

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

Form 10-Q

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from _____ to _____.

Commission File Number: 001-35512

Amplify Energy Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

82-1326219

(I.R.S. Employer Identification No.)

500 Dallas Street, Suite 1700, Houston, TX

(Address of principal executive offices)

77002

(Zip Code)

Registrant's telephone number, including area code: (713) 490-8900

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Securities Registered Pursuant to Section 12(b):

Title of each class
Common Stock

Trading Symbol(s)
AMPY

Name of each exchange on which registered
NYSE

As of October 30, 2020, the registrant had 37,656,451 outstanding shares of common stock, \$0.01 par value outstanding.

**AMPLIFY ENERGY CORP.
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GLOSSARY OF OIL AND NATURAL GAS TERMS

Analogous Reservoir: Analogous reservoirs, as used in resource assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, analogous reservoir refers to a reservoir that shares all of the following characteristics with the reservoir of interest: (i) the same geological formation (but not necessarily in pressure communication with the reservoir of interest); (ii) the same environment of deposition; (iii) similar geologic structure; and (iv) the same drive mechanism.

Bbl: One stock tank barrel, or 42 U.S. gallons liquid volume, used in reference to oil or other liquid hydrocarbons.

Bbl/d: One Bbl per day.

Bcfe: One billion cubic feet of natural gas equivalent.

Boe: One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil.

BOEM: Bureau of Ocean Energy Management.

Btu: One British thermal unit, the quantity of heat required to raise the temperature of a one-pound mass of water by one degree Fahrenheit.

Development Project: A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

Dry Hole or Dry Well: A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production would exceed production expenses and taxes.

Economically Producing: The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. For this determination, the value of the products that generate revenue are determined at the terminal point of oil and natural gas producing activities.

Exploitation: A development or other project which may target proven or unproven reserves (such as probable or possible reserves), but which generally has a lower risk than that associated with exploration projects.

Field: An area consisting of a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/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 Acres or Gross Wells: The total acres or wells, as the case may be, in which we have a working interest.

ICE: Inter-Continental Exchange.

MBbl: One thousand Bbls.

MBbls/d: One thousand Bbls per day.

MBoe: One thousand barrels of oil equivalent.

MBoe/d: One thousand barrels of oil equivalent per day.

MMBoe: One million barrels of oil equivalent.

Mcf: One thousand cubic feet of natural gas.

Mcf/d: One Mcf per day.

MMBtu: One million Btu.

MMcf: One million cubic feet of natural gas.

MMcfe: One million cubic feet of natural gas equivalent.

MMcfe/d: One MMcfe per day.

Net Production: Production that is owned by us less royalties and production due to others.

NGLs: The combination of ethane, propane, butane and natural gasolines that, when removed from natural gas, become liquid under various levels of higher pressure and lower temperature.

NYMEX: New York Mercantile Exchange.

Oil: Oil and condensate.

Operator: The individual or company responsible for the exploration and/or production of an oil or natural gas well or lease.

OPIS: Oil Price Information Service.

Plugging and Abandonment: Refers to the sealing off of fluids in the strata penetrated by a well so that the fluids from one stratum will not escape into another stratum or to the surface. Regulations of all states require plugging of abandoned wells.

Probabilistic Estimate: The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.

Proved Developed Reserves: Proved reserves that can be expected to be recovered from existing wells with existing equipment and operating methods.

Proved Reserves: Those quantities of oil and natural 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, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced, or the operator must be reasonably certain that it will commence the project, within a reasonable time. The area of the reservoir considered as proved includes (i) the area identified by drilling and limited by fluid contacts, if any, and (ii) adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or natural gas on the basis of available geoscience and engineering data. In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons, as seen in a well penetration, unless geoscience, engineering or performance data and reliable technology establishes a lower contact with reasonable certainty. Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated natural gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty. Reserves which can be produced economically through application of improved recovery techniques (including fluid injection) are included in the proved classification when (i) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir, or an analogous reservoir or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (ii) the project has been approved for development by all necessary parties and entities, including governmental entities. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price used is the average price during the twelve-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

Realized Price: The cash market price less all expected quality, transportation and demand adjustments.

Reliable Technology: Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

Reserves: Reserves are 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. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and natural gas or related substances to market and all permits and financing required to implement the project. Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered 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 reserves.

Resources: Resources are quantities of oil and natural gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable and another portion may be considered unrecoverable. Resources include both discovered and undiscovered accumulations.

Working Interest: An interest in an oil and natural gas lease that gives the owner of the interest the right to drill for and produce oil and natural gas on the leased acreage and requires the owner to pay a share of the costs of drilling and production operations.

Workover: Operations on a producing well to restore or increase production.

WTI: West Texas Intermediate.

