as set forth on Schedule 4.16 or otherwise reflected on Exhibit A or Exhibit B, as applicable, as of the Execution Date, to Seller’s Knowledge, no operations are being conducted or have been conducted on the Assets with respect to which Seller has elected to be a non-consenting party under the applicable operating agreement and with respect to which all of Seller’s rights have not yet reverted to it.

**Section 1.17 *Wells.*** Except as set forth on Schedule 4.17, and limited to Seller’s Knowledge with respect to all Assets operated by a Person other than Seller or its Affiliate:

(a) all Wells and Other Wells have been drilled and completed at legal locations and within the limits permitted by all applicable Leases, Contracts, and pooling or unit agreements;

(b) all currently producing Wells and equipment used or held for use in connection with the operation of the Assets are in an operable state of repair adequate to maintain normal operations in accordance with past practices, ordinary wear and tear excepted; and

(c) as of the Execution Date, (a) Seller has not received any notices or demands from Governmental Authorities to plug or abandon any Wells or Other Well and (b) to Seller's Knowledge, the Wells and Other Wells that are neither in use for purposes of production or injection, nor temporarily suspended or temporarily abandoned in accordance with applicable Law, have been plugged and abandoned to the extent required by, and in accordance with, applicable Law.

**Section 1.18 Environmental Matters.** Except as described in Section 4.18 and except as would not have a Seller Material Adverse Effect:

(a) neither Seller nor any of its Affiliates has entered into any agreement with, or is subject to, any unsatisfied order, decree, or judgment issued by, a Governmental Authority that are in existence as of the Execution Date, that are based on Environmental Laws and that relate to the current or future use, ownership, development, maintenance or operation of any of the Assets;

(b) as of the Execution Date, neither Seller nor any of its Affiliates has received written notice of any investigation by a Governmental Authority, or any pending or threatened proceeding before a Governmental Authority, under Environmental Laws with respect to the Assets or Seller's or any of its Affiliates' ownership or operation thereof in respect of any violation of Environmental Laws or any alleged remediation or cleanup obligation under Environmental Laws; and

(c) copies of all final written reports of environmental site assessments and/or compliance audits by a Third Party on behalf of Seller or any of its Affiliates that are in Seller's or any of its Affiliates' possession or control, in each case, that have been prepared in the three years prior to the Execution Date, shall be made available to Buyer prior to the Execution Date.

Without limitation of Section 12.02, this Section 4.18 and Section 4.19 constitute Seller's sole representations and warranties regarding environmental matters, or the Assets or Seller's compliance with, or violation of, Environmental Laws regarding the Assets or the Seller's business with respect to the Assets.

**Section 1.19 Permits.** Except as set forth on Schedule 4.19, Seller holds all Permits necessary and required to own and operate in all material respects Assets operated by Seller or any Affiliates of Seller and for the conduct of their business as currently conducted. Each of such Permits is in full force and effect and Seller is in compliance in all material respects with each such Permit.

**Section 1.20 Suspense Funds.** Schedule 4.20 sets forth, as of the date set forth on Schedule 4.20, all funds held in suspense (whether positive or negative, and including funds held in suspense for unleased interests and penalties and interest) by Seller or its Affiliates, as reflected on the books and records thereof kept in the ordinary course, that are attributable to the Assets or any interests pooled therewith.

**Section 1.21 Leases.** As of the Execution Date, (i) neither Seller nor any of its Affiliates has received written notice from any Person that Seller or an Affiliate of Seller has improperly paid any Burden due to such Person with respect to Seller's interest in the Leases, nor (ii) has Seller or any Affiliate of Seller received any written demand from any Person seeking to release or terminate any of the Leases as a result of Seller's failure to perpetuate any of the Leases

beyond the primary term of such Lease. Schedule 4.21 contains a true, correct, and complete list of all Leases operated by Seller or its Affiliates which will expire, terminate, or otherwise be materially impaired absent actions by or on behalf of Seller (other than continued production in paying quantities) on or before a date that is 60 days after the Target Closing Date.

**Section 1.22 Investment Intent.** Teal, Castlerock and each Seller Designee: (a) is an experienced and knowledgeable investor, (b) is able to bear the economic risks of an acquisition and ownership of the SilverBow Common Stock comprising the Stock Consideration, (c) is capable of evaluating (and has evaluated) the merits and risks of investing in the SilverBow Common Stock and its acquisition and ownership thereof, (d) is an “accredited investor,” as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act, (e) is acquiring the shares of SilverBow Common Stock comprising the Stock Consideration for its own account and not with a view to a sale, distribution or other disposition thereof in violation of the Securities Act, and the rules and regulations thereunder, any applicable blue sky Laws, or any applicable other securities Laws, and (f) acknowledges and understands that (i) the shares of SilverBow Common Stock comprising the Stock Consideration have not been registered under the Securities Act in reliance on an exemption therefrom and (ii) each of the shares of SilverBow Common Stock comprising the Stock Consideration will, upon its acquisition by Seller or Seller Designee, be characterized as “restricted securities” under state and federal securities Laws and may not be sold, transferred, offered for sale, pledged, hypothecated, or otherwise disposed of, except pursuant to an effective registration statement under the Securities Act or in a private transaction pursuant to an exemption from the registration requirements of the Securities Act, and in compliance with applicable state and federal securities Laws. Teal, Castlerock and each Seller Designee understand that the Stock Consideration is being issued in reliance on specific exemptions from the registration requirements of the Securities Act and that SilverBow is relying in part upon the truth and accuracy of, and Teal, Castlerock and each Seller Designee’s compliance with, the representations, warranties, acknowledgements and understandings set forth in this Section 4.22 in order to determine the availability of such exemptions.

## **Article V REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer and SilverBow jointly and severally represent and warrant to Seller as follows:

### **Section 1.01 Organization, Existence and Qualification.**

(a) **Organization, Existence and Qualification of Buyer.** Buyer is a limited liability company duly formed, validly existing and in good standing under the Laws of the State of Texas and has all requisite power and authority to own and operate its property and to carry on its business as now conducted. Buyer is duly licensed or qualified to do business in all jurisdictions in which (a) the Assets are located and (b) it carries on business or owns assets and such qualification as is required by Law except, in the case of this clause (a), where the failure to be so qualified would not have a material adverse effect upon the ability of Buyer to consummate the Transactions or perform its obligations hereunder.

(b) **Organization, Existence and Qualification of SilverBow.** SilverBow is a corporation duly formed, validly existing and in good standing under the Laws of the State of Delaware and has all requisite power and authority to own and operate its property and to carry on its business as now conducted.

**Section 1.02 Authority, Approval and Enforceability.** Each of SilverBow and Buyer has full power and authority to enter into and perform this Agreement, the Transaction

Documents to which it is a party and the Transactions. The execution, delivery and performance by Buyer of this Agreement and the Transaction Documents has been authorized and approved by all necessary action on the part of SilverBow and Buyer. Assuming the due authorization, execution and delivery by the other parties to such documents, this Agreement is, and the Transaction Documents to which each of SilverBow and Buyer is a party when executed and delivered by Buyer will be, the valid and binding obligations of SilverBow and Buyer and enforceable against Buyer in accordance with their respective terms, subject to the effects of bankruptcy, insolvency, reorganization, moratorium and similar Laws, as well as to principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at Law).

**Section 1.03 No Conflicts.** The execution, delivery and performance by SilverBow and Buyer of this Agreement, the Transaction Documents and the consummation of the Transactions will not (a) conflict with or result in a breach of any provisions of the Organizational Documents of SilverBow or Buyer, (b) result in a default or the creation of any Encumbrance or give rise to any right of termination, cancellation or acceleration under any of the terms, conditions or provisions of any note, bond, mortgage or indenture to which SilverBow or Buyer is a party or by which SilverBow, Buyer or any of its property may be bound, or (c) assuming HSR Approval has been received (to the extent applicable), violate any Law applicable to SilverBow or Buyer or any of its property, except in the case of clauses (b) and (c) where such default, Encumbrance, termination, cancellation, acceleration or violation would not have a material adverse effect upon the ability of SilverBow or Buyer to consummate the Transactions or perform their obligations hereunder and thereunder.

**Section 1.04 Consents.** Except for HSR Approval, there are no consents or approvals (including from Third Parties) that SilverBow or Buyer is required to obtain in connection with the consummation of the Transactions.

**Section 1.05 Bankruptcy.** There are no bankruptcy, reorganization or receivership proceeding pending, being contemplated by or, to Buyer's knowledge, Threatened against Buyer or any Affiliate of Buyer. Neither SilverBow nor Buyer is (and will not be upon consummation of the Transactions) insolvent.

**Section 1.06 Litigation.** There are no Proceedings pending, or to Buyer's knowledge, Threatened against SilverBow or Buyer that would have a material adverse effect upon the ability of SilverBow or Buyer to consummate the Transactions.

**Section 1.07 Financing.** Buyer has sufficient cash, available lines of credit, or other sources of immediately available funds to enable it to (a) deliver the amounts due at the Closing, (b) take such actions as may be required to consummate the Transactions, and (c) timely pay and perform Buyer's obligations under this Agreement and the Transaction Documents. Buyer expressly acknowledges that the failure to have sufficient funds will in no event be a condition to the performance of its obligations hereunder, and in no event will the Buyer's failure to perform its obligations hereunder be excused by failure to receive funds from any source.

**Section 1.08 Regulatory.** Buyer will upon Closing and thereafter shall continue to be qualified per applicable Law to own and assume operatorship of the Assets in all jurisdictions where the Assets are located, and the consummation of the Transactions will not cause Buyer to be disqualified as such an owner or operator. To the extent required by any Laws, Buyer has maintained, and will hereafter continue to maintain, lease bonds, area-wide bonds or any other surety bonds as may be required by, and in accordance with, all Laws governing the ownership and operation of the Assets and will file any and all required reports necessary for such ownership and operation with all Governmental Authorities having jurisdiction over such ownership and operation. To Buyer's knowledge, there is no fact or condition with respect to

Buyer or its obligations hereunder that may cause any Governmental Authority to withhold its unconditional approval of the Transactions to the extent approval by such Governmental Authority is required by Law.

**Section 1.09 Independent Evaluation.** Buyer is (a) sophisticated in the evaluation, purchase, ownership and operation of oil and gas properties and related facilities, (b) capable of evaluating, and hereby acknowledges that it has so evaluated, the merits and risks of the Assets, Buyer's acquisition, ownership, and operation thereof, and its obligations hereunder, and (c) is able to bear the economic risks associated with the Assets, Buyer's acquisition, ownership, and operation thereof, and its obligations hereunder. In making its decision to enter into this Agreement and to consummate the Transactions, Buyer (i) except for the representations and warranties of Seller expressly set forth in Article IV or Section 11.01(b) and in the Seller's Certificate, has relied or shall rely solely on its own independent investigation and evaluation of the Assets and the advice of its own legal, Tax, economic, environmental, engineering, geological and geophysical advisors and the express provisions of this Agreement and not on any comments, statements, projections or other materials made or given by any representatives or consultants or advisors of Seller, and (ii) has satisfied or shall satisfy itself through its own due diligence as to the environmental and physical condition of and contractual arrangements and other matters affecting the Assets. As of the Execution Date, Buyer has no knowledge of any fact that results in the breach of any representation, warranty or covenant of Seller given hereunder or of any Title Defect or Environmental Defect.

**Section 1.10 Brokers' Fees.** Neither Buyer nor its Affiliates have incurred any Liability, contingent or otherwise, for brokers' or finders' fees relating to the Transactions for which Seller or Seller's Affiliates will have any responsibility.

**Section 1.11 Accredited Investor.** Buyer is an "accredited investor," as such term is defined in Regulation D of the Securities Act, and will acquire the Assets for its own account and not with a view to a sale or distribution thereof in violation of the Securities Act, any state blue sky Laws or any other securities Laws. Buyer recognizes that its representations and warranties in this Section 5.11 are material inducements to Seller's acceptance of Buyer's purchase of such Seller's interest in the Assets conveyed in this Agreement, and without such representations and warranties, Buyer's purchase would not be accepted.

**Section 1.12 Capitalization of SilverBow.**

(a) The authorized capital stock of SilverBow consists of 40,000,000 shares of SilverBow Common Stock, and 10,000,000 shares of preferred stock, par value \$0.01 per share (the "**SilverBow Preferred Stock**"). All of the issued and outstanding shares of SilverBow Common Stock have been duly authorized and validly issued in accordance with the Organizational Documents of SilverBow, and any other contracts or agreement governing the issuance of SilverBow Common Stock, are fully paid and nonassessable, and, as of the respective dates of the SEC Filings and the Financial Statements, were issued and held as described therein. On the Execution Date, there are 14,726,001 issued and outstanding shares of SilverBow Common Stock. On the Execution Date SilverBow has no SilverBow Preferred Stock or other equity securities (other than SilverBow Common Stock) issued or outstanding.

(b) The Stock Consideration is duly authorized in accordance with the Certificate of Incorporation, and, when issued and delivered at Closing pursuant to this Agreement in accordance with the terms hereof, will be validly issued, fully paid and nonassessable, not subject to preemptive rights, will have the rights, preferences and privileges specified in the Organizational Documents of SilverBow and will, in the hands of Seller and its Affiliates, be free and clear of any lien, claim or Encumbrance.

(c) Other than shares of SilverBow Common Stock to be issued by SilverBow as consideration pursuant to SilverBow's previously announced acquisition of oil and gas assets in the Eagle Ford, there are no preemptive rights or, except as disclosed in the SEC Filings, other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate SilverBow to issue or sell any equity interests of SilverBow or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any equity interests in SilverBow, and, except as disclosed in the SEC Filings, no securities or obligations evidencing such rights are authorized, issued or outstanding.

(d) SilverBow does not have any outstanding bonds, debentures, notes or similar obligations the holders of which have the right to vote (or convertible into or exercisable for securities having the right to vote) with the stockholders of SilverBow on any matter.

(e) SilverBow is not now, and immediately after the issuance and sale of the SilverBow Common Stock comprising the Stock Consideration will not be, required to register as an "investment company" or a company "controlled by" an entity required to register as an "investment company" within the meaning of the Investment Company Act of 1940.

(f) SilverBow and Buyer, as applicable, have all requisite power and authority to issue and deliver the Stock Consideration to Seller or Seller's Designees in accordance with and upon the terms and conditions set forth in this Agreement.

**Section 1.13 Internal Controls; NYSE Listing Matters.**

Except as disclosed in SilverBow's SEC Filings:

(a) SilverBow has established and maintains disclosure controls and procedures (as defined in Rules 13a-15(c) and 15d-15(e) under the Exchange Act). Such disclosure controls and procedures are reasonably designed to ensure that material information required to be disclosed by SilverBow in the reports it files or submits to the SEC under the Exchange Act is made known to SilverBow's chief executive officer and its chief financial officer by other employees of the SilverBow to allow timely decisions regarding required disclosures as required under the Exchange Act. The chief executive officer and chief financial officer of SilverBow have evaluated the effectiveness of SilverBow's disclosure controls and procedures and, to the extent required by applicable Law, presented in any applicable SEC Filing that is a report on Form 10-K or Form 10-Q, or any amendment thereto, his or her conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by such report or amendment based on such evaluation.

(b) SilverBow has established and maintains a system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) which is effective in providing reasonable assurance regarding the reliability of SilverBow's financial reporting and the preparation of the Financial Statements for external purposes in accordance with GAAP. SilverBow has disclosed, based on its most recent evaluation of SilverBow's internal control over financial reporting prior to the SilverBow's auditors and audit committee (i) any significant deficiencies and material weakness in the design or operation of SilverBow's internal control over financial reporting which would reasonably be expected to adversely affect SilverBow's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in SilverBow's internal control over financial reporting.

(c) Since January 1, 2020, (i) neither SilverBow nor any of its Subsidiaries nor, to the knowledge of SilverBow, any director, officer, employee, auditor, accountant or representative of SilverBow or any of its Subsidiaries has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion or claim, whether written or oral, regarding the accounting or auditing practices, procedures, methodologies or methods of SilverBow or any of its Subsidiaries or their respective internal accounting controls, including any material complaint, allegation, assertion or claim that SilverBow or any of its Subsidiaries has engaged in questionable accounting or auditing practices, (ii) SilverBow has no knowledge of any fraud, whether or not material, that involves management or other employees who have a significant role in SilverBow's internal control over financial reporting that would reasonably be expected to materially and adversely affect SilverBow's internal control over financial reporting and (iii) there has been no changes in SilverBow's internal control over financial reporting that would reasonably be expected to materially and adversely affect SilverBow's internal control over financial reporting, including any corrective actions with regard to any significant deficiency or material weakness.

(d) The SilverBow Common Stock is registered under Section 12(b) of the Exchange Act and listed on the New York Stock Exchange ("NYSE"), and, except as disclosed in the SEC Filings with respect to the 2015 delisting of the stock of SilverBow's predecessor entity, Swift Energy Company, SilverBow has not received any notice of deregistration or delisting from the SEC or the NYSE, and no judgment, order, ruling, decree, injunction or award of any securities commission or similar securities regulatory authority or any other Governmental Authority, or of the NYSE, preventing or suspending trading in any securities of SilverBow has been issued and no proceedings for such purpose are, to SilverBow's knowledge, pending, contemplated or threatened. SilverBow is in compliance in all material respects with the rules and regulations of the NYSE. SilverBow has taken no action that is designed to terminate the registration of the SilverBow Common Stock under the Exchange Act or the listing of the SilverBow Common Stock on the NYSE.

(e) Neither SilverBow nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract or arrangement relating to any transaction or relationship between or among SilverBow and any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or Person, on the other hand, or any "off-balance sheet arrangements" (as defined in the Instructions to Item 303(b) of Regulation S-K under the Exchange Act)), where the result, purpose or intended effect of such Contract is to avoid disclosure, in SilverBow's or such Subsidiary's published Financial Statements or other filed SEC Filings, of any material transaction involving, or material liabilities of, SilverBow or any of its Subsidiaries.

#### **Section 1.14 SEC Filings.**

(a) SilverBow has timely filed or furnished with the SEC all forms, reports, certifications, prospectuses, proxy statements, schedules, statements, and other documents (including required exhibits and other information incorporated therein) required to be filed or furnished by it since January 1, 2019 under the Securities Act, the Exchange Act, and all other federal securities laws (all such documents, together with all required exhibits and schedules to the foregoing materials and all information incorporated therein by reference are herein collectively referred to as the "**SEC Filings**"). The SEC Filings, including any audited or unaudited financial statements and any notes thereto or schedules included therein (the "**Financial Statements**"), at the time filed or furnished (except to the extent corrected or amended by a subsequently filed or furnished SEC Filing filed or furnished prior to the Execution Date): (i) complied in all material respects with applicable requirements of federal securities laws, including the Exchange Act and the Securities Act, as applicable, and (ii) did not

contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(b) There are no outstanding or unresolved comments in comment letters received from the SEC staff with respect to the SEC Filings. To SilverBow's knowledge, none of the SEC Filings is the subject of ongoing SEC review or outstanding comment or investigation.

(c) Each of the Financial Statements, at the time filed or furnished (except to the extent corrected or amended by a subsequently filed or furnished SEC Filing filed or furnished prior to the Execution Date): (i) complied as to form in all material respects with the with applicable accounting requirements and published rules and regulations of the SEC with respect thereto; (ii) was prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited financial statements, as may be permitted by Rule 10-01 of Regulation S-X of the SEC) and subject, in the case of unaudited interim financial statements, to normal and recurring year-end audit adjustments; and (iii) fairly presented in all material respects the consolidated financial position and the results of operations, changes in stockholders' equity, and cash flows of SilverBow and its Subsidiaries as of the respective dates thereof and their respective consolidated results of operations and cash flows for the periods then ended (subject, in the case of unaudited interim financial statements, to normal and recurring year-end audit adjustments as permitted by the applicable rules and regulations of the SEC (but only if the effect of such adjustments would not, individually or in the aggregate, be material)); and (iv) have been prepared in a manner consistent with the books and records of SilverBow and its Subsidiaries.

(d) Since January 1, 2020, SilverBow has not made any change in the accounting practices or policies applied in the preparation of its financial statements, except as required by GAAP, SEC rule or policy or applicable Law. The books and records of SilverBow and its Subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP (to the extent applicable) and any other applicable legal and accounting requirements and reflect only actual transactions.

(e) There are no Liabilities of or with respect to SilverBow that would be required by GAAP to be reserved, reflected, or otherwise disclosed on a consolidated balance sheet of SilverBow or Buyer other than (i) Liabilities accrued, reserved, reflected, or otherwise disclosed in the consolidated balance sheet of SilverBow and its Subsidiaries as of December 31, 2020 (including the notes thereto) included in the Financial Statements, (ii) Liabilities incurred in the ordinary course of business consistent with past practice since December 31, 2020, (iii) Liabilities under this Agreement and the other Transaction Documents or incurred in connection with the transactions contemplated by this Agreement and the other Transaction Documents or (iv) Liabilities that, individually or in the aggregate, would not reasonably be expected to have a Buyer Material Adverse Effect.

**Section 1.15 Securities Laws.** Assuming Seller's representations contained in this Agreement are true and correct, the offer and sale of the shares comprising the Stock Consideration (a) are and will be exempt from the registration and prospectus delivery requirements of the Securities Act, (b) have been registered or qualified (or are exempt from registration and qualification) under the registration, permit or qualification requirements of all applicable state securities laws, and (c) are and will be accomplished in conformity with all other federal and applicable state securities laws.

**Section 1.16 Compliance with Law.** Except as to specific matters disclosed in the SEC Filings, SilverBow and Buyer each, (a) is, and during the past two years has been, in material compliance with all applicable Laws, (b) has not received written notice of any violation in any

respect of any applicable Law, and (c) has not received written notice that it is under investigation by any Governmental Authority for potential non-compliance with any Law.

**Section 1.17 *Absence of Certain Changes*.** Since December 31, 2020, there has not been any (a) material write-down by SilverBow or its Subsidiaries in the volume of reserves estimated for its oil and gas properties, other than write-downs resulting from depletion in the ordinary course of operation of such properties or the variance in markets or prices for Hydrocarbons produced from such properties, (b) material destruction, damage or loss to or affecting any of the assets of SilverBow or its Subsidiaries, or (c) SilverBow or Buyer Material Adverse Effect or any event, condition, change, development, circumstance or set of facts that, individually or in the aggregate, would reasonably be expected to have a SilverBow or Buyer Material Adverse Effect.

**Section 1.18 *Form S-3*.** As of the Execution Date, SilverBow is eligible to register the shares of SilverBow Common Stock comprising the Stock Consideration for resale by Seller under Form S-3 promulgated under the Securities Act.

**Section 1.19 *No Stockholder Approval*.** The transactions contemplated hereby do not require any vote of the stockholders of SilverBow under applicable Law, the rules and regulations of the NYSE (or other national securities exchange on which the SilverBow Common Stock is then listed) or the Organizational Documents of Buyer or of SilverBow.

**Section 1.20 *No Additional Representations*.** Except for the representations and warranties made in this Article V and the corresponding representations and warranties in the Buyer's Certificate, none of Buyer, SilverBow nor any other Person on behalf of Buyer or SilverBow makes any express or implied representation or warranty with respect to Buyer or SilverBow or their respective businesses, operations, assets, liabilities or conditions (financial or otherwise) in connection with this Agreement or the transactions contemplated hereby, and Buyer and SilverBow hereby disclaim any such other representations or warranties. In particular, without limiting the foregoing disclaimer, none of Buyer nor any other Person on behalf of Buyer makes or has made any representation or warranty to Seller, any of its Subsidiaries or any of their respective Affiliates or representatives with respect to (a) any financial projection, forecast, estimate, budget or forward-looking information relating to Buyer or SilverBow or their respective businesses; or (b) except for the representations and warranties made by Buyer and/or SilverBow in this Article V and the corresponding representations and warranties in the Buyer's Certificate, any oral or written information presented to Seller, any of its Subsidiaries or any of their respective Affiliates or representatives in the course of their due diligence investigation of Buyer or SilverBow, the negotiation of this Agreement or in the course of the transactions contemplated hereby.