NAMES OF ENTITIES

As used in this Form 10-Q, unless we indicate otherwise:

- “Amplify Energy,” “Company,” “we,” “our,” “us” or like terms refers to Amplify Energy Corp. (f/k/a Midstates Petroleum Company, Inc.) individually and collectively with its subsidiaries, as the context requires;
- “Legacy Amplify” refers to Amplify Energy Holdings LLC (f/k/a Amplify Energy Corp.), the successor reporting company of Memorial Production Partners LP;
- “Midstates” refers to Midstates Petroleum Company, Inc., which, on the effective date of the Merger (as defined below), changed its name to “Amplify Energy Corp.”; and
- “OLLC” refers to Amplify Energy Operating LLC, our wholly owned subsidiary through which we operate our properties.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and section 21E of the Securities Exchange Act of 1934, as amended, that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about our:

- business strategies;
- acquisition and disposition strategy;
- cash flows and liquidity;
- financial strategy;
- ability to replace the reserves we produce through drilling;
- drilling locations;
- oil and natural gas reserves;
- technology;
- realized oil, natural gas and NGL prices;
- production volumes;
- lease operating expense;
- gathering, processing, and transportation;
- general and administrative expense;
- future operating results;
- ability to procure drilling and production equipment;
- ability to procure oil field labor;
- planned capital expenditures and the availability of capital resources to fund capital expenditures;
- ability to access capital markets;
- marketing of oil, natural gas and NGLs;
- risks relating to transportation and storage capacity constraints;
- risks relating to production curtailment;
- a sustained decrease or further decline in the demand for oil and natural gas;
- acts of God, fires, earthquakes, storms, floods, other adverse weather conditions, war, acts of terrorism, military operations, or national emergency;
- the occurrence or threat of epidemic or pandemic diseases, such as the ongoing novel coronavirus (“COVID-19”) pandemic, or any government response to such occurrence or threat;
- expectations regarding general economic conditions;
- competition in the oil and natural gas industry;
- effectiveness of risk management activities;
- environmental liabilities;
- counterparty credit risk;
- expectations regarding governmental regulation and taxation;
- expectations regarding developments in oil-producing and natural-gas producing countries; and
- plans, objectives, expectations and intentions.

All statements, other than statements of historical fact included in this report, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “would,” “should,” “expect,” “plan,” “project,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target,” “outlook,” “continue,” the negative of such terms or other comparable terminology. These statements address activities, events or developments that we expect or anticipate will or may occur in the future, including things such as projections of results of operations, plans for growth, goals, future capital expenditures, competitive strengths, references to future intentions and other such references. These forward-looking statements involve risks and uncertainties. Important factors that could cause our actual results or financial condition to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the following risks and uncertainties:

- our results of evaluation and implementation of strategic alternatives;
- risks related to a redetermination of the borrowing base under our senior secured reserve-based revolving credit facility;
- our ability to access funds on acceptable terms, if at all, because of the terms and conditions governing our indebtedness, including financial covenants;
- our ability to satisfy debt obligations;
- volatility in the prices for oil, natural gas, and NGLs, including further or sustained declines in commodity prices;
- the potential for additional impairments due to continuing or future declines in oil, natural gas and NGL prices;
- the uncertainty inherent in estimating quantities of oil, natural gas and NGLs reserves;
- our substantial future capital requirements, which may be subject to limited availability of financing;
- the uncertainty inherent in the development and production of oil and natural gas;
- our need to make accretive acquisitions or substantial capital expenditures to maintain our declining asset base;
- the existence of unanticipated liabilities or problems relating to acquired or divested businesses or properties;
- potential acquisitions, including our ability to make acquisitions on favorable terms or to integrate acquired properties;
- the consequences of changes we have made, or may make from time to time in the future, to our capital expenditure budget, including the impact of those changes on our production levels, reserves, results of operations and liquidity;
- potential shortages of, or increased costs for, drilling and production equipment and supply materials for production, such as CO₂;
- potential difficulties in the marketing of oil and natural gas;
- changes to the financial condition of counterparties;
- uncertainties surrounding the success of our secondary and tertiary recovery efforts;
- competition in the oil and natural gas industry;
- general political and economic conditions, globally and in the jurisdictions in which we operate;
- the impact of legislation and governmental regulations, including those related to climate change and hydraulic fracturing;
- the risk that our hedging strategy may be ineffective or may reduce our income;
- the cost and availability of insurance as well as operating risks that may not be covered by an effective indemnity or insurance; and
- actions of third-party co-owners of interests in properties in which we also own an interest.

The forward-looking statements contained in this report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management’s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or that the events or circumstances described in any forward-looking statement will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described in “Part I—Item 1A. Risk Factors” of Amplify’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the Securities and Exchange Commission (the “SEC”) on March 5, 2020 (“Amplify Form 10-K”). All forward-looking statements speak only as of the date of this report. We do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

AMPLIFY ENERGY CORP.
 UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except outstanding shares)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,521	\$ —
Restricted cash	—	325
Accounts receivable, net	26,907	33,145
Short-term derivative instruments	9,916	5,879
Prepaid expenses and other current assets	12,158	13,238
Total current assets	62,502	52,587
Property and equipment, at cost:		
Oil and natural gas properties, successful efforts method	772,773	797,005
Support equipment and facilities	142,274	140,023
Other	8,873	8,045
Accumulated depreciation, depletion and impairment	(578,187)	(141,350)
Property and equipment, net	345,733	803,723
Long-term derivative instruments	3,014	6,364
Restricted investments	4,622	4,622
Operating lease - long term right-of-use asset	3,055	4,406
Other long-term assets	2,768	5,837
Total assets	\$ 421,694	\$ 877,539
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 2,344	\$ 8,310
Revenues payable	24,194	29,167
Accrued liabilities (see Note 13)	19,063	23,358
Short-term derivative instruments	786	253
Current portion of long-term debt (see Note 8)	5,000	—
Total current liabilities	51,387	61,088
Long-term debt (see Note 8)	265,516	285,000
Asset retirement obligations	95,275	90,466
Long-term derivative instruments	1,350	305
Operating lease liability	853	2,720
Other long-term liabilities	3,277	3,753
Total liabilities	417,658	443,332
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Preferred stock, \$0.01 par value: 50,000,000 shares authorized; no shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	—	—
Warrants, 2,173,913 and 9,153,522 warrants issued and outstanding at September 30, 2020 and December 31, 2019, respectively	4,788	4,790
Common stock, \$0.01 par value: 250,000,000 shares authorized; 37,627,566 and 37,566,540 shares issued and outstanding at September 30, 2020 and December 31, 2019, respectively	209	209
Additional paid-in capital	424,236	424,399
Accumulated earnings	(425,197)	4,809
Total stockholders' equity	4,036	434,207
Total liabilities and equity	\$ 421,694	\$ 877,539

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMPLIFY ENERGY CORP.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS
(In thousands, except per share amounts)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenues:				
Oil and natural gas sales	\$ 52,488	\$ 72,426	\$ 145,163	\$ 196,978
Other revenues	257	533	889	668
Total revenues	<u>52,745</u>	<u>72,959</u>	<u>146,052</u>	<u>197,646</u>
Costs and expenses:				
Lease operating expense	27,639	32,977	91,190	88,179
Gathering, processing and transportation	5,256	4,459	14,998	13,507
Exploration	5	3	24	24
Taxes other than income	3,761	5,135	9,942	13,008
Depreciation, depletion and amortization	7,950	15,617	31,129	39,696
Impairment expense	—	—	455,031	—
General and administrative expense	6,443	27,034	21,551	46,908
Accretion of asset retirement obligations	1,565	1,428	4,617	4,071
(Gain) loss on commodity derivative instruments	14,352	(28,725)	(74,196)	(19,231)
Other, net	113	224	113	401
Total costs and expenses	<u>67,084</u>	<u>58,152</u>	<u>554,399</u>	<u>186,563</u>
Operating income (loss)	(14,339)	14,807	(408,347)	11,083
Other income (expense):				
Interest expense, net	(3,362)	(5,276)	(17,218)	(13,787)
Loss on lease	—	(4,237)	—	(4,237)
Other income (expense)	196	(104)	(38)	(104)
Total other income (expense)	<u>(3,166)</u>	<u>(9,617)</u>	<u>(17,256)</u>	<u>(18,128)</u>
Income (loss) before reorganization items, net and income taxes	(17,505)	5,190	(425,603)	(7,045)
Reorganization items, net	(180)	(33)	(532)	(684)
Income tax benefit (expense)	—	—	(85)	50
Net income (loss)	(17,685)	5,157	(426,220)	(7,679)
Net (income) loss allocated to participating restricted stockholders	—	(128)	—	—
Net income (loss) attributable to common stockholders	<u>\$ (17,685)</u>	<u>\$ 5,029</u>	<u>\$ (426,220)</u>	<u>\$ (7,679)</u>
Earnings per share: (See Note 10)				
Basic and diluted earnings per share	<u>\$ (0.47)</u>	<u>\$ 0.15</u>	<u>\$ (11.34)</u>	<u>\$ (0.29)</u>
Weighted average common shares outstanding:				
Basic and diluted	<u>37,626</u>	<u>33,707</u>	<u>37,596</u>	<u>26,093</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMPLIFY ENERGY CORP.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS
(In thousands)

	For the Nine Months Ended	
	September 30,	
	2020	2019
Cash flows from operating activities:		
Net income (loss)	\$ (426,220)	\$ (7,679)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	31,129	39,696
Impairment expense	455,031	—
(Gain) loss on derivative instruments	(70,162)	(18,897)
Cash settlements (paid) received on expired derivative instruments	53,076	2,315
Cash settlements (paid) received on terminated derivative instruments	17,977	—
Bad debt expense	470	266
Amortization and write-off of deferred financing costs	3,134	62
Accretion of asset retirement obligations	4,617	4,071
Share-based compensation (see Note 11)	(161)	4,073
Settlement of asset retirement obligations	(199)	(259)
Changes in operating assets and liabilities:		
Accounts receivable	5,769	11,328
Prepaid expenses and other assets	1,080	(1,968)
Payables and accrued liabilities	(11,467)	(12,115)
Other	(476)	4,995
Net cash provided by operating activities	<u>63,598</u>	<u>25,888</u>
Cash flows from investing activities:		
Cash acquired from the Merger	—	19,250
Additions to oil and gas properties	(31,234)	(63,004)
Additions to other property and equipment	(828)	788
Additions to restricted investments	—	(154)
Withdrawals of restricted investments	—	90,000
Proceeds from the sale of other property and equipment	—	31
Net cash provided by (used in) investing activities	<u>(32,062)</u>	<u>46,911</u>
Cash flows from financing activities:		
Advances on revolving credit facilities	25,000	103,000
Payments on revolving credit facilities	(45,000)	(119,000)
Proceeds from the paycheck protection program	5,516	—
Repayment of Midstates revolving credit facility	—	(76,559)
Deferred financing costs	(65)	(832)
Dividends to stockholders	(3,786)	(8,189)
Common stock repurchased and retired under the share repurchase program	—	(13,251)
Costs incurred in conjunction with tender offer	—	(107)
Restricted units returned to plan	(40)	(313)
Other	35	156
Net cash provided by (used in) financing activities	<u>(18,340)</u>	<u>(115,095)</u>
Net change in cash, cash equivalents and restricted cash	13,196	(42,296)
Cash, cash equivalents and restricted cash, beginning of period	325	50,029
Cash, cash equivalents and restricted cash, end of period	<u>\$ 13,521</u>	<u>\$ 7,733</u>