## **Article VI CERTAIN AGREEMENTS**

### **Section 1.01 *Conduct of Business*.**

(a) Except (w) as set forth on Schedule 6.01, (x) for the operations covered by the AFEs and other capital commitments set forth on Schedule 4.11, (y) for actions taken in connection with emergency situations or to maintain an Asset or as required by Law, Governmental Authority or any Applicable Contract, and (z) as expressly contemplated by this Agreement or as expressly consented to in writing by Buyer (which consent shall not be unreasonably delayed, withheld or conditioned), Seller shall, from and after the Execution Date until Closing:

- (i) use commercially reasonable efforts to own and operate the Assets in a regular and ordinary manner consistent with past practices;
- (ii) not propose any individual operation reasonably expected to cost Seller in excess of \$100,000 (net to Seller's aggregate interest);
- (iii) notify Buyer before Seller agrees to participate in any individual operation proposed by a Third Party that is reasonably expected to cost Seller in excess of \$100,000 (net to Seller's aggregate interest);
- (iv) except in the ordinary course of business, not enter into an Applicable Contract that, if entered into on or prior to the Execution Date, would be required to be listed on Schedule 4.07, or materially amend or change the terms of any Material Contract;
- (v) not transfer, sell, mortgage, pledge or dispose of any portion of the Assets other than (A) the sale or disposal of Hydrocarbons in the ordinary course of business, (B) sales of equipment that is no longer necessary in the operation of the Assets or for which replacement equipment is obtained, or (C) items constituting Permitted Encumbrances;
- (vi) not voluntarily relinquish its position as operator to anyone other than Buyer with respect to any of the Assets, or voluntarily abandon any of the Assets other than as required pursuant to the terms of a Lease or Law;
- (vii) use commercially reasonable efforts to maintain its existing insurance policies arising out of the Assets in such amounts and with such deductibles as are currently maintained by Seller;
- (viii) not settle or compromise any Proceeding relating to the Assets, other than settlements or compromises (A) of Retained Liabilities or other matters for which Seller is liable for under the terms of this Agreement, or (B) that involve only the payment of monetary damages not in excess of \$100,000.00 individually or \$500,000.00 in the aggregate (excluding amounts to be paid under insurance policies); and
- (ix) not commit to do any of the foregoing in clauses (ii), (iii), (iv), (v), (vi) or (viii).

(b) Buyer acknowledges Seller owns undivided interests in certain of the properties comprising the Assets, and Buyer agrees that the acts or omissions of the other Working Interest owners or operators who are not Seller or an Affiliate of Seller will not constitute a breach of the provisions of this Section 6.01, and no action required by a vote of Working Interest owners will constitute such a breach so long as Seller has voted its interest in a manner that complies with the provisions of this Section 6.01. Seller may seek Buyer's approval to perform any action that would otherwise be restricted by this Section 6.01, and Buyer's approval of any such action shall not be unreasonably withheld, conditioned or delayed, and will be considered granted ten (10) days after delivery of notice from Seller to Buyer requesting such consent (unless a shorter time is reasonably required by the circumstances and such shorter time is specified in Seller's notice) unless Buyer notifies Seller to the contrary during such period. Any matter approved (or deemed approved) by Buyer pursuant to this Section 6.01 that would otherwise constitute a breach of one of Seller's representations and warranties in Article III will be deemed to be an exclusion from all representations and warranties for which it is relevant.

**Section 1.02 Successor Operator.** While Buyer acknowledges that it desires to succeed Seller as operator of those Assets or portion thereof that Seller may presently operate, Buyer acknowledges and agrees that Seller cannot and does not covenant or warrant that Buyer will become successor operator of such Assets since the Assets or portions thereof may be subject to operating or other agreements that control the appointment of a successor operator. Seller agrees, however, that as to the Assets that Seller operates, Seller shall use commercially reasonable efforts to support Buyer's efforts to become successor operator of such Assets (to the extent permitted under any applicable joint operating agreement) effective as of Closing (at Buyer's sole cost and expense) and to designate or appoint, to the extent legally possible and permitted under any applicable joint operating agreement, Buyer as successor operator of such Assets effective as of Closing.

**Section 1.03 Credit Support.** Buyer acknowledges that none of the bonds, letters of credit, guarantees and other credit support, if any, posted by Seller or its Affiliates with Governmental Authorities with respect to the Assets (the "Credit Support"), including as set forth in Schedule 6.03, are transferrable to Buyer. Effective as of the Closing Date, Buyer shall obtain, or cause to be obtained in the name of Buyer, replacements for each such Credit Support to the extent such replacements are necessary to permit the cancellation or release of such Credit Support, such replacements to be equivalent or better in terms of type of security and creditworthiness of the party providing the replacements as compared to the Credit Support posted by Seller or its Affiliates with respect to the Assets. In the event that any counterparty to any such Credit Support does not release Seller and its Affiliates, then, from and after the Closing, Buyer shall indemnify Seller and its Affiliates against all amounts incurred by Seller or its Affiliates under such Credit Support (and all costs and expenses incurred in connection with such Credit Support) if applicable to assets acquired by Buyer. Notwithstanding anything to the contrary contained in this Agreement, Buyer shall cause any cash placed in escrow by Seller or its Affiliates pursuant to the Credit Support to be returned to Seller at Closing, and such cash will be deemed an Excluded Asset. In addition, at or prior to Closing, Buyer shall deliver to Seller evidence of the posting of bonds, letters of credit or other security with all applicable Governmental Authorities meeting the requirements of such authorities to own and, where appropriate, operate the Assets.

**Section 1.04 Insurance.** Seller shall maintain in force during the period from the Execution Date until the Closing, all of Seller's insurance policies (including qualified self-insurance) pertaining to the Assets with the minimum coverages currently maintained by Seller. The daily pro-rated annual premiums for insurance set forth on Schedule 6.04 that accrue after the Effective Time and are attributable to the insurance coverage for the period after the Effective Time until the Closing will constitute Property Expenses to the extent attributable to the Assets (but not to the extent attributable to any other assets of Seller).

**Section 1.05 Record Retention.** Buyer shall and shall cause its successors and assigns to, for at least a period of seven (7) years following Closing, (a) retain the Records, (b) provide Seller and its Affiliates and its and their respective officers, employees and representatives with access to the Records (to the extent that Seller has not retained the original or a copy) during normal business hours for review and copying at Seller's expense, and (c) provide Seller and its Affiliates and its and their respective officers, employees and representatives with access, during normal business hours, to materials received or produced after Closing relating to any indemnity claim made under Section 14.02 or other claim or dispute under this Agreement for review and copying at Seller's expense. At the end of such seven-year period and prior to destroying any of the Records, Buyer shall notify Seller in writing in advance of any such destruction and provide Seller an opportunity to copy such Records at Seller's sole cost and expense.

**Section 1.06 Confidentiality.** The Parties agree to be bound by the terms and conditions of the Confidentiality Agreement as if each were a signatory party thereto and to cause their

respective Affiliates to comply therewith as if they were signatories thereto. Notwithstanding the termination of this Agreement or any other provision of this Agreement to the contrary but subject to the next sentence of this [Section 6.06](#), the terms of the Confidentiality Agreement, shall remain in full force and effect. If Closing of the Transactions contemplated under the terms of this Agreement occurs, the terms and conditions of the Confidentiality Agreement shall terminate (which termination shall be effective as of the Closing) as and to the extent provided in [Section 10.02](#).

**Section 1.07 Right to Cure.** If any of Seller's or Buyer's representations or warranties is untrue or will become untrue in any material respect between the Execution Date and the Closing, or if any of Seller's or Buyer's covenants or agreements to be performed or observed prior to or on the Closing Date will not have been so performed or observed in any material respect, but if such breach of representation, warranty, covenant or agreement is cured by the Closing (or, if the Closing does not occur, cured prior to the termination of this Agreement), then such breach will be considered not to have occurred for all purposes of this Agreement.

**Section 1.08 Regulatory Matters.** Unless HSR Act notification is not required because an exemption applies, Seller and Buyer shall (a) make or cause to be made an appropriate filing of a Notification and Report Form pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") with respect to the Transactions as promptly as practicable, but in no event later than ten (10) Business Days after the Execution Date, and Seller and Buyer shall bear their own costs and expenses incurred in connection with such filings, on the condition that Buyer shall pay any filing fees in connection with such filings, and (b) use their commercially reasonable efforts to respond at the earliest practicable date to any requests for additional information made by the Antitrust Division of the Department of Justice (the "DOJ"), the Federal Trade Commission (the "FTC") or any other Governmental Authority, to take all actions necessary to cause the waiting periods under the HSR Act and any other Laws to terminate or expire at the earliest possible date, to resist in good faith, at each of their respective cost and expense, any assertion that the Transactions constitute a violation of Laws, and to eliminate every impediment under any Laws that may be asserted by any Governmental Authority so as to enable the Closing to occur as soon as reasonably possible in accordance with this Agreement, all to the end of expediting consummation of the Transactions. In connection with this [Section 6.08](#) and the Transactions, the Parties shall, to the extent permitted by Laws, (i) cooperate in all respects with each other in connection with any filing, submission, investigation or inquiry, (ii) promptly inform the other Party of any communication received by such Party from, or given by such Party to, the DOJ or the FTC or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private party, in each case, regarding the Transactions, (iii) have the right to review in advance, and to the extent practicable each shall consult the other on, any filing (other than the filing described in this [Section 6.08](#)) made with, or written materials to be submitted to, the DOJ, the FTC or any other Governmental Authority or, in connection with any proceeding by a private party, any other Person, in connection with the Transactions, and (iv) consult with each other in advance of any meeting, discussion, telephone call or conference with the DOJ, the FTC or any other Governmental Authority or, in connection with any proceeding by a private party, with any other Person, and to the extent not expressly prohibited by the DOJ, the FTC or any other Governmental Authority or Person, give the other Party the opportunity to attend and participate in such meetings and conferences, in each case, regarding the Transactions. Each Party may, as each deems advisable and necessary, reasonably designate any competitively sensitive material provided to the other Party under this [Section 6.08](#) as "outside counsel only," and such materials and the information contained in such materials shall be given only to the outside legal counsel of such other Party and will not be disclosed by such outside counsel to employees, officers or directors of such other Party, unless express written permission is obtained in advance from the source of the materials.

**Section 1.09 Notice of Certain Events.** From the Execution Date until the earlier of the Closing or the termination of this Agreement: (a) Seller will notify Buyer promptly after obtaining Knowledge of any matter hereafter arising or any information obtained after the Execution Date, and (b) SilverBow and Buyer will notify Seller promptly after obtaining knowledge of any matter hereafter arising or any information obtained after the Execution Date, in each case that, if existing, occurring or known at or before the Execution Date, would have been required to be set forth or described in the disclosure Schedules or that is required to be disclosed in order that such schedule be complete and correct. Subject to this Section 6.09, no provision of, and no information provided under this Section will, or will be deemed to, limit, modify or otherwise affect any representation or warranty contained herein, the conditions to the obligations of the Parties to consummate the transactions contemplated herein or any Party's rights hereunder (including rights under Article XIV).

**Section 1.10 Amendment of Schedules.** Buyer agrees that, with respect to the representations and warranties of Seller contained in this Agreement, Seller will have the continuing right until 8:00 A.M., Central Time on the date that is three (3) Business Days prior to the Closing Date to provide Buyer with amendments to the disclosure Schedules to Seller's representations and warranties contained in this Agreement; to the extent such amendments reflect events occurring after the Execution Date. However, for all purposes of this Agreement, including for purposes of satisfying the condition to Closing in Section 7.01, the Schedules to Seller's representations and warranties contained in this Agreement shall be deemed to include only that information contained therein on the Execution Date and shall be deemed to exclude all information contained in any addition, supplement or amendment thereto; provided, however, that if the Closing occurs, then all matters disclosed pursuant to any such addition, supplement or amendment at or prior to the Closing will be waived, and Buyer shall not be entitled to make a claim with respect thereto pursuant to the terms of this Agreement or otherwise.

**Section 1.11 Affiliate Services.** Seller and its Affiliates have no obligation to provide any services with respect to the Assets from and after the Closing and, unless otherwise agreed to in writing by Seller and Buyer, all contracts between Seller and any of Seller's Affiliates with respect to the Assets shall terminate effective as of the Closing Date.

**Section 1.12 Listing of the Stock Consideration; Form S-3.** SilverBow shall use its reasonable best efforts to cause the Stock Consideration to be approved for listing on the NYSE prior to the Closing, subject to official notice of issuance. Prior to the Closing, SilverBow and Buyer shall use their reasonable best efforts to not take any action, or fail to take any action, which action or failure would reasonably be expected to cause SilverBow to be ineligible to file a Registration Statement on Form S-3 promulgated under the Securities Act (or any successor form).

**Section 1.13 Required Financial Information.**

(a) At Buyer's reasonable request, after the Execution Date, and for only up to two (2) years after the Closing Date, Seller shall use commercially reasonable efforts to (i) provide financial and Hydrocarbon information related to the Assets for the period prior to the Closing Date that is existing and available to Seller and (ii) make available Seller's auditor, in each case, as is reasonably necessary for Buyer to prepare financial statements relating to the Assets (together with any supplementary oil and gas information required by ASC 932-235 and any pro forma financial statements of Buyer that include pro forma adjustments with respect to Seller) to the extent required to be filed by Buyer or its Affiliates with the SEC pursuant to the Securities Act, and the rules and regulations thereunder, the rules set forth in Regulation S-X, or the Exchange Act, and the rules and regulations thereunder; *provided* that Seller's accountants shall not be obligated to make any work papers available to SilverBow, Buyer or Buyer's Representatives except in accordance with such accountants' normal disclosure procedures and

then only after the Buyer's Representatives have signed a customary agreement relating to such access to work papers in form and substance reasonably acceptable to such accountants. As requested from time to time, Seller shall use commercially reasonable efforts to cause Seller's auditor to provide executed consents for filing with the SEC in connection with the filing of financial statements related to the Assets with the SEC.

(b) Buyer shall indemnify, defend and hold harmless Seller and its Affiliates for providing such financial and Hydrocarbon information and shall reimburse Seller, its Affiliates and representatives reasonable, documented out-of-pocket costs and expenses, including fees of any independent auditor, consultants, and general and administrative expenses, incurred by Seller and its representatives in complying with the provisions of [Section 6.13\(a\)](#).

**Section 1.14 Conduct of SilverBow and Buyer.** Except with the prior written consent of Seller, from the Execution Date until the Closing, SilverBow shall and shall cause its Subsidiaries to:

(a) conduct its business related to the assets of SilverBow and its Subsidiaries, in accordance with its ordinary course of business, consistent with past practice, subject to interruptions resulting from force majeure, mechanical breakdown or planned maintenance;

(b) not amend the Organizational Documents of SilverBow or of Buyer;

(c) not declare, set aside or pay any dividends on, or make any other distributions (whether in cash, stock or property) in respect of, any of its capital stock or other equity interests;

(d) not reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any SilverBow Common Stock, other than withholding and sale of SilverBow Common Stock to satisfy income tax withholding payments due upon vesting of employee equity awards;

(e) not adopt any plan or agreement of complete or partial liquidation, dissolution, restructuring, recapitalization, merger, consolidation or other reorganization or otherwise effect any transaction whereby any Person or group acquires more than a majority of the outstanding equity interests of SilverBow;

(f) not take any action that would, or would reasonably be expected to, prevent or materially delay the Closing and the consummation of the transactions contemplated by this Agreement; or

(g) not enter into an agreement or commitment with respect to any of the foregoing.

## **Article VII BUYER PARTIES' CONDITIONS TO CLOSING**

The obligations of the Buyer Parties to consummate the Transactions are subject, at the option of Buyer, to the fulfilment (or waiver in writing by Buyer), on or prior to Closing of each of the following conditions:

**Section 1.01 Representations and Warranties.** The representations and warranties of Seller set forth in [Article IV](#) shall be true and correct in all respects (without regard to materiality or Seller Material Adverse Effect qualifiers) on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made or given on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need

only be true and correct on and as of such specified date), except for all such breaches, if any, of such representations and warranties that individually or in the aggregate would not have a Seller Material Adverse Effect.

**Section 1.02 Performance.** Seller shall have performed or complied in all material respects with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by Seller is required prior to or on the Closing Date.

**Section 1.03 No Injunctions.** No Governmental Authority will have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order which is in effect and has the effect of making the Transactions illegal or otherwise restraining or prohibiting consummation of such Transactions.

**Section 1.04 Title and Environmental Defects.** The sum of (a) with respect to Title Defects that are properly asserted by Buyer prior to the Title Claim Date pursuant to Section 11.02(a), all Actual Title Defect Amounts (or, if any such amounts cannot be determined prior to Closing, the applicable Alleged Title Defect Amounts) that individually exceed the Individual Title Defect Threshold (excluding any Actual Title Defect Amounts (or, if such amounts cannot be determined prior to Closing, the applicable Alleged Title Defect Amounts) with respect to any Assets excluded from the Transactions in accordance with this Agreement, and accounting for any offsetting Title Benefit Amounts), plus (b) with respect to Environmental Defects that are properly asserted by Buyer prior to the Environmental Claim Date pursuant to Section 12.01(a), all Actual Remediation Amounts (or, if any such amounts cannot be determined prior to Closing, the applicable Alleged Remediation Amounts) that individually exceed the Individual Environmental Threshold (excluding any Actual Remediation Amounts (or, if such amounts cannot be determined prior to Closing, the applicable Alleged Remediation Amounts) with respect to any Assets excluded from the Transactions in accordance with this Agreement), plus (c) the Allocated Value of all Assets excluded from the Transactions pursuant to Section 11.02(d)(ii), Section 11.04(b), Section 11.05(a), Section 11.05(b), Section 12.01(c)(ii) or, Section 12.01(c)(iv), as applicable, plus (d) all Casualty Losses as determined in accordance with Section 11.03 will be less than twenty percent (20%) of the Base Purchase Price.

**Section 1.05 HSR Approval.** If applicable, HSR Approval will have been duly obtained.

**Section 1.06 Closing Deliverables.** Seller shall have delivered (or be ready, willing and able to deliver at Closing) to Buyer the documents and other items required to be delivered by Seller under Section 9.03.

#### **Article VIII SELLER'S CONDITIONS TO CLOSING**

The obligations of Seller to consummate the Transactions are subject, at the option of Seller, to the fulfillment (or waiver in writing by Seller) on or prior to Closing of each of the following conditions:

**Section 1.01 Representations and Warranties.** The representations and warranties of Buyer set forth in Article V shall be true and correct in all respects (without regard to materiality or material adverse effect qualifiers) on and as of the Closing Date, with the same force and effect as though such representations and warranties had been made or given on and as of the Closing Date (other than representations and warranties that refer to a specified date, which need only be true and correct on and as of such specified date), except for all such breaches, if any, of such representations and warranties that do not have, individually or in the aggregate, a material adverse effect on the ability of Buyer to consummate the Transactions.

**Section 1.02 Performance.** The Buyer Parties shall have performed or complied in all material respects with all obligations, agreements and covenants contained in this Agreement as to which performance or compliance by any Buyer Party is required prior to or at the Closing Date.

**Section 1.03 No Injunctions.** No Governmental Authority will have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order which is in effect and has the effect of making the Transactions illegal or otherwise restraining or prohibiting consummation of such Transactions.

**Section 1.04 Title and Environmental Defects.** The sum of (a) with respect to Title Defects that are properly asserted by Buyer prior to the Title Claim Date pursuant to Section 11.02(a), all Actual Title Defect Amounts (or, if any such amounts cannot be determined prior to Closing, the applicable Alleged Title Defect Amounts) that individually exceed the Individual Title Defect Threshold (excluding any Actual Title Defect Amounts (or, if such amounts cannot be determined prior to Closing, the applicable Alleged Title Defect Amounts) with respect to any Assets excluded from the Transactions in accordance with this Agreement, and accounting for any offsetting Title Benefit Amounts), plus (b) with respect to Environmental Defects that are properly asserted by Buyer prior to the Environmental Claim Date pursuant to Section 12.01(a), all Actual Remediation Amounts (or, if any such amounts cannot be determined prior to Closing, the applicable Alleged Remediation Amounts) that individually exceed the Individual Environmental Threshold (excluding any Actual Remediation Amounts (or, if such amounts cannot be determined prior to Closing, the applicable Alleged Remediation Amounts) with respect to any Assets excluded from the Transactions in accordance with this Agreement), plus (c) the Allocated Value of all Assets excluded from the Transactions pursuant to Section 11.02(d)(ii), Section 11.04(b), Section 11.05(a), Section 11.05(b), Section 12.01(c)(ii) or Section 12.01(c)(iv), as applicable, plus (d) all Casualty Losses as determined in accordance with Section 11.03 will be less than twenty percent (20%) of the Base Purchase Price.

**Section 1.05 HSR Approval.** If applicable, HSR Approval will have been duly obtained.

**Section 1.06 Listing of Stock Consideration.** The Stock Consideration shall have been approved for listing on the NYSE, subject to official notice of issuance.

**Section 1.07 Occurrences.** There shall not have occurred any SilverBow or Buyer Material Adverse Effect since the Execution Date.

**Section 1.08 Closing Deliverables.** The Buyer Parties shall have delivered (or be ready, willing and able to deliver at Closing) to Seller the documents and other items required to be delivered by the Buyer Parties under Section 9.03.

## Article IX CLOSING

**Section 1.01 Date of Closing.** Subject to the conditions stated in this Agreement, the sale by Seller and the purchase by Buyer of the Assets pursuant to this Agreement (the "Closing") shall occur on November 19, 2021 (the "**Target Closing Date**"); except that if all conditions in Article VII and Article VIII to be satisfied at or prior to Closing have not yet been satisfied or (to the extent permitted by Law) waived in writing by Buyer or Seller (as applicable) by the Target Closing Date, then the Closing shall occur within five (5) Business Days after such conditions have been satisfied or (to the extent permitted by Law) waived (other than those conditions that by their nature can only be satisfied at the Closing but subject to all conditions in Article VII and Article VIII having been satisfied at or (to the extent permitted by Law) waived

at the Closing), subject to the rights of the Parties under Article XIV. The date on which the Closing actually occurs shall be the “Closing Date.”

**Section 1.02 Place of Closing.** The Closing will be held at the office of Sidley Austin LLP, 2021 McKinney Avenue, Suite 2000, Dallas, Texas 75201, or such other place as agreed upon in writing by the Parties.

**Section 1.03 Closing Obligations.** At Closing, the following documents be delivered and the following events will occur, the execution of each document and the occurrence of each event being a condition precedent to the others and each being deemed to have occurred simultaneously with the others:

- (a) Each of Teal, Castlerock and Buyer shall execute, acknowledge and deliver the Assignment in sufficient counterparts to facilitate recording in the applicable counties covering the Assets;
- (b) Teal, Castlerock and Buyer shall execute and deliver assignments, in appropriate forms, of federal Leases, state Leases and Indian Leases included in the Assets (if any) in sufficient counterparts to facilitate filing with the applicable Governmental Authority;
- (c) Each of Teal, Castlerock and Buyer shall execute and deliver the Preliminary Settlement Statement;
- (d) Seller and Buyer shall deliver joint written instructions to the Escrow Agent to release the Deposit to Seller;
- (e) the Buyer Parties shall deliver to Seller, to the accounts designated in the Preliminary Settlement Statement, the Cash Consideration or Adjusted Cash Consideration, as applicable, by direct bank or wire transfer in immediately available funds, in an amount equal to (i) the Cash Consideration or Adjusted Cash Consideration, as applicable, *less* (ii) the amount of the Deposit, and *less* (iii) the Defect Adjustment Amount (if any);
- (f) Buyer shall deliver (and SilverBow shall issue and cause Buyer to deliver) to Seller evidence of issuance of an aggregate number of shares of SilverBow Common Stock equal to the Stock Consideration free and clear of all Encumbrances and restrictions other than restrictions imposed by applicable securities Laws to Seller or Seller’s Designees credited to book-entry accounts maintained by the transfer agent of SilverBow;
- (g) Each of Teal and Castlerock (or if such Person is classified as an entity disregarded as separate from another Person, then such Person) shall deliver, on forms supplied by Buyer and reasonably acceptable to Seller, transfer orders or letters in lieu thereof directing all purchasers of production to make payment to Buyer of proceeds attributable to production from the Assets from and after the Effective Time, for delivery by Buyer to the purchasers of production;
- (h) Each of Teal and Castlerock shall deliver an executed certificate of non-foreign status that meets the requirements set forth in Treasury Regulation § 1.1445-2(b)(2);
- (i) To the extent required under any Law or by any Governmental Authority for any federal or state Lease, Seller and Buyer shall deliver state change of operator forms designating Buyer as the operator of the Units, Wells, Other Wells and the Leases currently operated by Seller;

(j) An authorized officer of each of Teal and Castlerock shall execute and deliver a certificate, dated as of the Closing Date, certifying that the conditions set forth in Sections 7.01 and 7.02 have been fulfilled and, if applicable, any exceptions to such conditions that have been waived by Buyer (the “*Seller’s Certificate*”);

(k) An authorized officer of each Buyer Party shall execute and deliver a certificate, dated as of the Closing Date, certifying that the conditions set forth in Sections 8.01, 8.02 and 8.07 have been fulfilled and, if applicable, any exceptions to such conditions that have been waived by Seller (the “*Buyer’s Certificate*”);

(l) Buyer shall deliver any instruments, documents or guarantees required by Section 6.03;

(m) Seller shall deliver releases in form reasonably satisfactory to Buyer of all Encumbrances on the Assets securing Seller’s obligations for borrowed money under Seller’s credit facility, if applicable;

(n) SilverBow, Seller, and any other Persons party thereto will execute and deliver a Registration Rights Agreement relating to the Stock Consideration, substantially in the form attached hereto as Exhibit F; and

(o) each of Seller and the Buyer Parties shall execute and deliver any other agreements, instruments and documents which are required by other terms of this Agreement to be executed or delivered at Closing.

**Section 1.04 Records.** In addition to the obligations set forth under Section 9.03, but notwithstanding anything in this Agreement to the contrary, no later than thirty (30) Business Days after the Closing Date, Seller shall make available to Buyer the Records in its possession in their current form and format as maintained by Seller as of the Effective Time, for pickup from Seller’s offices during normal business hours; provided, however, that Seller may retain written or electronic copies of the Records. Transportation of the Records will be at Buyer’s sole cost and expense.

**Section 1.05 Subsequent Closings.** If:

(a) pursuant to Section 11.02(d)(ii) or Section 12.01(c)(ii), (i) Seller withholds an Asset from Closing due to an alleged uncured Title Defect or Environmental Defect, and (ii) either (x) within the Cure Period either Buyer waives in writing or Seller cures the Title Defect or Environmental Defect affecting such Asset or (y) such Title Defect or Environmental Defect is finally resolved pursuant to Section 11.02(i) or Section 12.01(f), as applicable;

(b) pursuant to Section 12.01(c)(iv), (i) Seller withholds an Asset from Closing due to an alleged uncured Environmental Defect, and (ii) either (x) within the Cure Period either Buyer waives in writing or Seller cures the Environmental Defect affecting such Asset, or (y) such applicable Environmental Defect is finally resolved pursuant to Section 12.01(f);

(c) pursuant to Section 11.04(b), Seller withholds an Asset from Closing due to a failure to obtain a Hard Consent, and the Hard Consent affecting such Asset expires or is obtained after the Closing; or

(d) pursuant to Section 11.05(c), (i) Seller withholds an Asset from Closing due to a Preferential Purchase Right, and (ii) either (x) the Preferential Purchase Right affecting such Asset is waived, or (y) if the time period otherwise set forth for exercising such Preferential Purchase Right expires, in either case prior to the expiration of the Cure Period;

then as soon as reasonably practicable (or as otherwise provided in this Agreement), (x) Seller shall convey to Buyer all such affected Assets at an agreed upon time and location (a “**Subsequent Closing**”) in a manner consistent with Section 9.03, and (y) Buyer shall pay to Seller the Allocated Value of such Asset (as adjusted pursuant to Section 3.02) by wire transfer of immediately available funds pursuant to this Section 9.05, and to the extent applicable, Section 11.02(j), Section 11.04(b), Section 11.05(c) or Section 12.01(f).

## Article X ACCESS; DISCLAIMERS

### **Section 1.01** Access.

(a) From and after the Execution Date and up to and including the Environmental Claim Date (or earlier termination of this Agreement) but subject to the other provisions of this Section 10.01 and obtaining any required consents of Third Parties, including Third Party operators of the Assets (with respect to which consents Seller shall use commercially reasonable efforts to request, but will not be obligated to expend any monies), Seller shall afford to Buyer and its officers, employees, agents, accountants, consultants, attorneys and other authorized representatives (“**Buyer’s Representatives**”) reasonable access, during normal business hours, to the Assets and all Records in Seller’s possession. All investigations and due diligence conducted by Buyer or any Buyer’s Representative will be conducted at Buyer’s sole cost, risk and expense and any conclusions made from any examination done by Buyer or any Buyer’s Representative will result from Buyer’s own independent review and judgment.

(b) From and after the Execution Date and up to and including the Environmental Claim Date, Buyer shall be entitled to conduct a Phase I Environmental Assessment with respect to the Assets, to be conducted by a reputable environmental consulting or engineering firm approved in advance in writing by Seller; on the condition that no environmental sampling or invasive activity or testing (other than taking soil samples with Seller’s prior written consent, which shall not be unreasonably withheld) or operation of equipment by Buyer or Buyer’s Representatives may be performed without the prior written consent of Seller, which consent may be withheld in Seller’s sole discretion, and Seller will have the right to be present during any stage of the assessment. Buyer shall give Seller reasonable prior written notice before physically accessing or otherwise inspecting or surveying any of the Assets, whether to conduct a Phase I Environmental Assessment or otherwise, and shall coordinate any such access, inspections or surveys with Seller. Seller or its designee will have the right to accompany Buyer and Buyer’s Representatives whenever they are on site on the Assets or otherwise inspecting or surveying the Assets. Notwithstanding anything in this Agreement to the contrary, Buyer and Buyer’s Representative will not have access to, and will not be permitted to conduct any environmental investigations (including any Phase I Environmental Assessment) with respect to, any Assets with respect to which Seller does not have the authority to grant access for such investigations. Seller shall use commercially reasonable efforts (which shall not require any payment of any monies, exercise of any remedies or the settlement or filing of any Proceedings) to obtain any such authority or approval promptly following Buyer’s written request.

(c) Buyer shall (and shall cause Buyer’s Representatives to) coordinate its access rights, environmental property assessments, physical inspections and other due diligence evaluation of the Assets with Seller and all Third Party operators to minimize any inconvenience to or interruption of the conduct of business by Seller or such Third Party operators. Buyer shall (and shall cause Buyer’s Representatives to) abide by Seller’s, and any Third Party operator’s, safety rules, regulations and operating policies while conducting its due diligence evaluation of the Assets, including any access to, and environmental or other inspection, survey or assessment of the Assets and, to the extent required by any Third Party operator, execute and deliver any required confidentiality, indemnity and release agreement of any such Third Party operator, in

each case, before conducting Buyer's assessment on such Asset in accordance with this Section 10.01. **Buyer hereby defends, releases, indemnifies and holds harmless Seller and each of the operators of the Assets and the Seller Indemnified Parties from and against any and all Liabilities arising out of, resulting from or relating to any costs, expenses, damages or field visit, environmental or other inspection or assessment or other due diligence activity conducted by Buyer or any Buyer's Representative with respect to the Assets, even if such costs, expenses, damages and Liabilities arose out of or result from or relate to, solely or in part, the sole, active, passive, concurrent or comparative negligence, strict liability or other fault of, or violation of law by, a member of the Seller Indemnified Parties, excepting only Liabilities to the extent actually resulting from the gross negligence or willful misconduct of the Seller.**

(d) Buyer acknowledges that any entry into Seller's offices or onto the Assets will be at Buyer's sole risk, cost and expense, and, subject to the terms hereof and that none of the Seller Indemnified Parties will be liable in any way for any injury, loss or damage arising out of such entry that may occur to Buyer or any of Buyer's Representatives pursuant to this Agreement. Buyer hereby fully waives and releases any and all Liabilities against all of the Seller Indemnified Parties for any injury, death, loss or damage to any of Buyer's Representatives or their property in connection with Buyer's due diligence evaluation of the Assets, **even if such Liabilities arise out of or result from, in whole or in part, the sole, active, passive, concurrent or comparative negligence, strict liability or other fault of, or the violation of law by, any Seller Indemnified Party, excepting only liabilities actually resulting from the gross negligence or willful misconduct of Seller.**

(e) As soon as reasonably practicable, but in any event promptly upon completion of Buyer's due diligence, Buyer shall at its sole cost and expense and without any cost or expense to Seller or its Affiliates: (i) repair all damage done to the Assets in connection with Buyer's and Buyer's Representatives' due diligence, (ii) restore the Assets to the same condition as, or better condition than, they were in prior to commencement of Buyer's and Buyer's Representatives' due diligence, and (iii) remove all equipment, tools or other property brought onto the Assets in connection with Buyer's and Buyer's Representatives' due diligence. Any disturbance to the Assets (including, the leasehold associated with the Assets) resulting from Buyer's and Buyer's Representatives' due diligence will be promptly corrected by Buyer at Buyer's sole cost and expense.

(f) During all periods that Buyer or any of Buyer's Representatives are on the Assets or are in Seller's or its Affiliates' offices, Buyer shall maintain, at its sole cost and expense and with insurers reasonably satisfactory to Seller, policies of insurance of the types and in the amounts reasonably requested by Seller. Coverage under all insurance required to be carried by Buyer hereunder will (i) be primary insurance, (ii) list the Seller Indemnified Parties as additional insureds, (iii) waive subrogation against the Seller Indemnified Parties, and (iv) provide for notice to Seller at least ten (10) Business Days' in advance of any event of cancellation or modification of the policy or reduction in coverage. Upon request by Seller, Buyer shall provide evidence of such insurance to Seller prior to entering the Assets.

**Section 1.02 Confidentiality.** Buyer acknowledges that, pursuant to its right of access to the Records or the Assets, Buyer and Buyer's Representatives (including Buyer's environmental consulting or engineering firm) will become privy to confidential and other information of Seller or its Affiliates and Buyer shall ensure that such confidential information (a) shall not be used for any purpose other than in connection with the Transactions and (b) shall be held confidential by Buyer and Buyer's Representatives (including Buyer's environmental consulting or engineering firm) in accordance with the terms of the Confidentiality Agreement. If Closing should occur, the foregoing confidentiality restriction on Buyer, including the Confidentiality Agreement, shall terminate as of the Closing Date (except as to (a) such portion of the Assets that are not

conveyed to Buyer pursuant to the provisions of this Agreement, (b) the Excluded Assets, and (c) information related to assets other than the Assets). Buyer further agrees that, notwithstanding termination of the Confidentiality Agreement, if Closing does not occur then Buyer shall continue to maintain as confidential and shall not disclose to any Third Party the results of any Phase I Environmental Assessment or any other environmental assessment performed on the Assets under Section 10.01 except as required by Law.

**Section 1.03 Disclaimers.**

(a) Except as and to the limited extent expressly represented otherwise in Article IV, Section 11.01(b) or the Seller's Certificate, (i) Seller makes no representations or warranties, express, statutory or implied, (ii) Seller expressly disclaims all liability and responsibility for, and (iii) Buyer is not relying upon, any representation, warranty, statement or information made or communicated (orally or in writing) to Buyer or any of its Affiliates, employees, agents, consultants or Representatives (including any opinion, information, projection or advice that may have been provided to Buyer by any agent, consultant, Representative or advisor of Seller or any of its Affiliates). Buyer acknowledges and agrees that no Seller Indemnified Party will have liability or responsibility for failing or omitting to disclose any condition, agreement, document, data, information or other materials relating to the Assets that is not expressly covered by the representations and warranties in this Agreement.

(b) Further, without limiting the generality of Section 10.03(a), except for the special warranty of title in the Assignment, Seller expressly disclaims any representation or warranty, express, statutory or implied, as to (i) title to any of the Assets, (ii) the contents, character or nature of any report of any petroleum engineering consultant, or any engineering, geological, geophysical or seismic data or interpretation or analysis relating to the Assets, (iii) the quantity, quality or recoverability of Hydrocarbons in or from the Assets, (iv) any estimates of the value of the Assets or future revenues to be generated by the Assets, (v) the maintenance, repair, condition, quality, suitability, design or marketability of the Assets, (vi) the maintenance, repair, condition, quality, suitability, design or marketability of the Assets, (vii) the content, character or nature of any information memorandum, reports, brochures, charts or statements prepared by Seller, Third Parties, or other Persons with respect to the Assets (including the accuracy or completeness thereof), (viii) any other materials or information that may have been made available to Buyer or its Affiliates, or its or their respective employees, agents, consultants, representatives or advisors in connection with the Transactions (including the accuracy or completeness of such materials or information) or any discussion or presentation relating thereto (including the accuracy or completeness of such discussion or presentation) and (ix) any implied or express warranty of freedom from patent or trademark infringement. Except as and to the limited extent expressly represented otherwise in Article IV, Section 11.01(b) or the Seller's Certificate, Buyer acknowledges and agrees that (x) no Seller Indemnified Party is making (and no Seller Indemnified Party will have any liability or responsibility for) and (y) no Buyer Indemnified Party is relying upon any representation or warranty, express, statutory or implied, of merchantability, freedom from latent vices or defects, fitness for a particular purpose or conformity to models or samples of materials of any of the Assets, rights of a purchaser under appropriate statutes to claim diminution of consideration or return of the purchase price, the Parties acknowledge that Buyer will be deemed to be obtaining the Assets in their present status, condition and state of repair, "AS IS" and "WHERE IS" with all faults or defects (known or unknown, latent, discoverable or undiscoverable), and that Buyer has made or caused to be made such inspections as Buyer deems appropriate.

(c) Except for to the limited extent expressly represented otherwise in Section 4.18, Buyer acknowledges and agrees that (i) no Seller Indemnified Party is making (and no Seller Indemnified Party shall have any liability or responsibility for) and (ii) no Buyer Indemnified Party is relying upon any representation or warranty regarding any matter or circumstance relating to Environmental Laws, the release of materials into the environment or the protection of human health, safety, natural resources or any other environmental condition of the Assets, and nothing in this Agreement or otherwise shall be construed as such a representation or warranty, and Buyer shall be deemed to be taking the Assets “AS IS” and “WHERE IS” with all faults for purposes of their environmental condition and that Buyer has made or caused to be made such environmental inspections as Buyer deems appropriate.

(d) Buyer acknowledges and agrees that Buyer cannot rely on or form any conclusions from Seller’s methodologies for the determination and reporting of any Asset Taxes that were utilized for any Tax period (or portion thereof) beginning prior to the Closing Date for purposes of calculating and reporting Asset Taxes attributable to any Tax period (or portion thereof) beginning after the Closing Date. Buyer acknowledges that it must make its own determination as to the proper methodologies that can or should be used for any such later Tax Return.

(e) Texas Deceptive Trade Practices Act Waiver. Buyer (a) represents and warrants to Seller that it (i) is acquiring the Assets for commercial or business use, (ii) is represented by legal counsel, (iii) acknowledges the consideration paid or to be paid for the Assets will exceed \$500,000, and (iv) has knowledge and experience in financial and business matters such that enable it to evaluate the merits and risks of the Transactions and is not in a significantly disparate bargaining position with respect to Seller; and (b) hereby unconditionally and irrevocably waives any and all rights or remedies it may have under the Deceptive Trade Practices – Consumer Protection Act of the State of Texas, Tex. Bus. & Com. Code § 17.41 *et seq.* to the maximum extent it can do so under Law, if such Act would for any reason be deemed applicable to the Transactions.

(f) Waiver of Certain Remedies. It is the intention of the Parties that Buyer’s rights and remedies with respect to the Transactions and with respect to all acts or practices of Seller, past, present or future, in connection with the Transactions will be governed by legal principles other than the Texas Deceptive Trade Practices – Consumer Protection Act, Tex. Bus. & Com. Code Ann. § 17.41 *et Seq.* (the “DTPA”). As such, Buyer hereby waives the applicability of the DTPA to the Transactions and any and all duties, rights and remedies that might be imposed by the DTPA, whether such duties, rights and remedies are applied directly by the DTPA itself or indirectly in connection with other statutes; *provided, however*, Buyer does not waive § 17.555 of the DTPA. Buyer acknowledges, represents and warrants that it is purchasing the goods or services covered by this Agreement for commercial or business use; that it has assets of \$5 million or more according to its most recent financial statement prepared in accordance with GAAP; that it has knowledge and experience in financial and business matters that enable it to evaluate the merits and risks of a transaction such as the Transactions, and that it is not in a significantly disparate bargaining position with Seller.

(g) Seller and Buyer agree that, to the extent required by law to be effective, the disclaimers of certain representations and warranties contained in this Section 10.03 are “*CONSPICUOUS*” disclaimers for the purpose of any Law.

Article XI  
TITLE MATTERS; CASUALTY; TRANSFER RESTRICTIONS

**Section 1.01 Seller's Title.**

(a) **General Disclaimer of Title Warranties and Representations.** Except for the Special Warranty of title as set forth in the Assignment delivered at Closing and without limiting Buyer's remedies for Title Defects set forth in this Article XI, Seller makes no warranty or representation, express, implied, statutory or otherwise with respect to Seller's title to any of the Assets, and Buyer hereby acknowledges and agrees that Buyer's sole remedy for any defect of title, including any Title Defect, with respect to any of the Assets (i) before Closing, will be as set forth in Section 11.02(d) or, if applicable, Section 15.01(b) and (ii) after Closing, will be pursuant to the Special Warranty of title set forth in the Assignment. Buyer is not entitled to protection under Seller's Special Warranty of title in the Assignment against any Title Defect reported by Buyer under Section 11.02(a).

(b) **Special Warranty of Title.** If Closing occurs, then effective as of the Closing Date until the end of the SWT Survival Period, in the Assignment, Seller will warrant Defensible Title to the Wells and Leases unto Buyer against every Person whomsoever lawfully claims the same or any part thereof by, through or under Seller, but not otherwise, subject, however, to the Permitted Encumbrances (the "***Special Warranty***"); *provided, however*, that, except with respect to any Liability of Seller for any claim asserted in writing by Buyer to Seller in accordance with this Section 11.01(b) and the Assignment before the expiration of the expiration of the SWT Survival Period, the special warranty contained in the Assignment will cease and terminate at the end of the SWT Survival Period.

(c) **Recovery on Special Warranty of Title.**

(i) To assert a breach of Seller's Special Warranty of title set forth in the Assignment, Buyer shall furnish Seller a Title Defect Notice meeting the requirements of Section 11.02(a). For all purposes of this Agreement, Buyer will be deemed to have waived, and Seller will have no further Liability for, any breach of Seller's Special Warranty that Buyer fails to assert by a Title Defect Notice given to Seller on or before the expiration of the SWT Survival Period. Seller will have a reasonable opportunity, but not the obligation, to cure any Title Defect asserted by Buyer pursuant to this Section 11.01(c). If Buyer provides written notice to Seller of a breach of Seller's Special Warranty of title, Seller will have a reasonable opportunity to cure (but no longer than 90 days from receipt of such claim) such breach to the reasonable satisfaction of Buyer. Buyer shall reasonably cooperate with any attempt by Seller to cure any such breach.

(ii) Recovery on Seller's Special Warranty of title will be limited to an amount (without any interest accruing thereon) equal to the reduction in the Base Purchase Price to which Buyer would have been entitled had Buyer asserted the Title Defect giving rise to such breach of Seller's Special Warranty of title as a Title Defect (along with all other Title Defects timely and properly asserted by Buyer pursuant to Section 11.02(a)) prior to the Title Claim Date pursuant to Section 11.02(a). Seller will be entitled to offset any amount owed by Seller to Buyer for Seller's breach of the Special Warranty of title with respect to any Well or Lease by the amount of any Title Benefits with respect to any Well or Lease (whether such Title Benefit is asserted before or after the Closing) unless such Title Benefit was used as an offset to any Title Defects under Section 11.02. Disputes regarding the existence of a breach of the Special Warranty of title contained in the Assignment or the cure thereof will be resolved subject to and in accordance with Section 11.02(j) of this Agreement. Buyer's recovery for a breach of the Special Warranty of title set forth in the Assignment shall not be duplicative.

**Section 1.02 Notice of Title Defects; Defect Adjustments.**

(a) **Title Defect Notices.** Buyer must deliver no later than 5:00 p.m. (Central Time) on November 10, 2021 (the “**Title Claim Date**”) claim notices to Seller meeting the requirements of this Section 11.02(a) (each such notice a “**Title Defect Notice**” and, collectively, the “**Title Defect Notices**”) setting forth any matters which, in Buyer’s good faith opinion, constitute Title Defects and which Buyer intends to assert as a Title Defect pursuant to this Section 11.02(a). For all purposes of this Agreement and notwithstanding anything in this Agreement to the contrary (except as provided in Section 11.01), Buyer will be deemed to have waived, and Seller will have no Liability for, any Title Defect which Buyer fails to assert as a Title Defect by a properly delivered Title Defect Notice received by Seller on or before the Title Claim Date. To be effective, each Title Defect Notice must be in writing and must include: (i) a description of the alleged Title Defect and the Lease or Well, or portion thereof, affected by such Title Defect (each, whether affected by an actual or alleged Title Defect, a “**Title Defect Property**”), (ii) the Allocated Value of each Title Defect Property, (iii) Reasonable Documentation to enable Seller or the Title Arbitrator to verify the existence of such alleged Title Defect, and (iv) Buyer’s good faith calculation of the Title Defect Amount with respect to each Title Defect Property, in each case, determined in accordance with Section 11.02(g) (the “**Alleged Title Defect Amount**”) and the computations upon which Buyer’s belief is based. To give Seller an opportunity to commence reviewing and curing Title Defects, Buyer shall use reasonable efforts, but shall not have the obligation, to give Seller, on or before the end of each calendar week prior to the Title Claim Date, written notice of all alleged Title Defects discovered by Buyer during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the Title Claim Date.

(b) **Title Benefit Notices.** Seller shall have the right, but not the obligation, to deliver to Buyer on or before the Title Claim Date with respect to each Title Benefit a notice (a “**Title Benefit Notice**”) including: (i) a description of the alleged Title Benefit and the Asset, or portion thereof, affected by such alleged Title Benefit (each, whether affected by an actual or alleged Title Benefit, a “**Title Benefit Property**”) and (ii) the amount by which Seller reasonably believes the Allocated Value of such Title Benefit Property is increased by such alleged Title Benefit and reasonable documentation and the computations upon which Seller’s belief is based. Seller shall be deemed to have waived all Title Benefits for which a Title Benefit Notice has not been delivered on or before the end of the SWT Survival Period.

(c) Seller’s Right to Cure.

(i) Seller will have the right, but not the obligation, to attempt, at its sole cost and expense, to cure at any time prior to one hundred twenty (120) days after Closing (the “**Cure Period**”) any Title Defect asserted by Buyer by providing Buyer with written notice to cure at least two (2) Business Days prior to Closing. During the period of time from Closing to the expiration of the Cure Period (or any extended period contemplated by this Section 11.02(c)(i)), Buyer agrees to reasonably cooperate with Seller, including by giving Seller reasonable access during normal business hours to all Records in Buyer’s or its Affiliates’ possession or control and by giving Seller reasonable access to the Assets, to the extent necessary, and to the extent Buyer has the authority to grant such access, to facilitate Seller’s attempt to cure any such Title Defects. No reduction will be made to the Base Purchase Price with respect to any Title Defect for which Seller has provided notice to Buyer two (2) Business Days prior to or on the Closing Date that Seller intends to attempt to cure the Title Defect during the Cure Period. An election by Seller to attempt to cure a Title Defect will be without prejudice to its rights under Section 11.02(j) and will not constitute an admission against interest or a waiver of Seller’s right to dispute the existence, nature or value of, or cost to cure, the alleged Title Defect.

(ii) At the Closing, the Cash Consideration or Adjusted Cash Consideration, as applicable, shall be reduced by the aggregate amount in Dollars equal to the sum of the amounts set forth in the following clauses (A) through (B) (subject to and after taking into account the limitations, thresholds and deductible set forth in Section 11.02(i) and Section 12.01(e)), (such amount, the “**Defect Adjustment Amount**”):

(A) the aggregate amount of all Alleged Title Defect Amounts for all Title Defects alleged by Buyer in good faith that Seller has elected to cure pursuant to Section 11.02(d)(iv) or dispute pursuant to Section 11.02(j); *plus*

(B) the aggregate amount of all Alleged Remediation Amounts for all Environmental Defects alleged by Buyer in good faith that Seller has elected to cure pursuant to Section 12.01(c)(v) or dispute pursuant to Section 12.01(c).

(iii) Upon cure of any Title Defect or Environmental Defect to Buyer’s reasonable satisfaction prior to the expiration of the Cure Period or, in the event that Seller and Buyer cannot agree (including as to whether such Title Defect or Environmental Defect has been cured) and such Title Defect or Environmental Defect has been submitted to the Title Arbitrator as a Disputed Title Matter pursuant to Section 11.02(j) or to the Environmental Arbitrator pursuant to Section 12.01(f), as applicable, upon final resolution of such Disputed Title Matter or Environmental Defect (or the applicable Remediation Amount) under the process delineated in Section 11.02(j) or Section 12.01(f), as applicable, then Seller will be entitled to receive a cash payment from Buyer in accordance with the resolution of said matter in accordance with this Agreement.

(d) **Remedies for Title Defects.** Subject to Seller’s continuing right to dispute the existence of a Title Defect or dispute any Alleged Title Defect Amount asserted with respect to a Title Defect, and subject to the rights of the Buyer pursuant to Section 15.01(b), in the event that any Title Defect timely and effectively asserted by Buyer in accordance with Section 11.02(a) is not waived in writing by Buyer or cured during the Cure Period, Seller may, at its sole option, elect to:

(i) subject to the Individual Title Defect Threshold and the Aggregate Deductible, reduce the Base Purchase Price or Final Price, as applicable, by the Alleged Title Defect Amount (not to exceed the Allocated Value of the applicable Title Defect Property) determined pursuant to Section 11.02(g) or Section 11.02(j);

(ii) in the event that the Alleged Title Defect Amount asserted by Buyer pursuant to Section 11.02(a) with respect to any Title Defect Property exceeds fifty percent (50%) of the Allocated Value for such Title Defect Property, retain the entirety of the Title Defect Property that is subject to such Title Defect, together with all associated Assets, in which event the Base Purchase Price or Final Price, as applicable, will be reduced by an amount equal to the Allocated Value of such Title Defect Property and such associated Assets, and such Title Defect Property and associated Assets shall become Excluded Assets;

(iii) indemnify Buyer against all Liability (up to the Allocated Value of the applicable Title Defect Property) resulting from such Title Defect with respect to such Title Defect Property pursuant to an indemnity agreement prepared by Seller in a form and substance reasonably acceptable to Buyer; or

(iv) cure the alleged Title Defect pursuant to Section 11.02(c); or

(v) if applicable, terminate this Agreement pursuant to Section 14.01(a).