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AMPLIFY ENERGY CORP.
UNAUDITED CONDENSED STATEMENTS OF CONSOLIDATED EQUITY
(In thousands)

	Stockholders' Equity				Accumulated Earnings (Deficit)	Total
	Common Stock	Warrants	Additional Paid-in Capital			
Balance at December 31, 2019	\$ 209	\$ 4,790	\$ 424,399		\$ 4,809	\$ 434,207
Net loss	—	—	—		(367,199)	(367,199)
Share-based compensation expense	—	—	(1,112)		—	(1,112)
Restricted shares repurchased	—	—	(14)		—	(14)
Dividends	—	—	—		(3,786)	(3,786)
Balance at March 31, 2020	209	4,790	423,273		(366,176)	62,096
Net loss	—	—	—		(41,336)	(41,336)
Share-based compensation expense	—	—	480		—	480
Expiration of warrants	—	(2)	2		—	—
Restricted shares repurchased	—	—	(20)		—	(20)
Other	—	—	35		—	35
Balance at June 30, 2020	209	4,788	423,770		(407,512)	21,255
Net loss	—	—	—		(17,685)	(17,685)
Share-based compensation expense	—	—	471		—	471
Restricted shares repurchased	—	—	(5)		—	(5)
Balance at September 30, 2020	\$ 209	\$ 4,788	\$ 424,236		\$ (425,197)	\$ 4,036

	Stockholders' Equity					Accumulated Earnings (Deficit)	Total
	Common Stock	Warrants	Additional Paid-in Capital	Treasury Stock			
Balance at December 31, 2018	\$ 3	\$ 4,788	\$ 355,872	\$ —		\$ 55,895	\$ 416,558
Net loss	—	—	—	—		(31,477)	(31,477)
Costs incurred in conjunction with tender offer	—	—	(107)	—		—	(107)
Share-based compensation expense	—	—	1,443	—		—	1,443
Common stock repurchased and retired under the share repurchase program	—	—	(920)	—		—	(920)
Balance at March 31, 2019	3	4,788	356,288	—		24,418	385,497
Net income	—	—	—	—		18,641	18,641
Share-based compensation expense	—	—	1,479	—		—	1,479
Common stock repurchased and retired under the share repurchase program	—	—	(331)	—		—	(331)
Restricted shares repurchased	—	—	(199)	—		—	(199)
Balance at June 30, 2019	3	4,788	357,237	—		43,059	405,087
Net income	—	—	—	—		5,157	5,157
Equity transactions related to the Merger	206	2	91,038	—		—	91,246
Treasury shares acquired in the Merger	—	—	—	(2,723)		—	(2,723)
Retirement of treasury shares	—	—	(2,723)	2,723		—	—
Share-based compensation expense	—	—	1,151	—		—	1,151
Common stock repurchased and retired under the share repurchase program	—	—	(12,000)	—		—	(12,000)
Dividends	—	—	—	—		(8,189)	(8,189)
Restricted shares repurchased	—	—	(115)	—		—	(115)
Other	—	—	431	—		—	431
Balance at September 30, 2019	\$ 209	\$ 4,790	\$ 435,019	\$ —		\$ 40,027	\$ 480,045

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization and Basis of Presentation

General

On August 6, 2019, Midstates Petroleum Company, Inc., a Delaware corporation (“Midstates”), completed its business combination (the “Merger”) with Amplify Energy Corp. (“Legacy Amplify”) in accordance with the terms of that certain Agreement and Plan of Merger, dated May 5, 2019 (the “Merger Agreement”), by and among Midstates, Legacy Amplify and Midstates Holdings, Inc., a Delaware corporation and direct, wholly owned subsidiary of Midstates (“Merger Sub”). Pursuant to the terms of the Merger Agreement, Merger Sub merged with and into Legacy Amplify, with Legacy Amplify surviving the Merger as a wholly owned subsidiary of Midstates, and immediately following the Merger, Legacy Amplify merged with and into Alpha Mike Holdings LLC, a Delaware limited liability company and wholly owned subsidiary of Midstates (“LLC Sub”), with LLC Sub surviving as a wholly owned subsidiary of Midstates. On the effective date of the Merger, Midstates changed its name to “Amplify Energy Corp.” (the “Company”) and LLC Sub changed its name to “Amplify Energy Holdings LLC.”