(e) Remedies for Title Benefits. With respect to each Title Benefit Property reported under Section 11.02(a) or Section 11.02(b), the aggregate amount of all Title Defect Amounts for which downward adjustments to Base Purchase Price are to be made pursuant Section 3.02(b)(ii) will be offset by an amount (the "***Title Benefit Amount***") equal to the increase in the Allocated Value for such Title Benefit Property caused by such Title Benefit, as determined pursuant to Section 11.02(h) or Section 11.02(j). In no event shall any Title Benefit Amount result in an upward adjustment to the Base Purchase Price.

(f) Exclusive Remedy. Except for Buyer's rights under Seller's Special Warranty of title in the Assignment and Buyer's rights to terminate this Agreement pursuant to Section 15.01(b), the provisions set forth in Section 11.02(d) will be the exclusive right and remedy of Buyer with respect to Seller's failure to have Defensible Title with respect to any Asset or any other title matter.

(g) Title Defect Amount. The amount by which the Allocated Value of a Title Defect Property is reduced as a result of the existence of a Title Defect (the "***Title Defect Amount***") will be determined in accordance with the following methodology, terms and conditions:

(i) if Buyer and Seller agree in writing on the Title Defect Amount, then that amount will be the Title Defect Amount;

(ii) if the Title Defect is an Encumbrance that is undisputed and liquidated in amount, then the Title Defect Amount will be the amount necessary to be paid to remove the Title Defect From the Title Defect Property;

(iii) if, with respect to any Title Defect affecting a Well, the Title Defect is the result of Seller's Net Revenue Interest for such Title Defect Property as to a Subject Depth (for the productive life of such Title Defect Property) being less than the Net Revenue Interest set forth on Exhibit B for such Title Defect Property as to such Subject Depth, and the Working Interest set forth on Exhibit B for such Title Defect Property as to such Subject Depth is decreased (for the productive life of such Title Defect Property) in the same proportion as the decrease in Net Revenue Interest for such Title Defect Property as to such Subject Depth, then the Title Defect Amount will be the *product* of (A) the Allocated Value of such Title Defect Property as to such Subject Depth *multiplied by* (B) a fraction, (1) the numerator of which is the positive difference between (x) the Net Revenue Interest for such Title Defect Property as set forth on Exhibit A or Exhibit B (as applicable) and (y) the actual Net Revenue Interest of Seller set forth for such Title Defect Property on Exhibit A or Exhibit B, and (2) the denominator of which is the Net Revenue Interest set forth for such Title Defect Property as to such Subject Depth on Exhibit B;

(iv) if, with respect to any Title Defect affecting a Well, the Title Defect is the result of Seller's Working Interest for such Title Defect Property as to a Subject Depth (for the productive life of such Title Defect Property) being greater than the Working Interest set forth on Exhibit B for such Title Defect Property as to such Subject Depth (except (x) increases resulting from contribution requirements with respect to defaulting co-owners from and after the Execution Date under applicable operating agreements, or (y) increases to the extent that such increases are accompanied by a proportionate increase in Seller's Net Revenue Interest), then the Title Defect Amount will be the *product* of (A) the Allocated Value of such Title Defect Property, *multiplied by* (B) a fraction, (1) the numerator of which is the Working Interest increase and (2) the denominator of which is the Working Interest set forth for such Well in Exhibit B;

(v) if, with respect to any Title Defect affecting a Lease, the Title Defect is the result of the Burdens for such Title Defect Property being greater than the Burdens set forth on Exhibit A for such Title Defect Property, and the Working Interest applicable to such Title Defect Property is decreased in the same proportion as the increase in Burdens for such Title Defect Property, then the Title Defect Amount will be the product of (A) the Allocated Value for such Lease, *multiplied by* (B) a fraction, (1) the numerator of which is such increase in Burdens and (2) the denominator of which is the difference between one (1) *minus* the Burdens set forth for such Title Defect Property on Exhibit A;

(vi) if, with respect to any Title Defect affecting a Lease, the Title Defect is the result of Seller's Net Acres in and to a Subject Depth of such Lease being less than the Net Acres represented by Seller on Exhibit A as to such Subject Depth of such Lease, then the Title Defect Amount will be the product of (A) the Allocated Value of such Subject Depth for such Lease multiplied by (B) a fraction, the numerator of which is such Net Acre decrease and the denominator of which is the Net Acres set forth for such Subject Depth of such Lease on Exhibit A;

(vii) if the Title Defect represents any matter other than described in clauses (i) through (vi) of this Section 11.02(g), then the Title Defect Amount will be determined by taking into account the Allocated Value of the Title Defect Property and the affected Subject Depths, the portion (including Subject Depths) of the Title Defect Property affected by the Title Defect, the legal effect of the Title Defect, the potential economic effect of the Title Defect over the life of the Title Defect Property, the values placed upon the Title Defect by Buyer and Seller and such other reasonable factors as are necessary to make a proper evaluation;

(viii) the Title Defect Amount with respect to a Title Defect Property will be determined without duplication of any costs or losses included in another Title Defect Amount hereunder; and

(ix) notwithstanding anything to the contrary in this Article XI, the aggregate Title Defect Amounts attributable to the effects of all Title Defects upon any Title Defect Property will not exceed the Allocated Value of such Title Defect Property.

(h) Title Benefit Amounts. The Title Benefit Amount resulting from a Title Benefit will be determined in accordance with the following methodology, terms and conditions:

(i) if Buyer and Seller agree on the Title Benefit Amount, then that amount will be the Title Benefit Amount;

(ii) if, with respect to any Title Benefit affecting a Well, the Title Benefit represents an increase in Seller's Net Revenue Interest for, or a decrease in the Burdens for, such Title Benefit Property as to a Subject Depth (for the productive life of such Title Benefit Property) and the Working Interest set forth on Exhibit B for such Subject Depth of such Title Benefit Property is increased (for the productive life of such Title Benefit Property) in the same proportion as the increase in Net Revenue Interest for such Subject Depth of such Title Benefit Property or decrease in Burdens, as applicable, then the Title Benefit Amount will be the product of: (A) the Allocated Value of such Subject Depth for such Title Benefit Property *multiplied by* (B) a fraction, (1) the numerator of which is the Net Revenue Interest increase for such Subject Depth of such Title Benefit Property or the Burden decrease, as applicable, and (2) the denominator of which is (x) in the case of an increase in Net Revenue Interest, the Net Revenue Interest set forth for such Subject Depth for such Title Benefit Property on Exhibit B and (y) in the case of a decrease in

Burdens, one (1) *minus* the Burdens set forth for such Title Benefit Property on Exhibit A;

(iii) if, with respect to any Title Benefit affecting a Lease, the Title Benefit represents an increase in Seller's Net Acres in and to a Subject Depth of such Lease over the Net Acres represented by Seller on Exhibit A for such Subject Depth of such Lease, then the Title Benefit Amount will be the product of: (A) the Allocated Value of such Subject Depth for such Lease *multiplied by* (B) a fraction, the numerator of which is such Net Acre increase and the denominator of which is Net Acres set forth for such Subject Depth of such Lease on Exhibit A; and

(iv) if the Title Benefit is of a type not described above, then the Title Benefit Amount will be determined by taking into account the Allocated Value of the Title Benefit Property and the affected Subject Depths, the portion (including Subject Depths) of such Title Benefit Property affected by such Title Benefits, the legal effect of the Title Benefit, the potential economic effect of the Title Benefit over the life of such Title Benefit Property, the values place upon the Title Benefit by Buyer and Seller and such other reasonable factors as are necessary to make a proper evaluation.

(i) Title Defect Threshold and Deductible. Notwithstanding anything to the contrary in this Agreement: (i) in no event will there be any adjustments to the Base Purchase Price or other remedies provided by Seller for any individual Title Defect for which the Title Defect Amount does not exceed \$100,000 (the "**Individual Title Defect Threshold**"); and (ii) in no event shall there be any adjustments to the Base Purchase Price or other remedies provided by Seller for any Title Defect that exceeds the Individual Title Defect Threshold unless (A) the amount of the sum of (1) the aggregate Actual Title Defect Amounts of all such Title Defects that exceed the Individual Title Defect Threshold (but excluding any such Title Defects cured by Seller), *plus* (2) the aggregate Actual Remediation Amounts of all Environmental Defects that exceed the Individual Environmental Threshold (but excluding any Environmental Defect cured by Seller), exceeds (B) the Aggregate Deductible, after which point Buyer will be entitled to adjustments to the Base Purchase Price or other applicable remedies available hereunder, but only with respect to the amount by which the aggregate amount of such Actual Title Defect Amounts and Actual Remediation Amounts exceeds the Aggregate Deductible. If Seller retains any Title Defect Property pursuant to Section 11.02(d)(ii), then the Title Defect Amount related to such Title Defect Property will not count towards the Aggregate Deductible.

(j) Title Dispute Resolution. Seller and Buyer shall attempt to agree in writing on matters regarding (i) all Title Defects, Title Benefits, Title Defect Amounts and Title Benefit Amounts, and (ii) the adequacy of any curative materials provided by Seller to cure an alleged Title Defect (collectively, the "**Disputed Title Matters**") prior to Closing (or, if Seller elects to attempt to cure pursuant to Section 11.02(c)(i), then prior to the end of the Cure Period). If Seller and Buyer are unable to agree by Closing (or by the end of the Cure Period if Seller elects to attempt to cure a Title Defect after Closing), the Disputed Title Matters will be exclusively and finally resolved pursuant to this Section 11.02(j). There will be a single arbitrator, who shall be a title attorney with at least fifteen (15) years' experience in oil and gas titles involving properties in the regional area in which the Title Defect Properties or Title Benefit Properties are located (the "**Title Arbitrator**"), as selected by agreement of Buyer and Seller within fifteen (15) days after Closing or end of the Cure Period, as applicable, and absent such agreement, by the Dallas, Texas office of the AAA (or, if there is no such office, the office of the AAA serving Dallas, Texas). Each of Buyer and Seller shall submit to the Title Arbitrator its proposed resolution of the Disputed Title Matter in writing. The proposed resolution of the Disputed Title Matter must include the best offer of the submitting Party in a single monetary amount that such Party is willing to pay or accept (as applicable) to settle the Disputed Title Matter. The Title Arbitrator shall be limited to awarding only one or the other of the two proposed settlement amounts with

respect to each Disputed Title Matter. The arbitration proceeding will be held in Dallas, Texas and will be conducted in accordance with the Commercial Arbitration Rules of the AAA, to the extent such rules do not conflict with this Section 11.02(j). The Title Arbitrator's determination shall be made within thirty (30) days after submission of the matters in dispute and shall be final and binding upon the Parties, without right of appeal. In making its determination, the Title Arbitrator shall be bound by the rules set forth in Section 11.02(g) and Section 11.02(h) and, subject to the foregoing, may consider such other matters as in the opinion of the Title Arbitrator are necessary to make a proper determination in accordance with this Agreement. The Title Arbitrator, however, may not award Buyer a greater Title Defect Amount than the Title Defect Amount claimed by Buyer in its applicable Title Defect Notice or Title Benefit Amount greater than the Title Benefit Amount claimed by Seller in its applicable Title Benefit Notice. The Title Arbitrator shall act as an expert for the limited purpose of determining each Disputed Title Matter submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. The costs of the Title Arbitrator will be borne equally between the Parties. To the extent that the award of the Title Arbitrator with respect to any Title Defect Amount or Title Benefit Amount is not taken into account as an adjustment to the Base Purchase Price pursuant to Section 3.03 or Section 3.04, then within ten (10) days after the Title Arbitrator delivers written notice to Buyer and Seller of his or her award with respect to a Title Defect Amount or Title Benefit Amount (or the Parties otherwise agree in writing with respect to the foregoing) and, subject to Section 11.02(i), the Buyer shall, after giving effect to the limitations provided in this Section 11.02 (without duplication), pay by wire transfer of immediately available funds to Seller an amount equal to (1) the sum of the Title Defect Amounts associated with (x) those Title Defects which Seller elected to cure pursuant to Section 11.02(d)(iv) which are not subject to an unresolved Disputed Title Matter and which are fully cured as provided in Section 11.02(c)(i), and (y) any Disputed Title Matters determined in favor of Seller pursuant to this Section 11.02(j), less (2) an amount of any offsetting Title Benefits which are Disputed Title Matters and are determined in favor of Buyer pursuant to this Section 11.02(j). Nothing in this Agreement shall operate to cause Closing to be delayed on account of any unresolved Disputed Title Matters or any arbitration conducted pursuant to this Section 11.02(j) and, to the extent any adjustments are not agreed upon by the Parties in writing as of Closing, the Base Purchase Price will not be adjusted for such unresolved Disputed Title Matter at Closing and subsequent adjustments to the Base Purchase Price, if any, will be made pursuant to Section 3.04 or this Section 11.02.

Nothing in this Agreement shall operate to cause Closing to be delayed on account of any unresolved Disputed Title Matters or any arbitration conducted pursuant to this Section 11.02(j) and, to the extent any adjustments are not agreed upon by the Parties in writing as of Closing, the Base Purchase Price will not be adjusted for such unresolved Disputed Title Matter at Closing and subsequent adjustments to the Base Purchase Price, if any, will be made pursuant to Section 3.04 or this Section 11.02.

### **Section 1.03 Casualty Loss.**

(a) Notwithstanding anything in this Agreement to the contrary, from and after the Effective Time, if Closing occurs, Buyer shall assume all risk of loss with respect to production of Hydrocarbons through normal depletion (including watering out of any well, collapsed casing or sand infiltration of any well) and the depreciation of Personal Property due to ordinary wear and tear, in each case, with respect to the Assets, and Buyer shall not assert, and shall not be entitled to assert, such matters as Casualty Losses, Title Defects, Environmental Defects or breaches of this Agreement.

(b) If, after the Execution Date but prior to the Closing Date, any Asset is damaged or destroyed by fire or other casualty (except to the extent Buyer has an indemnification obligation to Seller for such damage, destruction or casualty under Section 10.01(c)) or is taken in

condemnation or under right of eminent domain (each a “*Casualty Loss*”), subject to Section 7.04 and Section 8.04, Buyer shall nevertheless be required to Close.

(c) At Closing: (i) Buyer shall assume all risk and loss associated with such Casualty Losses as an Assumed Obligations (and Seller and its Affiliates will have no Liability for such Casualty Losses), (ii) the Base Purchase Price shall not be adjusted as a result of such Casualty Losses and (iii) Seller shall pay to Buyer all sums paid to Seller by Third Parties by reason of any Casualty Losses insofar as with respect to the Assets and shall assign, transfer and set over to Buyer or subrogate Buyer to all of Seller’s right, title and interest (if any) in insurance claims, unpaid awards and other rights, in each case, against Third Parties arising out of such Casualty Losses insofar as with respect to the Assets.

**Section 1.04 Consents to Assign.**

(a) With respect to each Consent set forth on Schedule 4.04, Seller, prior to Closing, shall use commercially reasonable efforts to send to the holder of each such Consent a notice in material compliance with the contract provisions applicable to such Consent seeking such holder’s consent to the Transactions.

(b) If Seller fails to obtain a Consent set forth on Schedule 4.04 prior to Closing and such Consent is a Hard Consent, then (1) the Asset (or portion thereof as well as all other Assets as may be reasonably necessary to effect the exclusion of the affected Asset due to any uniformity of interest provisions, unit agreements or other contractual or operational restrictions on the transfer of such affected Asset) affected by such Hard Consent shall not be conveyed at the Closing and will be Excluded Assets, (2) the Base Purchase Price will be reduced at Closing by an amount equal to the aggregate Allocated Values of such affected Assets, and (3) Seller and Buyer shall use commercially reasonable efforts to obtain the Hard Consent applicable to the transfer of such Asset following the Closing; on the condition that no Party will be required to incur any Liability or pay any money or provide other consideration to any holder of any such Hard Consent in order to obtain such Hard Consent. In the event that a Hard Consent (with respect to an Asset excluded pursuant to this Section 11.04(b)) that was not obtained prior to Closing (an “*Unobtained Hard Consent*”) is obtained within one hundred twenty (120) days following Closing, then (x) within ten (10) Business Days of the end of such one hundred twenty (120) day period, pursuant to Section 9.05 Buyer and Seller shall effect a Subsequent Closing at which Seller shall assign to Buyer the Asset (or portion thereof) that was so excluded as a result of such Unobtained Hard Consent pursuant to an instrument in substantially the same form as the Assignment, (y) Buyer shall pay to Seller an amount equal to the aggregate Allocated Values of such Assets and any related Assets so excluded (as adjusted pursuant to Section 3.02) and (z) any Liabilities arising from such assignment shall thereafter constitute Assumed Obligations.

(c) If Seller fails to obtain a Consent set forth on Schedule 4.04 that is not a Hard Consent prior to Closing, then the Asset (or portion thereof) subject to such un-obtained Consent will nevertheless be assigned by Seller to Buyer at Closing as part of the Assets and Buyer will have no claim against, and Seller will have no Liability to Buyer for, the failure to obtain such Consent.

(d) Prior to Closing, Seller and Buyer shall use their commercially reasonable efforts to obtain all Consents listed on Schedule 4.04; on the condition that no Party shall be required to incur any Liability, pay any money or provide any other consideration to the holders of any Consent in order to obtain any such Consent. Subject to the foregoing, Buyer agrees to provide Seller with any information or documentation that may be reasonably requested by Seller or the Third Party holder(s) of such Consents in order to facilitate the process of obtaining such Consents.

**Section 1.05** **Preferential Purchase Rights.** With respect to each Preferential Purchase Right set forth on Schedule 4.09, Seller, prior to Closing, shall use its commercially reasonable efforts to send to the holder of each such Preferential Purchase Right a notice in material compliance with the contract provisions applicable to such Preferential Purchase Right with respect to the Transactions.

(a) In the event that any holder of a Preferential Purchase Right exercises such Preferential Purchase Right prior to the Closing, then the Assets subject to such Preferential Purchase Right (as well as all other Assets as may be reasonably necessary to effect the exclusion of the affected Asset due to any uniformity of interest provisions, unit agreements or other contractual or operational restrictions on the transfer of such affected Asset) will be excluded from this Agreement, the Base Purchase Price will be reduced at Closing by an amount equal to the aggregate Allocated Values of such affected Assets and, subject to Article IX, the Closing will occur as to the remainder of the Assets (or interests therein).

(b) In the event that any holder of a Preferential Purchase Right fails to exercise such Preferential Purchase Right prior to the Closing and the time period for exercise or waiver of such Preferential Purchase Right has not yet expired, then the Assets subject to such Preferential Purchase Right (as well as all other Assets as may be reasonably necessary to effect the exclusion of the affected Asset due to any uniformity of interest provisions, unit agreements or other contractual or operational restrictions on the transfer of such affected Asset) shall be retained by the Seller and the Base Purchase Price shall be reduced at Closing by an amount equal to the aggregate Allocated Values of such Assets and, subject to Article IX, the Closing shall occur as to the remainder of the Assets (or interests therein).

(c) If, subsequent to the Closing, any Preferential Purchase Right is waived, or if the time period otherwise set forth for exercising such Preferential Purchase Right expires without exercise by the holders thereof, or such holder of such Preferential Purchase Right fails to consummate the purchase of the Assets covered by such Preferential Purchase Right in accordance with the terms of the Preferential Purchase Right, in each case prior to the expiration of the Cure Period, then Seller and Buyer shall effect a Closing pursuant to Section 9.05 (and the other terms and conditions in this Agreement) with respect to, and Seller shall transfer to Buyer, the Assets (or interests therein) subject to such Preferential Purchase Right and any related Assets which were excluded from the Closing as provided in this Section 11.05, and Buyer shall pay to Seller an amount equal to the aggregate Allocated Values of such Assets and any related Assets so excluded (as adjusted pursuant to Section 3.02).

(d) Each Party hereby gives, and shall cause its Affiliates to give, any Hard Consents, and hereby waives, and shall cause its Affiliates to waive, any Preferential Purchase Rights held by such Party or its Affiliates.

## **Article XII ENVIRONMENTAL MATTERS**

### **Section 1.01 *Notice of Environmental Defects.***

(a) Environmental Defects Notice. Buyer must deliver no later than 5:00 p.m. (Central Time) on November 10, 2021 (the “**Environmental Claim Date**”) claim notices to Seller meeting the requirements of this Section 12.01(a) (each an “**Environmental Defect Notice**” and collectively the “**Environmental Defect Notices**”) setting forth any matters which, in Buyer’s reasonable opinion, constitute Environmental Defects and which Buyer intends to assert as Environmental Defects pursuant to this Section 12.01. For all purposes of this Agreement and the corresponding representation in the Seller’s Certificate, Buyer will be deemed to have waived, and Seller will have no Liability for, any Environmental Defect which

Buyer fails to assert as an Environmental Defect by a properly delivered Environmental Defect Notice received by Seller on or before the Environmental Claim Date. To be effective, each Environmental Defect Notice must be in writing and must include: (i) a description of the matter constituting the alleged Environmental Defect (including the Environmental Law violated or implicated thereby) and the Assets affected by such alleged Environmental Defect, (ii) the Allocated Value of the Assets (or portions thereof) affected by such alleged Environmental Defect, (iii) supporting documents reasonably necessary for Seller to verify the existence of such alleged Environmental Defect, and (iv) Buyer's good faith calculation of the Remediation Amount (itemized in reasonable detail) that Buyer asserts is attributable to such alleged Environmental Defect (the "**Alleged Remediation Amount**"). Notwithstanding anything contained in this Agreement to the contrary, any Environmental Defect asserted by Buyer pursuant to this Section 12.01(a) will be limited to the Assets only, and Buyer will not have the right to assert Environmental Defects with respect to any other assets, properties or operations. Buyer's calculation of the Alleged Remediation Amount included in the Environmental Defect Notice must describe in reasonable detail the Remediation proposed for the alleged Environmental Defect and identify all assumptions used by the Buyer in calculating the Alleged Remediation Amount, including the standards that Buyer asserts must be met to comply with Environmental Laws. To give Seller an opportunity to commence reviewing and curing Environmental Defects, Buyer shall use reasonable efforts, but shall not have the obligation, to give Seller, on or before the end of each calendar week prior to the Environmental Claim Date, written notice of all alleged Environmental Defects discovered by Buyer during the preceding calendar week, which notice may be preliminary in nature and supplemented prior to the Environmental Claim Date. Buyer may not assert as an Environmental Defect any environmental condition disclosed in the schedules to this Agreement.

(b) **Seller's Right to Cure.** Subject to Section 12.01(c)(iv), Seller will have the right, but not the obligation, to attempt, at its sole cost and expense, to cure at any time prior to Closing, any Environmental Defects of which it has been advised by Buyer. An election by Seller to attempt to cure an Environmental Defect shall be without prejudice to its rights under Section 12.01(f) and will not constitute an admission against interest or a waiver of Seller's right to dispute the existence, nature or value of, or cost to cure, the alleged Environmental Defect.

(c) **Remedies for Environmental Defects.** Subject to Seller's continuing right to cure an Environmental Defect prior to Closing or dispute the existence of an Environmental Defect or the Alleged Remediation Amount asserted with respect to an Environmental Defect, and subject to the rights of the Buyer pursuant to Section 15.01(b), in the event that any Environmental Defect timely asserted by Buyer in accordance with Section 12.01(a) is not waived in writing by Buyer or cured prior to Closing, Seller may, at its sole option, elect to:

(i) subject to the Individual Environmental Threshold and the Aggregate Deductible, reduce the Base Purchase Price or Final Price, as applicable, by the Actual Remediation Amount relating to such Environmental Defect;

(ii) in the event that the Alleged Remediation Amount asserted by Buyer pursuant to Section 12.01(a) with respect to any Asset that is subject to an alleged Environmental Defect exceeds fifty percent (50%) of the Allocated Value for such Asset, retain the entirety of the Asset that is subject to such Environmental Defect, together with all associated Assets, in which event the Base Purchase Price will be reduced by an amount equal to the Allocated Value of such Asset and such excluded associated Assets (and such Assets will be Excluded Assets for all purposes);

(iii) indemnify Buyer against all Liability resulting from such Environmental Defect with respect to the Assets subject to such Environmental Defect pursuant to an

indemnity agreement prepared by Seller in a form and substance reasonably acceptable to Buyer;

(iv) cure the alleged Environmental Defect pursuant to Section 12.01(b); except, that if such Environmental Defect is not cured at or prior to Closing, Seller shall retain the entirety of the Asset that is subject to such Environmental Defect, together with all associated Assets, at the Closing, and the Base Purchase Price shall be reduced by an amount equal to the Allocated Value of such Asset and such associated Assets; or

(v) if applicable, terminate this Agreement pursuant to Section 15.01(a).

If Seller elects the option set forth in clause (i) above, Buyer will be deemed to have assumed responsibility for all of the costs and expenses attributable to the Remediation of the Environmental Defect and all Liabilities with respect thereto and such responsibility of Buyer will be deemed to constitute part of the Assumed Obligations hereunder.

(d) Exclusive Remedy. Except for the representations and warranties set forth in Section 4.18 and Buyer's right to terminate this Agreement pursuant to Section 15.01(c), the provisions set forth in Section 12.01(c) will be the exclusive right and remedy of Buyer with respect to any Environmental Defect with respect to any Asset or any other environmental matter.

(e) Environmental Deductibles. Notwithstanding anything to the contrary in this Agreement, (i) in no event will there be any adjustments to the Base Purchase Price or other remedies provided by Seller for any individual Environmental Defect for which the Remediation Amount does not exceed \$125,000.00 (the "**Individual Environmental Threshold**"); and (ii) in no event will there be any adjustments to the Base Purchase Price or other remedies provided by Seller for any Environmental Defect for which the Actual Remediation Amount exceeds the Individual Environmental Threshold unless (A) the amount of the sum of (1) the aggregate Actual Remediation Amounts of all such Environmental Defects that exceed the Individual Environmental Threshold (but excluding any Environmental Defects cured by Seller), *plus* (2) the aggregate Actual Title Defect Amounts of all Title Defects that exceed the Individual Title Defect Threshold (but excluding any Title Defects cured by Seller), exceeds (B) the Aggregate Deductible, after which point Buyer will be entitled to adjustments to the Base Purchase Price or other remedies hereunder, but only with respect to the amount by which the aggregate amount of such Actual Remediation Amounts and Actual Title Defect Amounts exceeds the Aggregate Deductible. If Seller retains any Assets pursuant to Section 12.01(c)(ii) or Section 12.01(c)(iv), then the Remediation Amount relating to such retained Assets will not count towards the Aggregate Deductible.

(f) Environmental Dispute Resolution. Seller and Buyer shall attempt to agree in writing on all Environmental Defects and Remediation Amounts ("**Disputed Environmental Matters**") prior to Closing (or, if Seller elects to attempt to cure pursuant to Section 12.01(b), then prior to the end of the Cure Period). If Seller and Buyer are unable to agree by Closing (or by the end of the Cure Period if Seller elects to attempt to cure an Environmental Defect after Closing), the Environmental Defects or Remediation Amounts in dispute will be exclusively and finally resolved by arbitration pursuant to this Section 12.01(f). There will be a single arbitrator, who will be an environmental attorney with at least fifteen (15) years' experience in environmental matters involving oil and gas producing properties in the regional area in which the affected Assets are located, as selected by written agreement of Buyer and Seller within fifteen (15) days after the Closing Date or the end of the Cure Period, as applicable, and absent such agreement, by the Dallas, Texas office of the AAA (or, if there is no such office, the office of the AAA serving Dallas, Texas) (the "**Environmental Arbitrator**"). Each of Buyer and Seller shall submit to the Environmental Arbitrator its proposed resolution of each Disputed

Environmental Matter in writing. The proposed resolution must include the best offer of the submitting Party in a single monetary amount that such Party is willing to pay or accept (as applicable) to settle or otherwise resolve each Disputed Environmental Matter. The arbitration proceeding will be held in Dallas, Texas and will be conducted in accordance with the Commercial Arbitration Rules of the AAA, to the extent such rules do not conflict with the terms of this Section 12.01. The Environmental Arbitrator's determination shall be made within thirty (30) days after submission of the matters in dispute and shall be final and binding upon the Parties, without right of appeal. In making its determination, the Environmental Arbitrator shall be bound by the rules set forth in this Section 12.01 and, subject to the foregoing, may consider such other matters as in the opinion of the Environmental Arbitrator are necessary or helpful to make a proper determination; *provided, however*, that the Environmental Arbitrator will be limited to awarding only one or the other of the two proposed settlement amounts, and; *provided, further* that the Environmental Arbitrator may not award Buyer any greater Remediation Amount than the Alleged Remediation Amount claimed by Buyer in its applicable Environmental Defect Notice. The Environmental Arbitrator shall act as an expert for the limited purpose of determining the Disputed Environmental Matters submitted by either Party and may not award damages, interest or penalties to either Party with respect to any matter. The costs of the Environmental Arbitrator will be borne equally between the Parties. To the extent that the award of the Environmental Arbitrator with respect to any Remediation Amount is not taken into account as an adjustment to the Base Purchase Price pursuant to Section 3.03 or Section 3.04, then within ten (10) days after the Environmental Arbitrator delivers written notice to Buyer and Seller of his or her award with respect to any Disputed Environmental Matter, and subject to Section 12.01(e), the Buyer shall, after giving effect to the limitations provided in this Section 12.01 (without duplication), pay by wire transfer in immediately available funds to Seller an amount equal to the sum of the Actual Remediation Amounts associated with any Disputed Environmental Matter determined in favor of Seller pursuant to this Section 12.01.

Nothing in this Agreement will operate to cause Closing to be delayed on account of any unresolved Disputed Environmental Matters or any arbitration conducted pursuant to this Section 12.01(f), and to the extent any adjustments are not agreed upon by the Parties in writing as of Closing, the Base Purchase Price will not be adjusted for such Disputed Environmental Matters at Closing, and subsequent adjustments to the Base Purchase Price, if any, will be made pursuant to Section 3.04 and this Section 12.01(f).

**Section 1.02 NORM, Asbestos, Wastes and Other Substances.** The Buyer Parties acknowledge that (a) the Assets have been used for exploration, development and production of oil and gas and that there may be petroleum, produced water, wastes or other substances or materials located in, on or under the Assets or associated with the Assets; (b) equipment and sites included in the Assets may contain asbestos, NORM or other Hazardous Substances; (c) NORM may affix or attach itself to the inside of wells, materials and equipment as scale, or in other forms; (d) the wells, materials and equipment located on the Assets or included in the Assets may contain NORM, asbestos and other wastes or Hazardous Substances; (e) NORM containing material and other wastes or Hazardous Substances may have come in contact with various environmental media, including, waster, soils or sediment; (f) special procedures may be required for the assessment, remediation, removal, transportation, or disposal of environmental media, wastes, asbestos, NORM and other Hazardous Substances from the Assets; and (g) notwithstanding anything to the contrary, the presence of NORM, asbestos-containing materials that are non-friable, Hydrocarbons or Hazardous Substances cannot be claimed as an Environmental Defect, except to the extent constituting a violation of Environmental Laws.

### Article XIII TAXES

#### **Section 1.01 Asset Taxes.**

(a) Solely for purposes of determining the Base Purchase Price adjustments pursuant to Section 3.02(a)(vi), Seller will be allocated and shall bear all Asset Taxes attributable to (i) any Tax period ending prior to the Effective Time and (ii) the portion of any Straddle Period ending immediately prior to the Effective Time. Buyer will be allocated and shall bear all Asset Taxes attributable to (A) any Tax period beginning at or after the Effective Time and (B) the portion of any Straddle Period beginning at the Effective Time.

(b) For purposes of determining the allocations described in Section 13.01(a), (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons (other than such Asset Taxes described in clause (iii), below) will be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred, (ii) Asset Taxes that are based upon or related to sales or receipts or imposed on a transactional basis (other than such Asset Taxes described in clause (i) or (iii)), will be allocated to the period in which the transaction giving rise to such Asset Taxes occurred, and (iii) Asset Taxes that are *ad valorem*, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period will be allocated between the portion of such Straddle Period ending immediately prior to the Effective Time and the portion of such Straddle Period beginning at the Effective Time by prorating each such Asset Tax based on the number of days in the applicable Straddle Period that occur before the date on which the Effective Time occurs, on the one hand, and the number of days in such Straddle Period that occur on or after the date on which the Effective Time occurs, on the other hand. For purposes of clause (iii) of the preceding sentence, the period for such Asset Taxes will begin on the date on which ownership of the applicable Assets gives rise to Liability for the particular Asset Tax and will end on the day before the next such date.

(c) To the extent the actual amount of an Asset Tax is not determinable at the Closing or at the time of the determination of the Final Settlement Statement pursuant to Section 3.04, as applicable, the Parties shall utilize the most recent information available in estimating the amount of such Asset Tax for purposes of such adjustment, and the amount of such adjustment as finally determined in accordance with Section 3.04 will be final and binding.

**Section 1.02 Transfer Taxes.**

(a) If any Transfer Taxes are asserted by any taxing authority in connection with the transfer of the Assets pursuant to this Agreement, (i) Seller shall, at Buyer's expense, cooperate with Buyer in any Proceedings related to such Transfer Taxes and (ii) to the extent any such Transfer Taxes are determined to be due, Buyer shall pay to the appropriate taxing authority, or promptly reimburse Seller for, any such Transfer Taxes.

(b) Notwithstanding anything to the contrary in the preceding clause (a), any and all required documentary, filing and recording fees and expenses in connection with the filing and recording of the assignments, conveyances or other instruments required to convey title to the Assets to Buyer will be borne by Buyer.

**Section 1.03 Tax Returns and Payments.** Except as required by Law:

(a) Seller shall be responsible for timely paying, or withholding and remitting, as applicable, all Asset Taxes that are either (i) Asset Taxes imposed with respect to a Tax period ending prior to the Effective Time, or (ii) required to be paid on or prior to the Closing Date, and Seller shall file with the appropriate Governmental Authority any and all Tax Returns required to be filed with to such Asset Taxes. Seller shall provide Buyer with evidence reasonably satisfactory to Buyer of the payment of all Asset Taxes described in this Section 13.03(a) within ten (10) Business Days after Seller's payment thereof.

(b) Buyer shall be responsible for timely paying, or withholding and remitting, as applicable, all Asset Taxes other than those required to be remitted by Seller in accordance with Section 13.03(a), and Buyer shall file with the appropriate Governmental Authority any and all Tax Returns required to be filed with respect to such Asset Taxes.

(c) The Parties agree that (i) this Section 13.03 is intended to solely address the timing and manner in which certain Tax Returns relating to Asset Taxes are filed and the Asset Taxes shown thereon are paid to the applicable taxing authority, and (ii) nothing in this Section 13.03 will be interpreted as altering the manner in which Asset Taxes are allocated to and economically borne by the Parties.

**Section 1.04 Cooperation.** The Parties shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation or other proceeding with respect to Taxes relating to the Assets. Such cooperation will include the retention and (upon another Party's request) the provision of records and information that are relevant to any such Tax Return or audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. The Parties agree to retain all books and records with respect to Tax matters pertinent to the Assets relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations of the respective taxable periods and to abide by all record retention agreements entered into with any Governmental Authority.

**Section 1.05 Refunds.** Seller will be entitled to any and all refunds of Asset Taxes allocated to Seller pursuant to Section 13.01, and Buyer will be entitled to any and all refunds of Asset Taxes allocated to Buyer pursuant to Section 13.01. If a Party receives a refund of Asset Taxes to which the other Party is entitled pursuant to this Section 13.05, the first Party shall promptly pay such amount to the other Party, net of any reasonable costs or expenses incurred by the first Party in procuring such refund.

#### **Article XIV ASSUMPTION; INDEMNIFICATION; SURVIVAL**

##### **Section 1.01 Assumed Obligations; Retained Liabilities.**

(a) Without limiting Buyer's rights to indemnity under this Article XIV, from and after Closing, Buyer assumes and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid and discharged) all Liabilities, known or unknown, arising from, based upon, related to or associated with the Assets, regardless of whether such Liabilities arose prior to, on or after the Effective Time, including Liabilities relating in any manner to the use, ownership or operation of the Assets, including Liabilities to (i) furnish makeup gas and settle Imbalances in accordance with the terms of applicable gas sales, processing, gathering or transportation Contracts, (ii) pay Working Interests, Burdens and other interests owners' revenues or proceeds attributable to sales of Hydrocarbons, including those held in suspense (including those amounts for which the Base Purchase Price was adjusted pursuant to Section 3.02(b)(vii)), (iii) pay the applicable Governmental Authority any amounts subject to escheat obligations pursuant to Law, (iv) Decommission the Assets, (v) clean up and remediate the Assets in accordance with applicable Leases, Contracts, other instruments and Laws, (vi) perform all obligations applicable to or imposed on the lessee, owner or operator under the Leases and the Applicable Contracts, or as required by Law, and (vii) all Property Expenses (all of said Liabilities being referred to as the "*Assumed Obligations*"); *provided, however*, that

Buyer does not assume any Liabilities to the extent that they are attributable to or arise solely out of the ownership, use or operation of the Excluded Assets.

(b) The following Liabilities related to the Assets are herein referred to as the “*Retained Liabilities*” (i) except as set forth in Section 10.01, Liabilities arising out of or related to personal injury or wrongful death resulting from events occurring prior to the Effective Time and during Seller’s ownership of the Assets; or (ii) any Liabilities arising from any off-site disposal of Hazardous Substances prior to the Effective Time and during Seller’s ownership of the Assets, in each case, to the extent a valid Claim Notice is given within the survival period set forth in Section 14.08 for the Retained Liabilities.

**Section 1.02 *Indemnities of Seller.*** Effective as of Closing, subject to the limitations set forth in Sections 14.04 and 14.08 or otherwise in this Agreement, Seller shall be responsible for, shall pay on a current basis and hereby agrees to defend, indemnify and hold harmless Buyer and its Affiliates, and all of its and their respective equityholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, “Buyer Indemnified Parties”) from and against any and all Liabilities suffered or incurred by any Buyer Indemnified Party, whether or not relating to Third Party Claims or incurred in the defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder, arising from, based upon, related to or associated with:

- (a) any breach by Seller of any of its representations or warranties contained in Article IV or the Seller’s Certificate;
- (b) any breach by Seller of any of its covenants or agreements under this Agreement;
- (c) the Retained Liabilities; and
- (d) any Seller Taxes.

**Section 1.03 *Indemnities of Buyer.*** Effective as of Closing, Buyer and its successors and assigns shall assume and be responsible for, shall pay on a current basis, and hereby defends, indemnifies, holds harmless and forever releases Seller and its Affiliates, and all of their respective equityholders, partners, members, directors, officers, managers, employees, agents and representatives (collectively, “Seller Indemnified Parties”) from and against any and all Liabilities suffered or incurred by any Seller Indemnified Party, whether or not relating to Third Party Claims or incurred in the defense of any of the same or in asserting, preserving or enforcing any of their respective rights hereunder, arising from, based upon, related to or associated with:

- (a) any breach by any Buyer Party of any of its representations or warranties contained in Article V or the Buyer’s Certificate;
- (b) any breach by any Buyer Party of any of its covenants or agreements under this Agreement; and
- (c) the Assumed Obligations.

**Section 1.04 *Limitation on Liability; Materiality.***

(a) Seller will not have any Liability for any indemnification under Section 14.02 (i) for any individual Liability unless the amount with respect to such Liability exceeds \$100,000.00 (the “*De Minimis Threshold*”), and (ii) until and unless the aggregate amount of all

Liabilities for which Claim Notices are delivered by Buyer that exceed the De Minimis Threshold exceeds the Indemnity Deductible, after which point Seller will only be liable for such indemnification to the extent such Liabilities that exceed the De Minimis Threshold exceed the Indemnity Deductible; *provided, however*, that the limitations on Seller's Liability in this Section 14.04(a) will not apply to: (x) Seller's Liability for breaches of its Fundamental Representations, the representations and warranties in Section 4.13 and the corresponding representations and warranties in Seller's Certificate; (y) Seller's Liability for breaches of any covenant to be performed at or following the Closing (including Liability under Article XIII or for any payments to be made by Seller under Section 3.04 and Section 3.05), and (z) Seller's Liability under Section 14.02(d) for any Seller Taxes.

(b) Notwithstanding anything to the contrary contained in this Agreement, Seller will not be required to indemnify Buyer for aggregate Liabilities under this Agreement or otherwise in excess of ten percent (10%) of the Base Purchase Price; *provided, however*, that (i) Seller's Liability for breaches of its Fundamental Representations, the representations and warranties in Section 4.13 and the corresponding representations and warranties in Seller's Certificate, (ii) Seller's Liability for breaches of any covenant to be performed at or following the Closing (including Liability under Article XIII or for any payments to be made by Seller under Section 3.04 and Section 3.05), and (iii) Seller's Liability under Section 14.02(d) for the Seller Taxes, in each case, will not be limited by this Section 14.04(b).

(c) Notwithstanding anything to the contrary contained in this Agreement, Seller's aggregate Liabilities under this Agreement or otherwise will not exceed the Base Purchase Price.

(d) The obligations set forth in Sections 14.02 and 14.03 will not apply to (i) any amount that was taken into account as an adjustment to the Base Purchase Price pursuant to the provisions hereof, (ii) except as otherwise provided in this Agreement, any Party's costs and expenses with respect to the negotiation and consummation of this Agreement and the purchase and sale of the Assets, and (iii) any amount that would result in a double recovery.

(e) Each Party has a duty to mitigate any claim that such Party has or may bring for indemnification in connection with this Agreement or the Transactions.

(f) Notwithstanding anything to the contrary contained in this Agreement, Seller will not be required to indemnify Buyer under Section 14.02(a) for any Asset Tax (or portion thereof) allocable to Buyer under Section 15.02 as a result of a breach by Seller of any representation or warranty set forth in Section 4.13, except to the extent the amount of such Asset Tax (or portion thereof) allocable to Buyer exceeds the amount that would have been due absent such breach and subject to any other limitations set forth in this Section 14.04.

(g) For the purposes of determining whether Seller is obligated to provide indemnification under Section 14.02(a), when calculating the amount of damages incurred, arising from, based upon, related to or associated with any breach by Seller of any of its representations or warranties contained in Article IV or the Seller's Certificate (but not for purposes of determining whether a breach has occurred), any qualifiers as to materiality or Seller Material Adverse Effect set forth in such representations or warranties herein shall be disregarded.

**Section 1.05 *Express Negligence.* The defense, indemnification, hold harmless, release and Assumed Obligations provisions provided for in this Agreement will be applicable whether or not the Liabilities in question arose or resulted solely or in part from the gross, sole, active, passive, concurrent or comparative negligence, strict liability or other fault or violation of Law of or by any Indemnified Party. Buyer, SilverBow and Seller**

acknowledge that this statement complies with the express negligence rule and is “**CONSPICUOUS.**”

**Section 1.06 Exclusive Remedy.**

(a) Notwithstanding anything to the contrary contained in this Agreement, the Parties agree that, from and after Closing, Section 10.01(c), Section 11.01(b), this Article XIV and Section 16.17, and any indemnity agreement entered into by Buyer and Seller pursuant to Section 11.02(c)(iii) or Section 12.01(c)(iii), as applicable, contain the Parties’ exclusive remedies against each other with respect to this Agreement, the Transaction Documents and the Transactions (whether in contract, tort or otherwise), including breaches of the representations, warranties, covenants and agreements of the Parties contained in this Agreement or in any Transaction Document. Except as specified in Section 10.01(c), Section 11.01(b), this Article XIV, Section 16.17 and any indemnity agreement entered into by Buyer and Seller pursuant to Section 11.02(d)(iii) or Section 12.01(c)(iii), as applicable, effective as of Closing, Buyer, on its own behalf and on behalf of the Buyer Indemnified Parties, hereby releases, remises and forever discharges the Seller Indemnified Parties from any and all suits, legal or administrative proceedings, Liabilities or interests whatsoever, whether in contract, tort or otherwise, known or unknown, which Buyer or the Buyer Indemnified Parties might now or subsequently have, based on, relating to or arising out of this Agreement, the Transaction Documents, the Transactions, the ownership, use or operation of any of the Assets prior to, on or after Closing or the condition, quality, status or nature of any of the Assets prior to, on or after Closing, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, any similar Environmental Laws, breaches of statutory or implied warranties, nuisance or other tort actions, rights to punitive damages, common law rights of contribution and rights under insurance maintained by Seller or any of its Affiliates except as otherwise provided in Section 11.03.

**Section 1.07 Indemnification Procedures.** All claims for indemnification under Section 10.01(c), Section 14.02 and Section 14.03 will be asserted and resolved as follows:

(a) *In General.* For purposes of Section 10.01(c), and this Article XIV, the term “**Indemnifying Party**” when used in connection with particular Liabilities means the Party having an obligation to indemnify any Seller Indemnified Party or Buyer Indemnified Party, as applicable, with respect to such Liabilities pursuant to Section 10.01(c) or this Article XIV, and the term “**Indemnified Party**” when used in connection with particular Liabilities means the Seller Indemnified Party or the Buyer Indemnified Party, as applicable, having the right to be indemnified with respect to such Liabilities by the Buyer Parties or Seller, as applicable, pursuant to Section 10.01(c) or this Article XIV.

(b) *Claims Procedure.* To make claim for indemnification under Section 10.01(c), Section 14.02 or Section 14.03, an Indemnified Party shall notify the Indemnifying Party of its claim under this Section 14.07, including the specific details of and specific basis under this Agreement for its claim (the “**Claim Notice**”). In the event that the claim for indemnification is based upon a claim by a Third Party against the Indemnified Party (a “**Third Party Claim**”), the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of the Third Party Claim and shall enclose a copy of all papers (if any) served with respect to the Third Party Claim; *provided*, that the failure of any Indemnified Party to give notice of a Third Party Claim as provided in this Section 14.07 shall not relieve the Indemnifying Party of its obligations under Section 10.01(c), Section 14.02 or Section 14.03 (as applicable)

except to the extent such failure results in insufficient time being available to permit the Indemnifying Party to effectively defend against the Third Party Claim or otherwise materially prejudices the Indemnifying Party's ability to defend against the Third Party Claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant or agreement, the Indemnified Party shall provide its Claim Notice promptly after the Indemnified Party has actual knowledge of such inaccuracy or breach and shall specify the representation, warranty, covenant or agreement that was inaccurate or breached.

**Section 1.08 Survival.**

(a) Seller's Representations and Warranties. The Parties intend to, and hereby do, shorten the applicable statute of limitations as provided in this Agreement; and for purposes of clarity, the Parties acknowledge and agree that no Party may bring a claim for breach of any of the representations, warranties, covenants or agreements in this Agreement, after the expiration of the applicable survival period or the termination date stated herein.

(i) Except as set forth in Section 14.08(a)(ii) or Section 14.08(c), Seller's representations and warranties in Article IV, the corresponding representations and warranties in the Seller's Certificate and the corresponding indemnity obligations of Seller under Section 14.02(a) with respect to all such representations and warranties, will expire and terminate at 5:00 p.m. (Central Time) on the date that is six (6) months after the Closing Date.

(ii) Seller's Fundamental Representations, the corresponding representations and warranties in the Seller's Certificate and the corresponding indemnity obligations of Seller under Section 14.02(a) with respect to Seller's Fundamental Representations, will expire and terminate at 5:00 p.m. (Central Time) on the date that is twenty-four (24) months after the Closing Date.

(b) Seller's Covenants. Except as provided in Section 14.08(c), Each of the covenants and performance obligations of Seller set forth in this Agreement that are to be complied with or performed by Seller at or prior to Closing (other than Article XIII) and the corresponding indemnity obligations of Seller under Section 14.02(b) with respect to such covenants and obligations will expire and terminate at 5:00 p.m. Central Time on the date that is six (6) months after the Closing Date. All other covenants and performance obligations of Seller set forth in this Agreement and the corresponding indemnity obligations of Seller under Section 14.02(b) with respect to such covenants and obligations will survive the Closing and remain in full force and effect until fully performed.

(c) Seller's Retained Liabilities, Excluded Assets and Seller Taxes. The Retained Liabilities and the corresponding indemnity obligations of Seller under Section 14.02(c) with respect to the Retained Liabilities and the indemnity obligations of Seller under Section 14.02(d) with respect to the Excluded Assets will expire and terminate at 5:00 p.m. (Central Time) on the date that is twenty-four (24) months after the Closing Date. The representations and warranties in Section 4.13, the corresponding representations and warranties in the Seller's Certificate, the covenants of Seller in Article XIII and the corresponding indemnity obligations of Seller under Section 14.02(d) with respect to the Seller Taxes will expire and terminate at 5:00 p.m. (Central Time) on the date that is sixty (60) days following the applicable statute of limitations for such Taxes.

(d) Buyer Parties' Representations, Warranties, Covenants and Other Indemnities. The representations and warranties of the Buyer Parties in this Agreement and Buyer's Certificate, together with the corresponding indemnities set forth in Section 14.03(a), will expire and terminate at 5:00 p.m. (Central Time) on the date that is twenty-four (24) months after the

Closing Date; *provided, however*, that the Buyer Parties' representations and warranties set forth in Sections 5.01, 5.02, 5.03(a), 5.05 and 5.10, the corresponding representations and warranties in the Buyer's Certificate and the corresponding indemnity obligations of the Buyer Parties under Section 14.03, together with all other covenants and performance obligations, assumptions and indemnities of the Buyer Parties will survive the Closing and remain in full force and effect indefinitely.

(e) **Survival After Claim.** Notwithstanding Section 14.08(a), Section 14.08(b) and Section 14.08(c), if a Claim Notice has been properly delivered under Section 14.07(b) before the date any representation, warranty, covenant, indemnity or performance obligation would otherwise expire under such Sections alleging a right to indemnification or defense for Liabilities arising out of, relating to or attributable to the breach of such representation, warranty, covenant, indemnity or performance obligation, such representation, warranty, covenant, indemnity or performance obligation will continue to survive until the claims asserted in such Claim Notice that are based on the breach of such representation, warranty, covenant, indemnity or performance obligation have been fully and finally resolved under Section 14.07.