For financial reporting purposes, the Merger represented a “reverse merger” and Legacy Amplify was deemed to be the accounting acquirer in the transaction. Legacy Amplify’s historical results of operations will replace Midstates’ historical results of operations for all periods prior to the Merger and, for all periods following the Merger, the Company’s financial statements will reflect the results of operations of the combined company. Accordingly, the financial statements for the Company included in this Quarterly Report on Form 10-Q for periods prior to the Merger are not the same as Midstates prior reported filings with the SEC, which were derived from the operations of Midstates. As a result, period-to-period comparisons of our operating results may not be meaningful. The results of any one quarter should not be relied upon as an indication of future performance.

When referring to Legacy Amplify, the intent is to refer to Amplify Energy Corp. prior to the effective date of the Merger, and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

We operate in one reportable segment engaged in the acquisition, development, exploitation and production of oil and natural gas properties. Our management evaluates performance based on one reportable business segment as the economic environments are not different within the operation of our oil and natural gas properties. Our assets consist primarily of producing oil and natural gas properties and are located in Oklahoma, the Rockies, federal waters offshore Southern California, East Texas / North Louisiana and South Texas. Most of our oil and natural gas properties are located in large, mature oil and natural gas reservoirs. The Company’s properties consist primarily of operated and non-operated working interests in producing and undeveloped leasehold acreage and working interests in identified producing wells.

Basis of Presentation

Our Unaudited Condensed Consolidated Financial Statements included herein have been prepared pursuant to the rules and guidelines of the SEC. The results reported in these Unaudited Condensed Consolidated Financial Statements should not necessarily be taken as indicative of results that may be expected for the entire year. In our opinion, the accompanying Unaudited Condensed Consolidated Financial Statements include all adjustments of a normal recurring nature necessary for fair presentation. Although we believe the disclosures in these financial statements are adequate, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the SEC.

The Unaudited Condensed Consolidated Financial Statements have been prepared as if the Company is a going concern and reflect the application of Accounting Standards Codification 852 “Reorganizations” (“ASC 852”). ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that were realized or incurred in the bankruptcy proceedings are recorded in “reorganization items, net” on the Company’s Unaudited Condensed Statements of Consolidated Operations.

All intercompany transactions and balances have been eliminated in preparation of our consolidated financial statements.

Use of Estimates

The preparation of the accompanying Unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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Significant estimates include, but are not limited to, oil and natural gas reserves; depreciation, depletion, and amortization of proved oil and natural gas properties; future cash flows from oil and natural gas properties; impairment of long-lived assets; fair value of derivatives; fair value of equity compensation; fair values of assets acquired and liabilities assumed in business combinations and asset retirement obligations.

Risk and Uncertainties

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine the extent of the impact caused by the COVID-19 pandemic to the Company's operations.

The pandemic has lowered the demand for oil and natural gas which has led to low commodity prices. The reductions in commodity prices have resulted in lower levels of cash flow from operating activities. In addition, the borrowing base under our Revolving Credit Facility (as defined below) is subject to redetermination on at least a semi-annual basis primarily based on an engineering report with respect to our estimated oil, NGL and natural gas reserves which will take into account the prevailing oil, NGL and natural gas prices at such time, as adjusted for the impact of our commodity derivative contracts. Severely reduced commodity prices contributed to a reduction in our borrowing base during the Spring 2020 determination process, and continued low prices may adversely impact subsequent redeterminations. The reduction in commodity prices has directly led to an impairment of our oil and natural gas properties. There may be further impairments in future periods if commodity prices continue to decline.

In addition, oil prices severely declined following unsuccessful negotiations between members of Organization of the Petroleum Exporting Countries ("OPEC") and certain nonmembers, including Russia, to implement production cuts in an effort to decrease the global oversupply and to rebalance supply and demand due to the ongoing COVID-19 pandemic. In April 2020, members of OPEC and Russia agreed to temporary production reductions, but uncertainty about whether such production cuts and/or the duration of such reductions will be sufficient to rebalance supply and demand remains and may continue for the foreseeable future. We anticipate further market and commodity price volatility for the remainder of 2020 as a result of the events described above.

Continued Listing Standard Notice from New York Stock Exchange ("NYSE")

On August 31, 2020, the Company, received written notification (the "Market Cap Notice") from the NYSE that the Company no longer satisfies the continued listing compliance standards set forth under Section 802.01B of the NYSE Listed Company Manual (the "Manual") because the average global market capitalization of the Company was less than \$50,000,000 over a consecutive 30 trading-day period that ended on August 28, 2020 and, at the same time, the Company's stockholders' equity was less than \$50,000,000.

Under NYSE procedures, the Company had 45 days from its receipt of the Market Cap Notice to submit a plan to the NYSE demonstrating how it intends to regain compliance with the NYSE's continued listing standards within 18 months. The Company submitted its plan to regain compliance with the listing standards within the required timeframe.

Under NYSE rules, the Company's common stock, par value \$0.01 per share (the "Common Stock"), will continue to be listed on the NYSE during this 18-month cure period, subject to the Company's compliance with other continued listing requirements. The Common Stock's trading symbol "AMPY" was assigned a ".BC" indicator by the NYSE to signify that the Company currently is not in compliance with the NYSE's continued listing requirements. If the Company fails to regain compliance with Section 802.01B of the Manual during the cure period, the Common Stock will be subject to the NYSE's suspension and delisting procedures.

Definitive Merger Agreement

On May 5, 2019, as discussed above, the Company entered into the Merger Agreement pursuant to which Legacy Amplify merged with a subsidiary of Midstates in an all-stock merger-of-equals. Under the terms of the Merger Agreement, Legacy Amplify stockholders received 0.933 shares of newly issued Company common stock for each share of Legacy Amplify common stock that they owned. The Merger closed on August 6, 2019.

Note 2. Summary of Significant Accounting Policies

Other than the accounting policies implemented in connection with the adoption of the current expected credit losses, there have been no changes to the Company's significant accounting policies and estimates as described in the Company's annual financial statements included in our Annual Report on Form 10-K.

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Current Expected Credit Losses

In May 2019, the Financial Accounting Standard Board (the “FASB”) issued an accounting standard update to provide entities with an option to irrevocably elect the fair value option applied on an instrument-by-instrument basis for certain financial assets upon the adoption. The fair value option election does not apply to held-to-maturity debt securities. The Company adopted the guidance as of January 1, 2020. The Company has evaluated the impact of this guidance and concluded that the current and historical evaluation of estimated credit losses falls within the acceptable guidance.

The provisions of the standard were interpreted to relate only to the Company’s accounts receivable, net. Trade receivables relate to one common pool, revenue earned on the sale of oil, natural gas and natural gas liquids. The performance obligation is satisfied at a point in time and revenue is recognized and a trade receivable is recorded from the sale when production is delivered to, and title has transferred to, the purchaser. The majority of the Company’s purchasers have been large major companies in the industry with the wherewithal to pay.

The Company, as operator on most of our wells, also records receivables on billings to our joint interest owners who participate in the operating costs of the wells they have an interest in. Historically an allowance for doubtful accounts has been set up to recognize credit losses on joint interest billing (“JIB”) receivables based upon an aging analysis which is an appropriate method to estimate credit losses under the guidance. The Company will continue to assess the expected credit loss in the future as economic conditions change. Considering the recent drop in commodity prices we believe the majority of our revenue purchasers have the size and financial condition to currently meet their obligations. There could be added risk on the JIB accounts receivable as some wells could become uneconomic, with the revenue not enough to cover operating expenses billed, which could result in additional write-offs. The Company will continue to closely monitor trade receivables. Based upon the analysis performed there was no impact to beginning retained earnings upon the adoption of the guidance. The Company’s monitoring activities include timely account reconciliation and balances are written off when determined to be uncollectible. The Company considered the market conditions surrounding the COVID-19 pandemic and determined that the estimate of credit losses was not significantly impacted. The Company will continue to closely monitor trade receivables.

New Accounting Pronouncements

Reference Rate Reform. In March 2020, the FASB issued an accounting standard update which provides optional expedients and expectations for applying GAAP to contracts, hedging relationships, and other transactions to ease financial reporting burdens to the expected market transition from the London Interbank Offered Rate (“LIBOR”) or another reference rate to alternative reference rates. The amendments in this accounting standards update are effective beginning March 12, 2020, and an entity may elect to apply the amendments prospectively through December 31, 2022. The Company is currently evaluating the impact this guidance may have on the Company’s consolidated financial statements.

Income Taxes – Simplifying the Accounting for Income Taxes. In December 2019, the FASB issued an accounting standard update which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. This accounting standards update removes the following exceptions: (i) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; (ii) exception to the requirements to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (iii) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (iv) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The amendments in the accounting standards update also improve consistency and simplify other areas of Topic 740 by clarifying and amending existing guidance. The new guidance is effective for fiscal years and interim period within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the impact of this guidance on the Company’s consolidated financial statements.

Other accounting standards that have been issued by the FASB or other standards-setting bodies are not expected to have a material impact on the Company’s financial position, results of operations and cash flows.

Note 3. Revenue

Revenue from contracts with customers

The Company has determined that its contracts for the sale of crude oil, unprocessed natural gas, residue gas and NGLs contain monthly performance obligations to deliver product at locations specified in the contract. Control is transferred at the delivery location, at which point the performance obligation has been satisfied and revenue is recognized. Fees included in the contract that are incurred prior to control transfer are classified as gathering, processing and transportation and fees incurred after control transfers are included as a reduction to the transaction price. The transaction price at which revenue is recognized consists entirely of variable consideration based on quoted market prices less various fees and the quantity of volumes delivered.

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Oil and natural gas revenues are recorded using the sales method. Under this method, revenues are recognized based on actual volumes of oil and natural gas sold to purchasers, regardless of whether the sales are proportionate to our ownership in the property. An asset or a liability is recognized to the extent there is an imbalance in excess of the proportionate share of the remaining recoverable reserves on the underlying properties. No significant imbalances existed at September 30, 2020.

Disaggregation of Revenue

We have identified three material revenue streams in our business: oil, natural gas and NGLs. The following table present our revenues disaggregated by revenue stream.