**Section 1.09 Waiver of Right to Rescission.** The Parties acknowledge that, following Closing, the payment of money, as limited by the terms of this Agreement, will be adequate compensation for breach of any representation, warranty, covenant or agreement contained herein or for any other claim arising in connection with or with respect to the Transactions. As the payment of money will be adequate compensation, following Closing, each Party waives any right to rescind this Agreement or any of the Transactions.

**Section 1.10 Insurance.** The amount of any Liabilities for which any of the Buyer Indemnified Parties is entitled to indemnification under this Agreement or in connection with or with respect to the Transactions shall be reduced by any corresponding insurance proceeds from insurance policies carried by a Buyer Indemnified Party realized or that could reasonably be expected to be realized by such Buyer Indemnified Party if a claim were properly pursued under the relevant insurance arrangements.

**Section 1.11 NON-COMPENSATORY DAMAGES.** None of the Buyer Indemnified Parties nor Seller Indemnified Parties will be entitled to recover from Seller or Buyer, as applicable, or their respective Affiliates, any special, indirect, consequential, punitive, exemplary, remote or speculative damages (including any damages based upon multiples, lost profits or loss of business opportunity) arising under or in connection with this Agreement, the Seller's Certificate, the Buyer's Certificate or the Transactions, except to the extent any such party suffers such damages to a Third Party, which damages (including costs of defense and reasonable attorneys' fees incurred in connection with defending against such damages) will not be excluded by this provision as to recovery hereunder. subject to the preceding sentence, buyer, on behalf of each of the Buyer Indemnified Parties, and Seller, on behalf of each of the Seller Indemnified Parties, each waive any right to recover any special, indirect, consequential, punitive, exemplary, remote or speculative damages arising in connection with or with respect to this Agreement, the Seller's Certificate, the Buyer's Certificate or the other Transaction Documents or the Transactions.

**Section 1.12 DISCLAIMER OF APPLICATION OF ANTI-INDEMNITY STATUTES.** The Parties acknowledge and agree that the provisions of any anti-indemnity statute relating to oilfield services and associated activities will not be applicable to this Agreement, the Seller's Certificate, the Buyer's Certificate or the other Transaction Documents or the Transactions.

**Section 1.13 Treatment of Payments.** Any payments made to any Buyer Indemnified Party or Seller Indemnified Party, as the case may be, pursuant to Article III, Article XII, Article

XIII or this Article XIV will be treated as an adjustment to the Base Purchase Price for U.S. federal and applicable state income Tax purposes to the extent permitted by Law.

## **Article XV TERMINATION, DEFAULT AND REMEDIES**

**Section 1.01 *Right of Termination.*** This Agreement and the Transactions may be terminated at any time prior to Closing (by written notice from the terminating Party to the other Party):

(a) by Seller if (i) there have been one or more breaches by the Buyer Parties of any of their representations, warranties, covenants or agreements contained herein that have not been waived by Seller and would result in the failure to satisfy any of the conditions set forth in Section 8.01 or Section 8.02 and such breaches have not been cured within thirty (30) days after written notice thereof has been received by Buyer or (ii) any of the conditions set forth in Section 8.01 or Section 8.02 has become incapable of being satisfied on or before December 20, 2021 or such later date as the Parties may agree upon in writing (the "**Outside Date**") and has not been waived by Seller;

(b) by Buyer if (i) there have been one or more breaches by Seller of any of its representations, warranties, covenants or agreements contained herein that have not been waived by Buyer and would result in the failure to satisfy any of the conditions set forth in Section 7.01 or Section 7.02 and such breaches have not been cured within 30 days after written notice thereof has been received by Seller or (ii) any of the conditions set forth in Section 7.01 or Section 7.02 has become incapable of being satisfied on or before the Outside Date and has not been waived by Buyer;

(c) by Seller, if the Closing does not occur on or before the Outside Date; *provided, however*, that Seller shall not be entitled to terminate this Agreement pursuant to this Section 15.01(c) if Seller is a Breaching Party at or prior to such time;

(d) by Buyer, if the Closing does not occur on or before the Outside Date; *provided, however*, that Buyer shall not be entitled to terminate this Agreement pursuant to this Section 15.01(d) if Buyer is a Breaching Party at or prior to such time;

(e) by Seller or Buyer if consummation of the Transactions is enjoined, restrained or otherwise prohibited or otherwise made illegal by the terms of a final, non-appealable order;

(f) by the mutual written consent of Seller and Buyer; or

(g) by Seller, if Buyer does not deliver to Seller the Deposit within the time period provided in Section 3.01(d).

Notwithstanding anything to the contrary in the foregoing Section 15.01, Seller may, if it is a Breaching Party, terminate this Agreement prior to Closing under Section 15.01(a) or Section 15.01(c) at any time following the 60th day after the Outside Date unless, prior to Seller so terminating this Agreement, Buyer has commenced appropriate proceedings to enforce its rights of specific performance hereunder and, thereafter, use commercially reasonable efforts to prosecute such proceeding or proceeding(s). Any such termination by Seller pursuant to the preceding sentence will be without prejudice to Buyer's rights and remedies under Section 15.02.

**Section 1.02 *Effect of Termination.***

(a) If this Agreement is terminated pursuant to any provision of Section 15.01, then this Agreement will immediately become void, and the Parties will have no Liability or obligation hereunder, except with respect to termination of this Agreement by Seller pursuant to Section 15.01(g) (in which case Seller shall be entitled to seek all available rights and remedies at law or in equity); *provided, however*, that the provisions of Sections 10.01(c), 10.02, 10.03, 14.11, this Section 15.02, Section 15.03, Article I, Article XVI (other than Sections 16.07, 16.08 and 16.17, which will terminate), and such of the defined terms set forth in Annex I to give context to such Sections and Articles will, in each case, survive such termination. Upon the termination of this Agreement, Seller will be free immediately to enjoy all rights of ownership of the Assets and to sell, transfer, encumber or otherwise dispose of the Assets to any Person without any restriction under this Agreement.

(b) If (w) Seller is entitled to terminate this Agreement pursuant to Section 15.01, (x) all of the Buyer Parties' conditions set forth in Article VII have been satisfied (or waived in accordance therewith), (y) Seller is ready, willing and able to close the Transactions and (z) any Buyer Party is in Willful Breach, then Seller will be entitled to (1) seek specific performance of the Buyer Parties' obligations under this Agreement or (2) terminate this Agreement and receive the Deposit (and the Parties shall execute joint written instructions to the Escrow Agent authorizing the same).

(c) If (w) Buyer is entitled to terminate this Agreement pursuant to Section 15.01, (x) all of Seller's conditions set forth in Article VIII have been satisfied (or waived in accordance therewith) (y) the Buyer Parties are ready, willing and able to close the Transactions and (z) Seller is in Willful Breach, then Buyer will be entitled to terminate this Agreement and receive the Deposit (and the Parties shall execute joint written instructions to the Escrow Agent authorizing the same) as Buyer's sole and exclusive remedy.

(d) In the event that this Agreement is terminated under Section 15.01 and Seller is not entitled to receive the Deposit under Section 15.02(b), the Deposit will be returned to Buyer upon the termination of this Agreement (and the Parties shall execute joint written instructions to the Escrow Agent authorizing the same).

**Section 1.03 Return of Documentation and Confidentiality.** Upon termination of this Agreement, Buyer shall return to Seller all original (and destroy all copies of) title, engineering, geological and geophysical data, environmental assessments and reports, maps and other information furnished by Seller to Buyer or prepared by or on behalf of Buyer in connection with its due diligence investigation of the Assets, in each case in accordance with the Confidentiality Agreement, and an officer of Buyer shall certify same to Seller in writing.

## **Article XVI MISCELLANEOUS**

**Section 1.01 Appendices, Exhibits and Schedules.** All of the Annexes, Exhibits and Schedules referred to in this Agreement are hereby incorporated into this Agreement by reference and constitute a part of this Agreement. Each Party to this Agreement and its counsel has received a complete set of Annexes, Exhibits and Schedules prior to and as of the execution of this Agreement.

**Section 1.02 Expenses.** Except as otherwise specifically provided, all fees, costs and expenses incurred by any Party in negotiating this Agreement and the Transaction Documents or in consummating the Transactions will be paid by the Party incurring the same, including, legal and accounting fees, costs and expenses.

**Section 1.03 Assignment.** This Agreement may not be assigned by either Party without prior written consent of the other Party, which consent may be withheld for any reason or without reason. In the event the non-assigning Party consents to any such assignment, such assignment will not relieve the assigning Party of any obligations and responsibilities hereunder, including obligations and responsibilities arising following such assignment. Any assignment or other transfer by Buyer or its successors and assigns of any of the Assets will not relieve the Buyer Parties or their successors or assigns of any of their obligations (including indemnity obligations) hereunder, as to the Assets so assigned or transferred.

**Section 1.04 Preparation of Agreement.** The Parties and their respective counsel participated in the preparation of this Agreement. In the event of any ambiguity in this Agreement, no presumption will arise based on the identity of the draftsman of this Agreement.

**Section 1.05 Publicity.** Except as required by Law or any nationally recognized securities exchange, the Buyer Parties shall not issue or make any press release or other public or private announcement concerning this Agreement (or otherwise disclose the terms of this Agreement) without the prior written consent of Seller, which consent shall not be unreasonably withheld. At least 24 hours prior to issuing or making any press release or other public or private announcement concerning this Agreement (or otherwise disclosing the terms of this Agreement), in each case, in accordance with this Section 16.05, the Buyer Parties shall provide Seller with such release, announcement or disclosure and shall incorporate any reasonable comments requested by Seller into such release, announcement or disclosure. Notwithstanding anything in this Agreement to the contrary, except as required by Law or any nationally recognized securities exchange, neither Buyer, SilverBow nor Seller shall disclose the name of the other Party (or the names of any of such other Party's Affiliates) in any public release or announcement without the prior written consent of the other Party (which consent may be withheld for any reason).

**Section 1.06 Notices.** All notices and communications required or permitted to be given hereunder shall be in writing and shall be delivered personally, or sent by overnight courier or mailed by United States Postal Service with all postage fully prepaid, or sent by electronic mail ("email") transmission (provided that a receipt of such email is requested and received), addressed to the appropriate Party at the address for such Party shown below or at such other address as such Party shall have theretofore designated by written notice delivered to the Party giving such notice.

If to Seller:

Teal Natural Resources, LLC  
8235 Douglas Ave, Suite 1100  
Dallas, Texas 75225  
Attention: Erik Holt  
Email: [\*\*\*\*]

With a copy to (which will not constitute notice):

Sidley Austin LLP  
2021 McKinney Ave, Suite 2000  
Dallas, Texas 75201  
Attention: Marc Rose  
Email: [\*\*\*\*]

If to SilverBow or Buyer:

SilverBow Resources, Inc.  
920 Memorial City Way, Suite 850  
Houston, Texas 77024  
Attention: Chris Abundis  
Email: [\*\*\*\*]

With a copy to (which will not constitute notice):

Gibson, Dunn & Crutcher LLP  
811 Main St., Ste. 3000  
Houston, Texas 77002  
Attention: Stephen Olson  
Email: [\*\*\*\*]

Any notice given in accordance with this Section 16.06 will be deemed to have been given only when delivered to the addressee in person, or by courier, or transmitted by email transmission during normal business hours on a Business Day (or if delivered or transmitted after normal business hours on a Business Day or on a day other than a Business Day, then on the next Business Day), or upon actual receipt by the addressee during normal business hours on a Business Day after such notice has either been delivered to an overnight courier or deposited in the United States Mail, as the case may be (or if delivered after normal business hours on a Business Day or on a day other than a Business Day, then on the next Business Day). The Parties may change the address and the email address to which such communications are to be addressed by giving written notice to the other Parties in the manner provided in this Section 16.06.

**Section 1.07 Further Cooperation.** Subject to the terms and conditions of this Agreement, at any time or from time to time after the Closing, at any Party's request and without further consideration, the other Party shall take such other actions as such requesting Party may reasonably request, at such requesting Party's expense, in order to effectuate the Transactions.

**Section 1.08 Filings, Notices and Certain Governmental Approvals.** Promptly after Closing, Buyer shall: (a) record the Assignment relating to the Assets and all state/federal assignments executed at the Closing in all applicable real property records and/or, if applicable, all state or federal agencies, (b) if applicable, send notices to vendors supplying goods and services for the Assets of the assignment of the Assets to Buyer and, if applicable, the designation of Buyer as the operator thereof, (c) pursue the approval of all applicable Governmental Authorities of the assignment of the Assets to Buyer and, if applicable, the designation of Buyer as the operator thereof and (d) pursue all other consents and approvals that may be reasonably required in connection with the assignment of the Assets to Buyer and the assumption of the Liabilities assumed by Buyer hereunder, that will not have been obtained prior to Closing. Buyer obligates itself to take any and all action reasonably required of it by any Governmental Authority in order to obtain such approval, including but not limited to, the posting of any and all bonds or other security that may be required in excess of its existing lease, pipeline or area-wide bond.

**Section 1.09 Entire Agreement; Conflicts.** This Agreement, the Annexes, Exhibits and Schedules hereto, the Confidentiality Agreement and the Transaction Documents collectively constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. There are no warranties, representations or other agreements between the Parties relating to the subject matter hereof except as specifically set forth in this Agreement, the Seller's Certificate or the Buyer's

Certificate, and neither Seller nor the Buyer Parties will be bound by or liable for any alleged representation, promise, inducement or statements of intention not so set forth. In the event of a conflict between the terms and provisions of this Agreement and the terms and provisions of any Schedule or Exhibit hereto, the terms and provisions of this Agreement will govern and control; provided, however, that the inclusion in any of the Schedules and Exhibits hereto of terms and provisions not addressed in this Agreement will not be deemed a conflict, and all such additional provisions shall be given full force and effect, subject to the provisions of this Section 16.09.

**Section 1.10 *Parties in Interest.*** The terms and provisions of this Agreement will be binding upon and inure to the benefit of Seller, Buyer and SilverBow and their respective successors and permitted assigns. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Parties or their successors and permitted assigns, or the Parties' respective related Indemnified Parties hereunder any rights, remedies, obligations or Liabilities under or by reason of this Agreement; provided, that only a Party and its successors and permitted assigns will have the right to enforce the provisions of this Agreement on its own behalf or on behalf of any of its related Indemnified Parties (but shall not be obligated to do so).

**Section 1.11 *Amendment.*** This Agreement may be amended only by an instrument in writing executed by both Parties.

**Section 1.12 *Waiver; Rights Cumulative.*** Any of the terms, covenants, representations, warranties or conditions of this Agreement may be waived only by a written instrument executed by or on behalf of the Party waiving compliance. No course of dealing on the part of Seller or Buyer or their respective officers, employees, agents or representatives and no failure by Seller or Buyer to exercise any of its rights under this Agreement will, in each case, operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver by any Party of any condition, or any breach of any term, covenant, representation or warranty contained in this Agreement, in any one or more instances, will be deemed to be or construed as a further or continuing waiver of any such condition or breach or a waiver of any other condition or of any breach of any other term, covenant, representation or warranty. The rights of Seller and Buyer under this Agreement will be cumulative, and the exercise or partial exercise of any such right will not preclude the exercise of any other right.

**Section 1.13 *Governing Law; Jurisdiction.***

(a) This Agreement and any claim, controversy or dispute arising under or related to this Agreement or the Transactions or the rights, duties and relationship of the parties hereto and thereto, will be governed by and construed and enforced in accordance with the Laws of the State of Texas, excluding any conflicts of Law rule or principle that might refer construction of provisions to the Laws of another jurisdiction.

(b) The Parties agree that the appropriate, exclusive and convenient forum for any disputes between any of the Parties arising out of or relating to this Agreement, the Transaction Documents or the Transactions will be in any state or federal court in Dallas, Texas and each of the Parties irrevocably submits to the jurisdiction of such courts solely in respect of any proceeding arising out of or related to this Agreement. The Parties further agree that the Parties shall not bring suit with respect to any disputes arising out of this Agreement, the Transaction Documents or the Transactions in any court or jurisdiction other than the above specified courts. The Parties further agree, to the extent permitted by Law, that a final and nonappealable judgment against a Party in any action or proceeding contemplated above will be conclusive and may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified or exemplified copy of which will be conclusive evidence of the fact and amount of such judgment.

(c) To the extent that any Party or any of its Affiliates has acquired, or hereafter may acquire, any immunity from jurisdiction of any court or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to itself or its property, such Party (on its own behalf and on behalf of its Affiliates) hereby irrevocably (i) waives such immunity in respect of its obligations with respect to this Agreement and (ii) submits to the personal jurisdiction of any court described in Section 16.13(b).

(d) **The Parties agree that they hereby knowingly, voluntarily and intentionally irrevocably waive the right to trial by jury in any action based hereon, or arising out of, under or in connection with this Agreement, the Transaction Documents or the Transactions.**

**Section 1.14 Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of Law or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as they economic or legal substance of the Transactions is not affected in any adverse manner to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the Transactions are fulfilled to the extent possible.

**Section 1.15 Removal of Name.** As promptly as practicable, but in any case within thirty (30) days after the Closing Date, Buyer shall, at its sole cost and expense, eliminate the name “Teal”, “Castlerock”, and any variants thereof from the Assets and, except with respect to such grace period for eliminating existing usage, will have no right to use any logos, trademarks or trade names belonging to Seller or any of its Affiliates.

**Section 1.16 Counterparts.** This Agreement may be executed in any number of counterparts, and each such counterpart hereof will be deemed to be an original instrument, but all of such counterparts shall constitute for all purposes one agreement. Any signature hereto delivered by a Party by facsimile or other electronic transmission will be deemed an original signature hereto.

**Section 1.17 Specific Performance.** Each Party hereby acknowledges and agrees that the rights of each Party to consummate the Transactions are special, unique and of extraordinary character and that, if any Party violates or fails or refuses to perform any covenant or agreement made by it in this Agreement, the non-Breaching Party may be without an adequate remedy at Law. If any Party violates or fails or refuses to perform any covenant or agreement made by such Party in this Agreement, the non-Breaching Party, subject to the terms of this Agreement and in addition to any remedy at Law for damages or other relief permitted under this Agreement, may (at any time prior to the valid termination of this Agreement pursuant to Article XV) institute and prosecute an action in any court of competent jurisdiction to enforce specific performance of such covenant or agreement or seek any other equitable relief, without the necessity of proving actual damages or posting of a bond.

**Section 1.18 Non-Recourse Parties.** Subject to the remainder of this Section 16.18, all claims, causes of action, Proceedings or Liabilities (whether in contract or in tort, in Law or in equity, or granted by statute) that may be based upon, are in respect of, arise under, arise out or by reason of, are connected with, or relate in any manner to this Agreement, the negotiation, execution, or the performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Agreement) or the Transactions contemplated hereby and thereby, may be made only against (and are expressly limited to) the entities that are expressly identified as “Parties” in the preamble to this Agreement or any successor or permitted

assign of any such Parties (“Contracting Parties”). No Person who is not a Contracting Party, including without limitation any trustee, director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, or representative of, and any financial advisor, lender, investor or equity provider (whether actual or prospective) of, any Contracting Party, or any trustee, director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, or representative of, and any financial advisor, lender, investor or equity provider (whether actual or prospective) of, any of the foregoing (“Nonparty Affiliates”), shall have any Liability (whether in contract or in tort, in Law or in equity, or granted by statute) to any Contracting Party with which it is not engaged or does not have a contractual relationship with (outside of this Agreement) or any claims, causes of action, Proceedings, or Liabilities arising under, out of, in connection with, or related in any manner to this Agreement, the performance of this Agreement, or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by Law, each Contracting Party hereby waives and releases all such claims, causes of action, Proceedings and Liabilities against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by Law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands, or causes of action that may otherwise be available at Law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose Liability of the other Contracting Party on any of such other Contracting Party’s Nonparty Affiliates, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any of the other Contracting Party’s Nonparty Affiliates with respect to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement.

*[Signature Pages Follow]*



IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the date first written above.

**TEAL:**

TEAL NATURAL RESOURCES, LLC

By: /s/ John C. Roby  
Name: John C. Roby  
Title: Chief Executive Officer

**CASTLEROCK:**

CASTLEROCK PRODUCTION, LLC

By: /s/ John C. Roby  
Name: John C. Roby  
Title: Chief Executive Officer

[Signature Page to Purchase and Sale Agreement]

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**BUYER:**

SILVERBOW RESOURCES OPERATING, LLC

By: /s/ Christopher M. Abundis

Name: Christopher M. Abundis

Title: Executive Vice President, CFO and General Counsel

**SILVERBOW**

SILVERBOW RESOURCES, INC.

By: /s/ Christopher M. Abundis

Name: Christopher M. Abundis

Title: Executive Vice President, CFO and General Counsel

**ANNEX I  
DEFINED TERMS**

“**2022 Calendar Year**” – as defined in “Applicable Calendar Year”.

“**2023 Calendar Year**” – as defined in “Applicable Calendar Year”.

“**2024 Calendar Year**” – as defined in “Applicable Calendar Year”.

“**AAA**” – as defined in Section 3.05.

“**Accounting Arbitrator**” – as defined in Section 3.05.

“**Actual Remediation Amount**” – the actual Remediation Amount with respect to any Environmental Defect as agreed in writing by the Parties or otherwise finally determined in accordance with this Agreement.

“**Actual Title Defect Amount**” – the actual Title Defect Amount with respect to any Title Defect as agreed in writing by the Parties or otherwise finally determined in accordance with this Agreement.

“**Adjusted Cash Consideration**” – as defined in Section 3.02.

“**Adjusted Purchase Price**” – as defined in Section 3.01(a).

“**AFEs**” – as defined in Section 4.11.

“**Affiliate**” – any Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, another Person.

“**Aggregate Deductible**” – three percent (3%) of the Base Purchase Price.

“**Agreement**” – as defined in the introductory paragraph to this Agreement.

“**Alleged Remediation Amount**” – as defined in Section 12.01(a).

“**Alleged Title Defect Amount**” – as defined in Section 11.02(a).

“**Allocated Values**” – as defined in Section 3.06.

“**Allocation**” – as defined in Section 3.07.

“**Applicable Calendar Year**” – as applicable:

- (a) with respect to the one-year period beginning on January 1, 2022 through December 31, 2022 (the “**2022 Calendar Year**”), the 2022 Calendar Year;
- (b) with respect to the one-year period beginning on January 1, 2023 through December 31, 2023 (the “**2023 Calendar Year**”), the 2023 Calendar Year; and
- (c) with respect to the one-year period beginning on January 1, 2024 through December 31, 2024 (the “**2024 Calendar Year**”), the 2024 Calendar Year.

**“Applicable Contracts”** – all Contracts to which Seller is a party or is bound relating to any of the Assets and (in each case) that will be binding on Buyer after Closing, including: communitization agreements; net profits agreements; production payment agreements; area of mutual interest agreements; joint venture agreements; confidentiality agreements; farmin and farmout agreements; bottom hole agreements; crude oil, condensate and natural gas purchase and sale, gathering, transportation and marketing agreements; hydrocarbon storage agreements; acreage contribution agreements; operating agreements; balancing agreements; pooling declarations or agreements; unitization agreements; processing agreements; saltwater disposal agreements; facilities or equipment leases; and other similar contracts and agreements, but exclusive of any master service agreements and Contracts relating to the Excluded Assets.

**“Applicable NYMEX Settlement Data Date”** – the date on which settlement data necessary for calculation of the Average NYMEX WTI Crude Price for an Applicable Calendar Year is available from CME Group.

**“Asset Taxes”** – *ad valorem*, property, severance, production, sales, use and similar Taxes based upon or measured by the ownership or operation of the Assets or the production of Hydrocarbons or the receipt of proceeds therefrom (excluding any Income Taxes and Transfer Taxes).

**“Assets”** – as defined in [Section 2.01](#).

**“Assignment”** – the Assignment, Assumption and Bill of Sale from Seller to Buyer, pertaining to the Assets, in the form attached to this Agreement as [Exhibit F](#). Except for the Special Warranty of Defensible Title by, through and under Seller and its Affiliates contained therein, the Assignment will be without warrant of title, whether express, implied, statutory, or otherwise, and that the rights and remedies set forth in [Article X](#) will be Buyer’s sole rights and remedies with respect to title.

**“Assumed Obligations”** – as defined in [Section 14.01\(a\)](#).

**“Average NYMEX WTI Crude Price”** – the arithmetic average of the Monthly Settlement Prices for each consecutive calendar month during the Applicable Calendar Year.

**“Base Purchase Price”** – as defined in [Section 3.01\(a\)](#).

**“Bbl”** – barrels of oil.

**“Breaching Party”** – a Party (a **“Subject Party”**) who, at the time in question, is in Willful Breach, if (but only if), at such time in question, all conditions precedent to the obligations of the Subject Party to Close as set forth in [Article VII](#) or [Article VIII](#), as applicable, (a) have been satisfied (or waived in writing by the Subject Party) other than those conditions that can only be satisfied at the Closing, but subject to the other Party being ready, willing and able to satisfy such conditions at such time in questions or (b) would have been fulfilled or satisfied except solely due to the Willful Breach by the Subject Party.