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(in thousands)			
Revenues				
Oil	\$ 36,868	\$ 55,011	\$ 101,682	\$ 136,754
NGLs	5,537	4,306	14,002	15,509
Natural gas	10,083	13,109	29,479	44,715
Oil and natural gas sales	\$ 52,488	\$ 72,426	\$ 145,163	\$ 196,978

Contract Balances

Under our sales contracts, we invoice customers once our performance obligations have been satisfied, at which point payment is unconditional. Accordingly, our contracts do not give rise to contract assets or liabilities. Accounts receivable attributable to our revenue contracts with customers was \$21.4 million at September 30, 2020 and \$31.9 million at December 31, 2019.

Note 4. Acquisitions and Divestitures

Acquisition and Divestiture Related Expenses

Acquisition and divestiture related expenses for third party transactions are included in general and administrative expense in the accompanying Unaudited Condensed Statements of Consolidated Operations for the period indicated below (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	\$ 152	\$ 12,833	\$ 678	\$ 16,655

There were no material acquisition or divestitures during the three and nine months ended September 30, 2020. The acquisition expenses incurred for the three and nine months ended September 30, 2019 are primarily related to the Merger discussed below.

Business Combination

Acquisitions qualifying as a business combination are accounted for under the acquisition method of accounting, which requires, among other items, that assets acquired and liabilities assumed be recognized on the condensed consolidated balance sheet at their fair values as of the acquisition date. The fair value measurements of the oil and natural gas properties acquired and asset retirement obligations assumed were derived utilizing an income approach and based, in part, on significant inputs not observable in the market. These inputs represent Level 3 measurements in the fair value hierarchy and include, but are not limited to, estimates of reserves, future operating and development costs, estimated future cash flows and appropriate discount rates. These inputs required significant judgments and estimates at the time of the valuation.

Merger

On May 5, 2019, Midstates, Legacy Amplify and Merger Sub entered into the Merger Agreement pursuant to which, Merger Sub merged with and into Legacy Amplify, with Legacy Amplify surviving the Merger as a wholly owned subsidiary of Midstates. At the effective time of the Merger, each share of Legacy Amplify common stock issued and outstanding immediately prior to the effective time (other than excluded shares) were cancelled and converted into the right to receive 0.933 shares of Midstates common stock, par value \$0.01 per share. On August 6, 2019, the effective date of the Merger, Midstates changed its name to “Amplify Energy Corp.”

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Purchase Price Allocation

The Merger was accounted for using the acquisition method, with Legacy Amplify treated as the acquirer for accounting purposes. The following table represents the preliminary allocation of the total purchase price of Midstates to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date. Certain data necessary to complete the purchase price allocation was not yet available, and included, but is not limited to, valuation of preacquisition contingencies, final tax returns that provide the underlying tax basis of Midstates assets and liabilities and final appraisals of assets acquired and liabilities assumed. We completed the purchase price allocation during the fourth quarter of 2019 which was in the 12-month period following the acquisition date, during which time the value of the assets and liabilities were revised as appropriate.

	Purchase Price Allocation	
	(In thousands)	
Consideration:		
Fair value of Midstates common stock issued in the Merger (a)	\$	90,150
Fair value of Midstates warrants issued in the Merger		2
Total consideration	\$	90,152
Fair value of liabilities assumed:		
Current liabilities	\$	24,135
Long-term debt		76,559
Long-term asset retirement obligation		9,440
Other long-term liabilities		5,067
Amounts attributable to liabilities assumed	\$	115,201
Fair value of assets acquired:		
Cash and cash equivalents	\$	19,250
Other current assets		17,862
Oil and natural gas properties		142,642
Other property and equipment		6,280
Long-term asset retirement cost		9,440
Other non-current assets		9,879
Amounts attributable to assets acquired	\$	205,353
Total identifiable net assets	\$	90,152

(a) Based on 20,415,005 Midstates common shares issued at closing at \$4.12 per share (closing price of August 6, 2019).

Unaudited Pro Forma Financials

The following unaudited pro forma financial information for the three and nine months ended September 30, 2019, is based on our historical consolidated financial statements adjusted to reflect as if the Merger had occurred on January 1, 2018. The information below reflects pro forma adjustments based on available information and certain assumptions that we believe are reasonable, including adjustments to conform the classification of expenses in Midstates statements of operations to our classification for similar expenses and the estimated tax impact of pro forma adjustments. The unaudited pro forma financial information is not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of the periods presented, nor is it necessarily indicative of future results.

	For the Three Months		For the Nine Months	
(Unaudited) (In thousands, except per unit amounts)	Ended September 30, 2019		Ended September 30, 2019	
Revenues	\$	80,482	\$	258,547
Net income (loss)		6,845		6,236
Earnings per share:				
Basic	\$	0.20	\$	0.24
Diluted	\$	0.20	\$	0.24

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Note 5. Fair Value Measurements of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a specified measurement date. Fair value estimates are based on either (i) actual market data or (ii) assumptions that other market participants would use in pricing an asset or liability, including estimates of risk. A three-tier hierarchy has been established that classifies fair value amounts recognized or disclosed in the financial statements. The hierarchy considers fair value amounts based on observable inputs (Levels 1 and 2) to be more reliable and predictable than those based primarily on unobservable inputs (Level 3). All the derivative instruments reflected on the accompanying Unaudited Condensed Consolidated Balance Sheets were considered Level 2.