**“Burden”** – any and all royalties (including lessor’s royalty), overriding royalties, production payments, net profits interests and other burdens upon, measured by or payable out of production (excluding any Taxes).

**“Business Day”** – any day other than a Saturday, a Sunday or a day on which commercial banks in Dallas, Texas are authorized to close.

“**Buyer**” – as defined in the introductory paragraph to this Agreement. “**Buyer Indemnified Parties**” – as defined in Section 14.02.

“**Buyer Material Adverse Effect**” – any event or circumstance that, individually or in the aggregate, (x) results in a material adverse effect on the value, ownership, operations, condition (financial or otherwise), assets, liabilities, or obligations relating to, binding upon or otherwise arising in respect of SilverBow or Buyer, taken as a whole and as currently owned and operated as of the Execution Date, (y) a material adverse effect on the ability of SilverBow or Buyer to consummate the Transactions and perform their respective obligations hereunder, or (z) actually results in or would be reasonably likely to result in, individually or in the aggregate a reduction in revenues or an increase in Liabilities or claims, in each case, greater than or equal to \$25,000,000; *provided, however*, that a Buyer Material Adverse Effect will not include any material adverse effects resulting from: (a) entering into this Agreement or the announcement of the Transactions; (b) any action or omission of Buyer taken in accordance with the terms of this Agreement without the violation thereof or with the prior written consent of Buyer; (c) changes in general market, economic, financial or political conditions (including changes in commodity prices, fuel supply or transportation markets, interest or rates) in the area in which the Assets are located, the United States or worldwide; (d) changes in conditions or developments generally applicable to the oil and gas industry in the area where the Assets are located; (e) acts of God, including hurricanes, storms or other naturally occurring events; (f) acts or failures to act of Governmental Authorities; (g) civil unrest, any outbreak of disease or hostilities, terrorist activities (including cyber-attacks) or war or any similar disorder or any escalation, worsening or diminution of any of the foregoing; (h) COVID-19 or any Law, directive, pronouncement or guideline issued by a Governmental Authority, the Centers for Disease Control and Prevention, the World Health Organization or industry group providing for business closures, changes to business operations, “sheltering-in-place” or other restrictions that relate to, or arise out of, an epidemic, pandemic or disease outbreak (including the COVID-19 pandemic) or any change in such Law, directive, pronouncement or guideline or interpretation thereof following the date of this Agreement or Teal’s, Castlerock’s or any of their respective Affiliates’ compliance therewith (i) matters that are cured or no longer exist by the earlier of Closing and the termination of this Agreement; (j) a change in Laws, regulatory policies, GAAP or other applicable accounting rules, and any interpretations thereof from and after the Execution Date; (k) any reclassification or recalculation of reserves in the ordinary course of business; (l) changes in the prices of Hydrocarbons; and (m) natural declines in well performance.

“**Buyer Parties**” – as defined in the Preamble.

“**Buyer’s Certificate**” – as defined in Section 9.03(k).

“**Buyer’s Representatives**” – as defined in Section 10.01(a).

“**Bylaws**” – the First Amended and Restated Bylaws of SilverBow Resources, Inc., dated May 5, 2017.

“**Cash Consideration**” – as defined in Section 3.01(a).

“**Castlerock**” – as defined in the introductory paragraph to this Agreement.

“**Casualty Loss**” – as defined in Section 11.03(b).

“**Certificate of Incorporation**” – the First Amended and Restated Certificate of Incorporation of SilverBow Resources, Inc., dated May 5, 2017.

“**Claim Notice**” – as defined in Section 14.07(b).

“**Closing**” – as defined in Section 9.01.

“**Closing Date**” – as defined in Section 9.01.

“**Code**” – the Internal Revenue Code of 1986.

“**Commodity Business Day**” – as defined in the 2005 ISDA Commodity Definitions.

“**Confidentiality Agreement**” – the Confidentiality Agreement, dated August 23, 2021 by and between Seller and Buyer.

“**Consent**” – as defined in Section 4.04.

“**Contract**” – any written contract, agreement or any other legally binding arrangement, but excluding, however, any Lease, easement, right-of-way or permit interest or other instrument creating or evidencing an interest in the Assets or any real or immovable property related to or used in connection with the operations of any Assets.

“**Contracting Parties**” – as defined in Section 16.18.

“**control**” and its derivatives – with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Credit Support**” – as defined in Section 6.03.

“**Cure Period**” – as defined in Section 11.02(c)(i).

“**Customary Post-Closing Consents**” – the consents and approvals from Governmental Authorities for the assignment of the Assets to Buyer that are customarily obtained after the assignment of properties similar to the Assets.

“**De Minimis Threshold**” – as defined in Section 14.04(a).

“**Decommission**” – all dismantling and decommissioning activities and obligations as are required by Law, any Governmental Authority, Lease or other agreement including all well plugging, replugging and abandonment, facility dismantlement and removal, pipeline and flowline removal, dismantlement and removal of all other property of any kind related to or associated with operations or activities and associated site clearance, site restoration and site remediation.

“**Defect Adjustment Amount**” – as defined in Section 11.02(c)(ii).

“**Defensible Title**” – such title of Seller as of the Effective Time and the Title Claim Date and subject to Permitted Encumbrances:

- (d) with respect to each Lease or Well described on Exhibit A or Exhibit B, as applicable, entitles Seller to receive not less than the Net Revenue Interest set forth on Exhibit A or Exhibit B, as applicable, from each Subject Depth of such Lease or Well, as applicable, except for (i) decreases in connection with those operations in which Seller or its successors or assigns may from and after the

Execution Date elect to be a non-consenting owner, (ii) decreases resulting from the establishment or amendment from and after the Execution Date of pools or units, (iii) decreases required to allow other Working Interest owners to make up past underproduction or pipelines to make up past underdeliveries;

- (e) with respect to each Well described on Exhibit B, obligates Seller to bear not more than the Working Interest set forth on Exhibit B from each Subject Depth of such Well, except (i) increases resulting from contribution requirements arising after the Execution Date with respect to defaulting co-owners under applicable agreements, (ii) increases to the extent that such increases are accompanied by a proportionate or greater increase in Seller's Net Revenue Interest;
- (f) with respect to each Lease described on Exhibit A, entitles Seller to no less than the number of Net Acres set forth under the heading "Net Acres" on Exhibit A for such Lease as to the Subject Depths; and
- (g) is free and clear of all Encumbrances.

**"Deposit"** – as defined in Section 3.01(d).

**"Dispute Notice"** – as defined in Section 3.04(a).

**"Disputed Environmental Matters"** – as defined in Section 12.01(f).

**"Disputed Title Matters"** – as defined in Section 11.02(j).

**"DOJ"** – as defined in Section 6.08.

**"DTPA"** – as defined in Section 10.03(f).

**"Earn-Out Consideration"** – as applicable:

- (h) if the Average NYMEX WTI Crude Price for any Applicable Calendar Year is greater than or equal to the Earn-Out Threshold for such Applicable Calendar Year, then not later than the Earn-Out Consideration Due Date for such Applicable Calendar Year Buyer shall pay (and SilverBow shall cause Buyer to pay) to Seller, cash in the amount of One Million Six Hundred Thousand Dollars (\$1,600,000.00); or
- (i) if the Average NYMEX WTI Crude Price is less than the Earn-Out Threshold for an Applicable Calendar Year, then Buyer shall not be required to pay to Seller any cash with respect to such Applicable Calendar Year;

*provided*, that Seller shall only be entitled to receive an Earn-Out Consideration a maximum of one time (if applicable) for any Applicable Calendar Year. For clarity, the aggregate Earn-Out Consideration payable pursuant to this Agreement shall not exceed the Earn-Out Maximum Amount.

**"Earn-Out Consideration Due Dates"** – as defined in Section 3.01(b).

**"Earn-Out Maximum Amount"** – an amount equal to Four Million Eight Hundred Thousand Dollars (\$4,800,000.00).

**“Earn-Out Threshold”** – with respect to the Applicable Calendar year, an Average NYMEX WTI Crude Price equal to:

- (j) in the case of the 2022 Calendar Year, \$70.00 per Bbl;
- (k) in the case of the 2023 Calendar Year, an amount equal to \$70.00 per Bbl; and
- (l) in the case of the 2024 Calendar Year, an amount equal to \$70.00 per Bbl.

**“Effective Time”** – 7:00 a.m. (Central Time) on August 1, 2021.

**“email”** – as defined in Section 16.06.

**“Encumbrance”** – any lien, mortgage, security interest, pledge, charge, or similar encumbrance that burdens any of the Assets, but excluding Permitted Encumbrances.

**“Environmental Arbitrator”** – as defined in Section 12.01(f).

**“Environmental Claim Date”** – as defined in Section 12.01(a).

**“Environmental Defect”** – (a) a condition existing on the Execution Date with respect to the air, soil, subsurface, surface waters, ground waters and sediments that causes an Asset (or Seller with respect to an Asset) not to be in compliance with all Environmental Laws or (b) the existence as of the Execution Date with respect to the Assets or the operation thereof of any environmental pollution, contamination or degradation where remedial or corrective action is presently required (or if known, would be presently required) under Environmental Laws.

**“Environmental Defect Notice”** – as defined in Section 12.01(a).

**“Environmental Laws”** – all Laws in effect as of the Execution Date relating to the prevention of pollution, protection or the environment (including natural resources), remediation of contamination or restoration of environmental quality, including those Laws relating to the generation, processing, treatment, storage, transportation, disposal or other management of chemicals and other Hazardous Substances. The term **“Environmental Laws”** does not include: (a) good or desirable operating practices or standards that may be employed or adopted by other oil and gas well operators or recommended by a Governmental Authority that are not mandatory under Environmental Laws, or (b) the Occupational Safety and Health Act or any other Law governing worker safety or workplace conditions.

**“Escrow Agent”** – Texas Capital Bank, National Association, or its successor or assign as contemplated by the Escrow Agreement.

**“Escrow Agreement”** – an Escrow Agreement to be entered into by and among Seller, Buyer and the Escrow Agent as of the date of this Agreement to hold the Deposit, substantially in the form attached to this Agreement as Exhibit G.

**“Exchange Act”** – means the United States Securities and Exchange Act of 1934, as amended, together with the rules and regulations of the SEC promulgated thereunder.

**“Excluded Assets”** – (a) all of Seller’s minute books, financial records and other business records that relate to Seller’s business generally (including the ownership and operation of the Assets); (b) all trade credits, all accounts, all receivables and all other proceeds, income or revenues attributable to the Assets and attributable to any period of time prior to the Effective

Time all cash, cash equivalent and short-term investments of Seller and, subject to the adjustments to the Base Purchase Price set forth in Section 3.02, all funds held in suspense; (c) to the extent that they do not relate to the Assumed Obligations for which Buyer is providing indemnification hereunder, all claims and causes of action of Seller arising under or with respect to any Contracts that are attributable to periods of time prior to the Effective Time (including claims for adjustments or refunds); (d) subject to Section 11.03, all rights and interests of Seller (i) under any policy or agreement of insurance or indemnity, (ii) under any bond or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events or damage to or destruction of property; (e) except to the extent subject to an upward adjustment to the Base Purchase Price, all Hydrocarbons produced and sold from the Assets with respect to all periods prior to the Effective Time; (f) all claims of Seller or its Affiliates for refunds of, credits attributable to, loss carry forwards with respect to, or similar Tax assets relating to (i) Asset Taxes attributable to any period (or portion thereof) prior to the Effective Time, (ii) Income Taxes, (iii) any Taxes attributable to the Excluded Assets and (iv) any other Taxes relating to the ownership or operation of the Assets that are attributable to any period (or portion thereof) prior to the Effective Time; (g) all personal computers and associated peripherals and all radio and telephone equipment, other than the SCADA equipment, but including any software or programs used in connection with the SCADA equipment; (h) all of Seller's proprietary computer software, patents, trade secrets, copyrights, names, trademarks, logos and other intellectual property; (i) all documents and instruments of Seller that may be protected by an attorney-client privilege or any attorney work product doctrine (other than title opinions); (j) all data, information and agreements that cannot be disclosed to Buyer as a result of confidentiality arrangements under agreements with Third Parties; (k) all audit rights arising under any of the Applicable Contracts or otherwise with respect to any period prior to the Effective Time or to any of the Excluded Assets, except for any Imbalances assumed by Buyer; (l) all geophysical and other seismic and related technical data and information relating to the Assets which Seller may not disclose, assign or transfer under its existing agreements and licenses without making any additional payments, or incurring any Liabilities; (m) documents prepared or received by Seller or its Affiliates with respect to (i) lists of prospective purchasers for such transactions compiled by Seller, (ii) bids submitted by other prospective purchasers of the Assets, (iii) analyses by Seller or its Affiliates or its or their representatives of any bids submitted by any prospective purchaser, (iv) correspondence between or among Seller or any of its representatives, and any prospective purchaser other than Buyer and (v) correspondence between Seller or any of its representatives with respect to any of the bids, the prospective purchasers or the Transactions; (n) any offices, office leases and any personal property located in or on such offices or office leases; (o) any other assets, properties or items specifically listed on Exhibit E; (p) any Hedge Contracts; (q) any debt instruments; (r) any master services agreements or similar Contracts of Seller or its Affiliates; (s) any interests, direct or indirect, in any pipelines, facilities, equipment and other tangible assets to the extent such assets are downstream of the custody transfer meter for the Wells; (t) any assets described in Section 2.01(d), Section 2.01(e) or Section 2.01(g) that are not assignable; and (u) any assets that are finally excluded from the Transactions pursuant to Section 11.02(d)(ii), Section 11.04(a), Section 11.05(a), Section 11.05(b) or Section 12.01(c)(ii), or any other provision of this Agreement.

***“Execution Date”*** – as defined in the introductory paragraph to this Agreement.

***“Final Price”*** – as defined in Section 3.04(a).

***“Final Settlement Statement”*** – as defined in Section 3.04(a).

***“Financial Statements”*** – as defined in Section 5.14(a).

***“FTC”*** – as defined in Section 6.08.

**“Fundamental Representations”** – the representations and warranties in [Section 4.01](#), [Section 4.02](#), [Section 4.03\(a\)](#), [Section 4.05](#) and [Section 4.14](#).

**“GAAP”** – United States generally accepted accounting principles as in effect on the Execution Date as consistently applied by Seller.

**“Governmental Authority”** – any federal, state, local, municipal, tribal or other government; any governmental, regulatory or administrative agency, commission, body or other authority exercising or entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power, and any court or governmental tribunal, including any tribal authority having or asserting jurisdiction.

**“Hard Consent”** – any Consent with respect to which the failure to obtain such Consent would cause (i) the assignment to Buyer of the Assets (or portion thereof affected thereby) to be void or (ii) the termination of a Lease or Material Contract under the express terms thereof; *provided, however*, that a “Hard Consent” will not include any Consent that, by its terms, cannot be unreasonably withheld.

**“Hazardous Substances”** – any pollutants, contaminants, toxins or hazardous or extremely hazardous substances, materials, wastes, constituents, compounds or chemicals, including any petroleum, waste oil or petroleum constituents or by-products, that are regulated by, or may form the basis of Liability under, any Environmental Laws.

**“Hedge Contract”** – any Contract to which Seller is a party with respect to any swap, forward, future or derivative transaction or option or similar agreement, whether exchange traded, “over-the-counter” or otherwise, involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions.

**“HSR Act”** – as defined in [Section 6.08](#).

**“HSR Approval”** – approval pursuant to, or the expiration or early termination of applicable waiting periods under, the HSR Act.

**“Hydrocarbons”** – oil and gas and other hydrocarbons produced or processed in association therewith.

**“Imbalances”** – (a) any imbalance at the wellhead between (i) the amount of Hydrocarbons produced from the relevant Well and allocated to Seller’s interest therein, and (ii) the amount of Hydrocarbons to which Seller is entitled, together with any appurtenant rights and obligations concerning future in-kind or cash balancing at the wellhead, and (b) any marketing imbalance between the quantity of Hydrocarbons attributable to the Assets required to be delivered by Seller under any Contract relating to the purchase and sale, gathering, transportation, storage, processing (including any production handling and processing at a separation facility) or marketing of Hydrocarbons and the quantity of Hydrocarbons attributable to the Assets actually delivered by Seller pursuant to the relevant Contract, together with any appurtenant rights and obligations concerning production balancing at the delivery point into the relevant sale, transportation, storage or processing facility.

**“Income Taxes”** – (i) all Taxes based upon, measured by, or calculated with respect to gross or net income, gross or net receipts or profits (including franchise Taxes and any capital gains, alternative minimum, and net worth Taxes, but excluding *ad valorem*, property, excise,

severance, production, sales, use, real or personal property transfer or other similar Taxes), (ii) Taxes based upon, measured by, or calculated with respect to multiple bases (including corporate franchise, doing business or occupation Taxes) if one or more of the bases upon which such Tax may be based, measured by, or calculated with respect to is included in clause (i) above, or (iii) withholding Taxes measured with reference to or as a substitute for any Tax included in clauses (i) or (ii) above.

“**Indemnified Party**” – as defined in Section 14.07(a).

“**Indemnifying Party**” – as defined in Section 14.07(a).

“**Indemnity Deductible**” – three percent (3%) of the Base Purchase Price.

“**Individual Environmental Threshold**” – as defined in Section 12.01(e).

“**Individual Title Defect Threshold**” – as defined in Section 11.02(j).

“**Interim Period**” – that period of time commencing with the Effective Time and ending at 7:00 a.m. (Central Time) on the Closing Date.

“**Knowledge**” – with respect to the Seller, the actual knowledge (without investigation) of the individuals listed on Schedule I-1.

“**Law**” – any applicable statute, law, rule, regulation, ordinance, order, code, ruling, writ, injunction, decree or other official act of or by any Governmental Authority.

“**Leases**” – as defined in Section 2.01(a).

“**Liabilities**” – any and all claims, obligations, causes of action, payments, charges, demands, judgments, assessments, liabilities, losses, damages, penalties, fines and costs and expenses, including any attorneys’ fees, legal or other expenses incurred in connection therewith, in each case, of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not required to be accrued on the financial statements of such Person.

“**Material Contracts**” – as defined in Section 4.07.

“**MMBtu**” – one million British Thermal Units.

“**Monthly Settlement Price**” – the arithmetic average of the prompt month NYMEX Light Sweet Crude Oil futures contract (CME Group product code “CL”, or any successor product code) for all Commodity Business Days during the relevant month.

“**Net Acre**” – With respect to each Lease identified on Exhibit A, (a) the gross number of mineral acres in the lands covered by such Lease, *multiplied* by (b) the undivided fee simple mineral interest (expressed as a percentage) in the lands covered by such Lease (as determined by aggregating the fee simple mineral interests owned by each lessor of such Lease in the lands covered thereby) as to the applicable Subject Depths, *multiplied* by (c) Seller’s undivided percentage interest that is burdened with the obligation to bear and pay costs and expenses in that Lease; *except*, that if the items in clause (b) or (c) vary as to different tracts covered by that Lease, then a separate calculation will be done for each such tract. For example, if a Lease in

which Seller owns an undivided fifty percent (50%) working interest covers a 20-acre tract in which the lessors of such Lease own an undivided one-half (1/2) fee mineral interest as to the Subject Depths and a separate and distinct 40-acre tract in which the lessors of such Lease own an undivided one-fourth (1/4) fee mineral interest as to the applicable Subject Depths, then the Lease would cover ten (10) Net Acres (*i.e.*,  $(20 \times 0.5 \times 0.5) + (40 \times 0.25 \times 0.5) = 10$ ).

“**Net Revenue Interest**” – with respect to a Well or Lease, the interest in and to all Hydrocarbons produced, saved and sold from or allocated to such Well or Lease with respect to the applicable Subject Depths, after giving effect to all Burdens; *except* that if a Person’s “Net Revenue Interest” in any Well or Lease differs as to any part or depth of such Well or Lease, then a separate calculation will be made as to each such part or depth.

“**Nonparty Affiliates**” – as defined in [Section 16.18](#).

“**NORM**” – naturally occurring radioactive material.

“**NYSE**” – as defined in [Section 5.13\(d\)](#).

“**Organizational Documents**” – any charter, certificate of incorporation, certificate of formation, articles of association, partnership agreement, limited liability company agreement, bylaws, operating agreement, stockholder’s agreement, voting agreement, or similar formation or governing documents and instruments.

“**Other Wells**” – as defined in [Section 2.01\(b\)](#).

“**Outside Date**” – as defined in [Section 15.01\(c\)](#).

“**Party**” and “**Parties**” – as defined in the introductory paragraph herein.

“**Permits**” – means any permits, approvals or authorizations by, or filings with, Governmental Authorities.

“**Permitted Encumbrances**” –

- (m) lessors’ royalties and any overriding royalties, reversionary interests, back-in interests, and other Burdens to the extent that they do not, individually or in the aggregate, reduce Seller’s Net Revenue Interest as to the Subject Depths in any Property below that shown in [Exhibit A](#) or [Exhibit B](#) for such Property or increase Seller’s Working Interest or Net Acre ownership in any Property above that shown in [Exhibit A](#) or [Exhibit B](#), as applicable, as to the Subject Depths for such Property without a corresponding increase in the Net Revenue Interest;
- (n) the terms of all Leases, Applicable Contracts, Surface Rights, and any other agreements applicable to the Assets, including provisions for obligations, penalties, suspensions, or forfeitures contained therein, to the extent that they do not, individually or in the aggregate, reduce Seller’s Net Revenue Interest as to the Subject Depths in any Property below that shown in [Exhibit A](#) or [Exhibit B](#) as to the Subject Depths for such Property or increase Seller’s Working Interest or Net Acre ownership as to the Subject Depths in any Property above that shown in [Exhibit A](#) or [Exhibit B](#), as applicable, as to the Subject Depths for such Property without a corresponding increase in Net Revenue Interest;

- (o) rights of first refusal, preferential rights to purchase, and similar rights with respect to the Assets;
- (p) Third Person consent requirements and similar restrictions (i) that are not applicable to the sale of the Assets contemplated by this Agreement, (ii) if waivers or consents are obtained from the appropriate Persons prior to the Closing Date, (iii) if the appropriate time period for asserting the right has expired, (iv) that need not be satisfied prior to a transfer of such Asset, (v) which are not Consents; or (vi) that relate to excluded records or other Excluded Assets;
- (q) liens for Taxes or assessments not yet delinquent or, if delinquent, being contested in good faith by appropriate actions;
- (r) liens created under the terms of the Leases, Contracts or Surface Rights that, in each case, are for amounts not yet delinquent (including any amounts being withheld as provided by Law);
- (s) materialman's, warehouseman's, workman's, carrier's, mechanic's, vendor's, repairman's, employee's, contractor's, operator's liens, construction liens and other similar liens arising in the ordinary course of business for amounts not yet delinquent (including any amounts being withheld as provided by Law), or if delinquent, being contested in good faith by appropriate actions;
- (t) all rights to consent, and any required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of oil and gas leases or rights or interests therein if they are customarily obtained subsequent to the sale or conveyance;
- (u) failure to record Leases issued by an Governmental Authority in the real property, conveyance, or other records of the county in which such Leases are located, *provided* that the instruments evidencing the conveyance of such title to Seller from its immediate predecessor in title are recorded with the Governmental Authority that issued any such Lease;
- (v) rights of reassignment arising upon the expiration or final intention to abandon or release any of the Assets;
- (w) easements, rights-of-way, covenants, servitudes, permits, surface leases, conditions, restrictions, and other rights included in or burdening the Assets for the purpose of surface or subsurface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines, removal of timber, grazing, logging operations, canals, ditches, reservoirs, and other like purposes, or for the joint or common use of real estate, rights-of-way, facilities, and equipment, in each case, to the extent they do not materially detract from the value of or materially interfere with the use, operation or ownership of the Assets subject thereto or affected thereby (as currently owned and operated);
- (x) rights of a common owner of any interest in Surface Rights held by Seller, to the extent that the same do not materially detract from the value of or materially interfere with the use, operation or ownership of the Assets (as currently operated);

- (y) any lien, charge, or other Encumbrance which is expressly waived, assumed, bonded, or paid by Buyer on or prior to Closing or which is discharged by Seller at or prior to Closing;
- (z) any lien, charge, or other Encumbrance which has been fully released, barred or discharged by a final order by operation of Section 363(f) or Section 1141(c) of the U.S. Bankruptcy Code or otherwise in connection with the bankruptcy case of a prior owner of the Properties, regardless if evidence of such release or discharge has been filed in the public records or in the counties in which the respective Properties are situated;
- (aa) failure to recite marital status in a document or omissions of successors or heirship or estate proceedings, absent affirmative evidence of an actual claim of superior title from a third Person attributable to such matter;
- (ab) lack of a survey, unless a survey is required by Law;
- (ac) any failure of the records of any Person to reflect sufficient production or operations over any period of time unless the applicable lessor has alleged in writing that such failure has caused the applicable Lease to terminate or expire;
- (ad) all applicable Laws and rights reserved to or vested in any Governmental Authorities (i) to control or regulate any of the Assets in any manner, (ii) to assess Tax with respect to the Assets, the ownership, use or operation thereof, or revenue, income or capital gains with respect thereto, (iii) by the terms of any right, power, franchise, grant, license or permit, or by any provision of Law, to terminate such right, power, franchise grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Assets, (iv) to use any Asset in a manner which does not materially impair the use of such Asset for the purposes for which it is currently owned and operated, or (v) to enforce any obligations or duties affecting the Assets to any Governmental Authority, with respect to any franchise, grant, license or permit;
- (ae) any lien or trust arising in connection with workers' compensation, unemployment insurance, pension, or employment Laws or regulations;
- (af) any other liens, defects, Burdens or irregularities which are (i) based solely on a lack of information in Seller's files or of record, (ii) based solely on references to any document if a copy of such document is not in Seller's files or of record, or (iii) the inability to locate an unrecorded instrument of which Buyer has constructive or inquiry notice by virtue of a reference to such unrecorded instrument in a recorded instrument (or a reference to a further unrecorded instrument in such unrecorded instrument), if no claim has been made under such unrecorded instruments within the last five (5) years;
- (ag) lack of evidence of, or other defects with respect to, authorization, execution, delivery, acknowledgment, or approval of any instrument in Seller's chain of title absent affirmative evidence of an actual claim of superior title from a third Person attributable to such matter;
- (ah) any matter that is capable of being cured, released or waived by any Law of limitation or prescription, including adverse possession and the doctrine of laches

or which has existed for more than twenty (20) years and no affirmative evidence shows that another Person has asserted a superior claim of title to the Assets;

- (ai) unreleased instruments (including prior oil and gas leases and mortgages) absent specific evidence that such instrument continue in force and effect and constitute a superior claim of title to the applicable Property;
- (aj) depth severances or any other change in Seller's Working Interest, Net Revenue Interest or Net Acre ownership for a Property to the extent that they do not reduce Seller's Net Acre ownership as to the Subject Depths in, or Net Revenue Interest as to the Subject Depths for, a Property below that shown on Exhibit A or Exhibit B for such Property or increase Seller's Working Interest for a Well as to the Subject Depths beyond that shown on Exhibit B for such Well without a corresponding increase in Seller's Net Revenue Interest for such Well above that shown for such Well on Exhibit B;
- (ak) calls on production under existing Applicable Contracts, *provided* that the holder of such right must pay an index-based price for any production purchased by virtue of such call on production;
- (al) any defect arising from (i) any Lease having no pooling provision, or an inadequate horizontal pooling provision or (ii) the absence of any lease amendment or consent by any royalty interest or mineral interest holder authorizing the pooling of any Lease;
- (am) with respect to any Well drilled across any tract of land that is not pooled or unitized, or drilled across two or more Units, (i) the failure to execute production sharing agreements (or other agreements specifying an agreed upon allocation of production of Hydrocarbons from such Well) with any of the affected Working Interest owners or royalty interest owners owning interests in the tracts within the areas traversed by such Well or (ii) any claim that the method of allocation of production of Hydrocarbons from such Well used by Seller or its predecessors in interest incorrectly allocates such production between the tracts within the areas traversed by such Well (or the Working Interest owners or royalty interest owners owning interests in such tracts) absent an affirmative written claim by a Working Interest owner or royalty interest owner expressly alleging that such method of allocation is incorrect;
- (an) any matters reflected on Exhibit A, Exhibit B, or Schedule I-2; and
- (ao) any liens, charges, Encumbrances, defects, or irregularities which (i) do not, individually or in the aggregate, materially detract from the value of or materially interfere with the use or ownership of, the Assets subject thereto or affected thereby (as currently used or owned) and (ii) would be accepted or waived by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties.

**"Person"** – any individual, firm, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization, Governmental Authority or any other entity.

**"Personal Property"** – as defined in Section 2.01(f).

**“Phase I Environmental Assessment”** – a Phase I environmental property assessment of the Assets that satisfies the basic assessment requirements set forth under the current ASTM International Standard Practice for Environmental Site Assessments (Designation E1527-13) or any other visual site assessment or review of records, reports or documents, including an evaluation of the Assets’ compliance with Environmental Laws.

**“Preferential Purchase Right”** – as defined in Section 4.09.

**“Preliminary Settlement Statement”** – as defined in Section 3.03.

**“Proceeding”** – any proceeding, action, arbitration, litigation, subpoena, or suit (whether civil, criminal, administrative, investigative, or informal) commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Authority or arbitrator.

**“Properties”** – the Units, Wells and Leases.

**“Property Expenses”** – as defined in Section 2.03.

**“Reasonable Documentation”** – with respect to any Title Defect asserted by Buyer pursuant to Section 11.02(a) or, after Closing, with respect to Seller’s Special Warranty of title contained in the Assignment:

- (ap) a copy of any available title opinion or landman’s title report describing the asserted Title Defect;
- (aq) a copy of the relevant document to the extent the alleged Title Defect arises from a document;
- (ar) the real property conveyance preceding and following a gap in the chain of title or a title opinion describing the gap in reasonable detail, to the extent the basis of the alleged Title Defect arises from a gap in Seller’s chain of title;
- (as) a copy of the document creating or evidencing the Encumbrance or lien, to the extent the basis of the alleged Title Defect is an Encumbrance or lien; and
- (at) any other documents reasonably necessary for Seller or the Title Arbitrator (as well as any title attorney, examiner or environmental consultant hired by such Persons) to verify and confirm the existence of the Title Defect or to confirm the Title Defect Amount with respect to such alleged Title Defect.

**“Records”** – as defined in Section 2.01(j).

**“Reference Price”** – the volume weighted average share price of shares of SilverBow Common Stock on the NYSE (as reported by Bloomberg L.P. under the function “VWAP”) for the thirty (30) consecutive trading Business Days ending on and including the first (1st) trading Business Day preceding the Closing Date.

**“Reference Rate”** means a rate of interest equal to the lesser of (x) eight percent (8%) and (y) if such rate is contrary to any applicable Law, the maximum rate permitted by such Law, in each case, calculated on a daily basis from the Earn-Out Consideration Due Date until the date of actual payment.

“**Remediation**” – the implementation and completion of any remedial, removal, response, construction, closure, disposal or other corrective actions to the extent required under Environmental Laws to correct or remove an Environmental Defect.

“**Remediation Amount**” – with respect to an Environmental Defect, the present value as of the Closing Date (using an annual discount rate of 10%) of the cost (net to Seller’s interest prior to the consummation of the Transactions) of the lowest cost Remediation of such Environmental Defect that is reasonably available as of the Effective Time (considered as a whole, taking into consideration any material impacts such response may have on the operations of the relevant Assets and any potential material additional costs or liabilities that may likely arise as a result of such response). For the avoidance of doubt, the term “**Remediation Amount**” will not include amounts for any Remediation activities conducted by Seller.

“**Retained Liabilities**” – as defined in Section 14.01(b).

“**SCADA Equipment**” – all SCADA equipment, fixtures and personal property to the extent located on the Leases or Wells; on the condition that the “SCADA Equipment” will not include (a) any software or programs used in connection therewith or (b) any towers or any related equipment, fixtures and personal property.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**SEC Filings**” as defined in Section 5.14(a).

“**Securities Act**” – the Securities Act of 1933.

“**Seller**” – as defined in the introductory paragraph of this Agreement.

“**Seller Indemnified Parties**” – as defined in Section 14.03.

“**Seller Material Adverse Effect**” – an event or circumstance that, individually or in the aggregate, results in a material adverse effect on the ownership, operation or value of the Assets taken as a whole and as currently operated as of the Execution Date or a material adverse effect on the ability of Seller to consummate the Transactions and perform its obligations hereunder; *provided, however*, that a Seller Material Adverse Effect will not include any material adverse effects resulting from: (a) entering into this Agreement or the announcement of the Transactions; (b) any action or omission of Seller taken in accordance with the terms of this Agreement without the violation thereof or with the prior written consent of Buyer; (c) changes in general market, economic, financial or political conditions (including changes in commodity prices, fuel supply or transportation markets, interest or rates) in the area in which the Assets are located, the United States or worldwide; (d) changes in conditions or developments generally applicable to the oil and gas industry in the area where the Assets are located; (e) acts of God, including hurricanes, storms or other naturally occurring events; (f) acts or failures to act of Governmental Authorities; (g) civil unrest, any outbreak of disease or hostilities, terrorist activities (including cyber-attacks) or war or any similar disorder or any escalation, worsening or diminution of any of the foregoing; (h) COVID-19 or any Law, directive, pronouncement or guideline issued by a Governmental Authority, the Centers for Disease Control and Prevention, the World Health Organization or industry group providing for business closures, changes to business operations, “sheltering-in-place” or other restrictions that relate to, or arise out of, an epidemic, pandemic or disease outbreak (including the COVID-19 pandemic) or any change in such Law, directive, pronouncement or guideline or interpretation thereof following the date of this Agreement or Teal’s, Castlerock’s or any of their respective Affiliates’ compliance therewith (i) matters that are cured or no longer exist by the earlier of Closing and the termination of this Agreement; (j) a

change in Laws, regulatory policies, GAAP or other applicable accounting rules, and any interpretations thereof from and after the Execution Date; (k) any reclassification or recalculation of reserves in the ordinary course of business; (l) changes in the prices of Hydrocarbons; and (m) natural declines in well performance.

“**Seller Taxes**” – (a) Income Taxes imposed on Seller, and (b) Asset Taxes allocable to Seller pursuant to Section 13.01 (taking into account, and without duplication of, such Asset Taxes effectively borne by Seller as a result of (i) the adjustments to the Base Purchase Price made pursuant to Sections 3.02, 3.03 or 3.04, as applicable, and (ii) any payments made from one Party to the other in respect of Asset Taxes pursuant to Section 13.01(c)).

“**Seller’s Certificate**” – as defined in Section 9.03(j).

“**Seller’s Designees**” – the Persons owning, directly or indirectly through ownership of equity interests in one or more other Person, equity interests in any of Teal or Castlerock.

“**Settlement Amount**” – (a) in the event that the Final Price is more than the Adjusted Purchase Price set forth on the Preliminary Settlement Statement, an amount in Dollars equal to the Final Price *minus* the Adjusted Purchase Price set forth on the Preliminary Settlement Statement; or (b) in the event that the Adjusted Purchase Price set forth on the Preliminary Settlement Statement is more than the Final Price, an amount in Dollars equal to the Adjusted Purchase Price set forth on the Preliminary Settlement Statement *minus* the Final Price.

“**SilverBow**” – as defined in the Preamble.

“**SilverBow Common Stock**” – means the common stock, par value \$0.01 per share, of SilverBow.

“**SilverBow Preferred Stock**” – as defined in Section 5.12(a).

“**Special Warranty**” – as defined in Section 11.01(b).

“**Stock Consideration**” – as defined in Section 3.01(a).

“**Straddle Period**” – any Tax period beginning before and ending on or after the Effective Time.

“**Subject Depths**” – (a) with respect to any Lease and unless otherwise set forth on Exhibit A, the Austin Chalk and Eagle Ford formations, and (b) with respect to any Well, the formation or formations currently being produced by such Well.

“**Subsequent Closing**” – as defined in Section 9.05.

“**Subsidiary**” – with respect to any Person, any other Person Controlled by such first Person, directly or indirectly, through one or more intermediaries.

“**Surface Rights**” – as defined in Section 2.01(e).

“**SWT Survival Period**” – the period of time commencing as of the Closing Date and ending at 5:00 p.m. (Central Time) twenty-four (24) months after the Closing Date.

“**Target Closing Date**” – as defined in Section 9.05.

**“Tax Return”** – any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto and any amendment thereof.

**“Taxes”** – any taxes, assessments and other governmental charges in the nature of a tax imposed by any Governmental Authority, including income, profits, gross receipts, employment, stamp, occupation, premium, alternative or add-on minimum, *ad valorem*, real property, personal property, transfer, real property transfer, value added, sales, use, customs, duties, capital stock, franchise, excise, withholding, social security (or similar), unemployment, disability, payroll, windfall profit, severance, production, estimated or other tax, including any interest, penalty or addition thereto.

**“Teal”** – as defined in the introductory paragraph to this Agreement.

**“Third Party”** – any Person other than a Party to this Agreement or an Affiliate of a Party to this Agreement.

**“Third Party Claim”** – as defined in Section 14.07(b).

**“Threatened”** a claim, Proceeding, dispute, action, or other matter will be deemed to have been “Threatened” if any demand or statement has been made in writing to a Party or any of its officers, directors, or employees that would lead a prudent Person to conclude that such a claim, Proceeding, dispute, action, or other matter is likely to be asserted, commenced, taken, or otherwise pursued in the future.

**“Title Arbitrator”** – as defined in Section 11.02(j).

**“Title Benefit”** – any right, circumstance or condition that:

- (au) with respect to any Well shown on Exhibit B, operates to (i) increase the Net Revenue Interest of Seller, as identified on Exhibit B, or (ii) decrease the Working Interest of Seller without a proportionate or greater decrease in the Net Revenue Interest of Seller, as identified on Exhibit B, in each case, in the depths currently being produced by such Well;
- (av) with respect to any Lease shown on Exhibit A, operates to decrease the Burdens as identified on Exhibit A for such Lease as to the Subject Depths; or
- (aw) with respect to the Leases shown on Exhibit A, entitles Seller to more than the Net Acres set forth on Exhibit A as to the Subject Depths.

**“Title Benefit Amount”** – as defined in Section 11.02(e).

**“Title Benefit Notice”** – as defined in Section 11.02(b).

**“Title Benefit Property”** – as defined in Section 11.02(b).

**“Title Claim Date”** – as defined in Section 11.02(a).

**“Title Defect”** – any Encumbrance, defect or other matter that causes Seller not to have Defensible Title in and to the Leases and the Wells as of the Effective Time and as of the Title Claim Date.

**“Title Defect Amount”** – as defined in Section 11.02(g).

**“Title Defect Notice”** – as defined in Section 11.02(a).

**“Title Defect Property”** – as defined in Section 11.02(a).

**“Transaction Documents”** – those documents executed pursuant to or in connection with this Agreement.

**“Transactions”** – the transactions contemplated by this Agreement or any Transaction Document.

**“Transfer Tax”** – all transfer, documentary, sales, use, stamp, registration and similar Taxes (but excluding (a) all related documentary, filing and recording fees and expenses and (b) Income Taxes) arising out of, or in connection with, the transfer of the Assets pursuant to this Agreement.

**“Treasury Regulations”** – the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references in this Agreement to sections of the Treasury Regulations will be deemed to include any corresponding provision or provisions of succeeding, similar, substitute, proposed or final Treasury Regulations.

**“Units”** – as defined in Section 2.01(c).

**“Unobtained Hard Consent”** – as defined in Section 11.04(a).

**“Wells”** – as defined in Section 2.01(b).

**“Willful Breach”** – with respect to either Party, (a) such Party’s willful or deliberate act or a willful or deliberate failure to act by such Party, which act or failure to act constitutes in and of itself a material breach of any covenant set forth in this Agreement and which was undertaken with the actual knowledge of such Party that such act or failure to act would be, or would reasonably be expected to cause, a material breach of this Agreement or (b) the failure by such Party to consummate the Transactions after all conditions to such Party’s obligations in Article VII or Article VIII, as applicable, have been satisfied or waived in accordance with the terms of this Agreement (other than those conditions which by their terms can only be satisfied simultaneously with the Closing but which would be capable of being satisfied at Closing if Closing were to occur).

**“Working Interest”** – with respect to a well or lease, the interest in such well or lease that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations on or in connection with such well or lease, but without regard to the effect of any Burdens; *except*, that if a Person’s “Working Interest” in any well or lease differs as to any part or depth, then a separate calculation shall be made as to each such part or depth.

**Subsidiaries of SilverBow Resources, Inc.**

<u><b>Name</b></u>	<u><b>Jurisdiction of Organization</b></u>
SilverBow Resources Operating, LLC	Texas



Consent of Independent Registered Public Accounting Firm

SilverBow Resources, Inc.  
Houston, Texas

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-238778, 333-259122, 333-260142 and 333-261346) and Form S-8 (Nos. 333-233163, 333-218246, 333-210936, and 333-215235) of SilverBow Resources, Inc. of our reports dated March 3, 2022, relating to the consolidated financial statements, and the effectiveness of SilverBow Resources, Inc.'s internal control over financial reporting, which appear in this Annual Report on Form 10-K.

/s/ BDO USA, LLP  
Houston, Texas  
March 3, 2022

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

I, Sean C. Woolverton, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2021, of SilverBow Resources, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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: March 3, 2022

/s/Sean C. Woolverton

Sean C. Woolverton  
Chief Executive Officer

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

I, Christopher M. Abundis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2021, of SilverBow Resources, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 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: March 3, 2022

/s/ Christopher M. Abundis

Christopher M. Abundis Executive Vice President, Chief Financial Officer, General Counsel and Secretary

**Certification of Chief Executive Officer and Chief Financial Officer**

**Pursuant to U.S.C. Section 1350**

In connection with the Annual Report on Form 10-K for the period ended December 31, 2021 of SilverBow Resources, Inc. (the “Company”) as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Sean C. Woolverton, the Chief Executive Officer of the Company, and Christopher M. Abundis, the Executive Vice President, Chief Financial Officer, General Counsel and Secretary of the Company, each certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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

Date: March 3, 2022

/s/ Sean C. Woolverton  
Sean C. Woolverton  
Chief Executive Officer

Date: March 3, 2022

/s/ Christopher M. Abundis  
Christopher M. Abundis Executive Vice President, Chief Financial Officer,  
General Counsel and Secretary

H.J. GRUY AND ASSOCIATES, INC.

6575 West Loop South, Suite 550, Bellaire, Texas 77401 • TEL. (713) 739-1000 • FAX (713) 739-6112

January 21, 2022

SilverBow Resources  
920 Memorial City Way, Suite 850  
Houston, Texas 77024

**Re: Year-End 2021  
S.E.C. Guideline Reserves  
Independent Estimation**

Ladies and Gentlemen:

At your request, we have independently prepared an estimate of the oil, natural gas, and natural gas liquid proved reserves and future net cash flows effective December 31, 2021, attributable to SilverBow Resources (SilverBow) net interests in certain oil and gas properties. The estimated reserves are located in the Continental United States. Based on information provided by SilverBow, the estimated reserves reported herein comprise all of the SilverBow proved reserves.

This report, completed on January 21, 2022 has been prepared for SilverBow, and is provided for inclusion in relevant U.S. Securities and Exchange Commission registration statements or other Securities and Exchange Commission filings. All proved reserves are estimated in compliance with the definitions contained in Securities and Exchange Commission Regulation S-X, Rule 210.4-10(a), and in our opinion, the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

The net reserves, future net cash flow, and discounted future net cash flow to the SilverBow interest in these properties, effective December 31, 2021, are estimated to be as follows:

**Proved Reserves**

	Estimated Net Reserves			Estimated Net Cash Flow	
	Oil (Barrels)	Gas (Mcf)	Natural Gas Liquids (Barrels)	Not Discounted	Discounted at 10 Percent Per Year
Proved Producing	9,601,200	519,652,100	12,322,950	\$ 1,901,165,850	\$ 1,025,044,600
Proved Nonproducing	90,900	6,084,500	67,300	\$ 19,232,750	\$ 8,195,200
Proved Undeveloped	14,606,100	629,642,500	6,710,150	\$ 1,897,529,400	\$ 787,083,200
Total Proved	24,298,200	1,155,379,100	19,100,400	\$ 3,817,928,000	\$ 1,820,323,000

The discounted future net cash flow summarized in the above table is computed using a discount rate of 10 percent per annum. Future net cash flow as presented herein is defined as the future cash inflow attributable to the evaluated interest less, if applicable, future operating costs, ad valorem taxes, and future capital expenditures. Future cash inflow is defined as gross cash inflow less, if applicable, royalties and severance taxes. Future cash inflow and future net cash flow stated in this report exclude consideration of state and federal income tax. Future costs of facility and well abandonments, and the restoration of producing properties to satisfy environmental standards are not deducted from cash flow.

This reserve report conforms to the term third party reports as stated in Regulation S-K, Item 1202. The assumptions, data, methods, and procedures used by H.J. Gruy and Associates, Inc. to conduct the independent reserve estimates are appropriate for the purposes of this report, and we have used all methods and procedures we consider necessary under the circumstances to prepare this report. The proved reserves estimates are in compliance with the applicable definitions contained in Securities and Exchange Commission Regulation S-X.

The processes, methods, and procedures employed by us to evaluate the necessary information, estimate reserves, support assumptions, and document methodologies are effective, and meet or exceed guideline standards. We used appropriate engineering, geologic, and evaluation principles that are consistent with practices routinely recognized in the petroleum industry. Reserve estimates are based on extrapolation of established performance trends, material balance calculations, volumetric calculations, analogy with the performance of comparable wells, or a combination of these methods.

The primary economic assumptions in the reserves estimating process include the application of product prices, operating costs, and future capital expenditures that are not escalated and therefore remain constant for the projected life of each property. Product benchmark prices are based on an average of 2021 first-day-of-the-month prices in accordance with Regulation S-X guidelines. A price differential is applied to the oil, natural gas, and natural gas liquids benchmark prices to adjust for transportation, geographic property location, and quality or energy content. As a reference, the 12-month average benchmark price for oil is \$66.34 per barrel, referenced to West Texas Intermediate (WTI) price at Cushing Oklahoma, and for natural gas is \$3.683 per million British thermal units, referenced to Henry Hub gas price. The average adjusted prices, for oil, natural gas, and natural gas liquids, used to determine reserves are \$63.98 per barrel, \$3.75 per thousand standard cubic feet and \$25.29 per barrel, respectively, over the projected lives of the assets.

Lease operating costs are based on historical operating expense records. For all properties, general and administrative overhead expenses have been included. Estimates of capital costs are included as required for workovers and development. SilverBow has informed us that the development activities included herein have been subjected to and received internal approvals required by SilverBow management.

In conducting this work, we relied on data supplied by SilverBow. The extent and character of ownership, oil and natural gas sales prices, operating costs, future capital expenditures, historical production, accounting, geological, and engineering data were accepted as represented, and we have assumed the authenticity of all documents submitted. No independent well tests, property inspections, or audits of operating statements were conducted by our staff in conjunction with this work. We did not verify or determine the extent, character, status, or liability, if any, of production imbalances, hedging activities, or any current or possible future detrimental environmental site conditions. In our judgment, there are no instances where current local, state, or federal regulations will materially impact the ability of SilverBow to recover the estimated proved reserves.

In order to estimate the proved reserves and future cash flows attributable to SilverBow, we have relied on geological, engineering, and economic data furnished by our client. Although we instructed our client to provide all pertinent data, and we made a reasonable effort to analyze it carefully with methods applied in the petroleum industry, there is no guarantee that the volumes of hydrocarbons or the cash flows projected will be realized.

Hydrocarbon reserves estimates contain inherent uncertainties. The estimation of reserves is based on the application of a wide range of technologies and the subjective interpretation of currently available data; therefore, the reserves discussed herein are considered estimates only and should not be construed as exact quantities. Future economic or operating conditions may affect recovery of estimated reserves and cash flows, and reserves of all categories may be subject to change as more performance data become available or as alternative estimating methods become applicable. Estimates of future net cash flow and discounted future net cash flow should not be interpreted to represent the fair market value for the estimated reserves.

H.J. Gruy and Associates, Inc. is a privately owned, independent consultancy, and compensation for our efforts is not contingent upon the outcome of our work. H.J. Gruy and Associates, Inc. and its employees have no direct financial interest in SilverBow Resources, or the properties, nor do we contemplate any future direct financial interest. Any distribution or publication of this work or any part thereof must include this letter in its entirety.

Yours very truly,

**H.J. GRUY AND ASSOCIATES, INC.**  
Texas Registration Number F-000637

(Seal)  
by: /s/ Marilyn Wilson  
Marilyn Wilson, P.E.  
Chief Executive Officer

***H.J. GRUY AND ASSOCIATES, INC. 6575 West Loop South, Suite 550, Bellaire, Texas 77401 • (713) 739-1000***

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**CERTIFICATE OF QUALIFICATION**

I, Marilyn Wilson, of 6575 West Loop South, Suite 550, Bellaire, Texas 77401, hereby certify:

1. I am Chief Executive Officer of H.J. Gruy and Associates, Inc, and I am the engineer responsible for the estimates of reserves, future production, and future income determined by H.J. Gruy and Associates, Inc. and preparation of the reserves report for SilverBow Resources effective December 31, 2021, and dated January 21, 2022, attached herewith.
2. I hold a Bachelor of Science Degree in Petroleum Engineering from Texas A&M University, and I am a Licensed Professional Engineer in the State of Texas, License Number 59498. I am a member of the Society of Petroleum Engineers, and I am a past President and member of the Society of Petroleum Evaluation Engineers. I have over 30 years of experience in the evaluation of oil and gas reserves.
3. Based on my educational and professional background, I meet or exceed the professional qualifications as a Reserves Estimator presented in the “Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information” promulgated by the Society of Petroleum Engineers.

**H.J. GRUY AND ASSOCIATES, INC.**  
Texas Registration Number F-000637

by: /s/ Marilyn Wilson  
Marilyn Wilson, P.E.  
Chief Executive Officer