The carrying values of accounts receivables, accounts payables (including accrued liabilities), restricted investments and amounts outstanding under long-term debt agreements with variable rates included in the accompanying Unaudited Condensed Consolidated Balance Sheets approximated fair value at September 30, 2020 and December 31, 2019. The fair value estimates are based upon observable market data and are classified within Level 2 of the fair value hierarchy. These assets and liabilities are not presented in the following tables.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair market values of the derivative financial instruments reflected on the accompanying Unaudited Condensed Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019 were based on estimated forward commodity prices. Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement in its entirety. The significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following table presents the gross derivative assets and liabilities that are measured at fair value on a recurring basis at September 30, 2020 and December 31, 2019 for each of the fair value hierarchy levels:

	Fair Value Measurements at September 30, 2020 Using			
	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(In thousands)			
Assets:				
Commodity derivatives	\$ —	\$ 27,262	\$ —	\$ 27,262
Interest rate derivatives	—	—	—	—
Total assets	<u>\$ —</u>	<u>\$ 27,262</u>	<u>\$ —</u>	<u>\$ 27,262</u>
Liabilities:				
Commodity derivatives	\$ —	\$ 13,256	\$ —	\$ 13,256
Interest rate derivatives	—	3,212	—	3,212
Total liabilities	<u>\$ —</u>	<u>\$ 16,468</u>	<u>\$ —</u>	<u>\$ 16,468</u>
	Fair Value Measurements at December 31, 2019 Using			
	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value
	(In thousands)			
Assets:				
Commodity derivatives	\$ —	\$ 18,509	\$ —	\$ 18,509
Interest rate derivatives	—	595	—	595
Total assets	<u>\$ —</u>	<u>\$ 19,104</u>	<u>\$ —</u>	<u>\$ 19,104</u>
Liabilities:				
Commodity derivatives	\$ —	\$ 6,861	\$ —	\$ 6,861
Interest rate derivatives	—	558	—	558
Total liabilities	<u>\$ —</u>	<u>\$ 7,419</u>	<u>\$ —</u>	<u>\$ 7,419</u>

See Note 6 for additional information regarding our derivative instruments.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets and liabilities are reported at fair value on a nonrecurring basis as reflected on the accompanying Unaudited Condensed Consolidated Balance Sheets. The following methods and assumptions are used to estimate the fair values:

- The fair value of asset retirement obligations (“AROs”) is based on discounted cash flow projections using numerous estimates, assumptions and judgments regarding factors such as the existence of a legal obligation for an ARO; amounts and timing of settlements; the credit-adjusted risk-free rate; and inflation rates. The initial fair value estimates are based on unobservable market data and are classified within Level 3 of the fair value hierarchy. See Note 7 for a summary of changes in AROs.
- Proved oil and natural gas properties are reviewed for impairment when events and circumstances indicate a possible decline in the recoverability of the carrying value of such properties. The Company uses an income approach based on the discounted cash flow method, whereby the present value of expected future net cash flows are discounted by applying an appropriate discount rate, for purposes of placing a fair value on the assets. The future cash flows are based on management’s estimates for the future. The unobservable inputs used to determine fair value include, but are not limited to, estimates of proved reserves, estimates of probable reserves, future commodity prices, the timing of future production and capital expenditures and a discount rate commensurate with the risk reflective of the lives remaining for the respective oil and natural gas properties (some of which are Level 3 inputs within the fair value hierarchy).
 - No impairment expense for the three months ended September 30, 2020 was recognized.
 - For the nine months ended September 30, 2020, we recognized \$405.7 million of impairment expense on our proved oil and natural gas properties. These impairments related to certain properties located in East Texas, the Rockies and offshore Southern California. The estimated future cash flows expected from these properties were compared to their carrying values and determined to be unrecoverable primarily as a result of declining commodity prices. The impairments were due to a decline in the value of estimated proved reserves based on declining commodity prices.
 - No impairment expense was recognized during the three and nine months ended September 30, 2019.

Note 6. Risk Management and Derivative Instruments

Derivative instruments are utilized to manage exposure to commodity price fluctuations and achieve a more predictable cash flow in connection with natural gas and oil sales from production and borrowing related activities. These instruments limit exposure to declines in prices, but also limit the benefits that would be realized if prices increase.

Certain inherent business risks are associated with commodity derivative contracts, including market risk and credit risk. Market risk is the risk that the price of natural gas or oil will change, either favorably or unfavorably, in response to changing market conditions. Credit risk is the risk of loss from nonperformance by the counterparty to a contract. It is our policy to enter into derivative contracts, only with creditworthy counterparties, which generally are financial institutions, deemed by management as competent and competitive market makers. Some of the lenders, or certain of their affiliates, under our current credit agreements are counterparties to our derivative contracts. While collateral is generally not required to be posted by counterparties, credit risk associated with derivative instruments is minimized by limiting exposure to any single counterparty and entering into derivative instruments only with creditworthy counterparties that are generally large financial institutions. Additionally, master netting agreements are used to mitigate risk of loss due to default with counterparties on derivative instruments. We have also entered into International Swaps and Derivatives Association Master Agreements (“ISDA Agreements”) with each of our counterparties. The terms of the ISDA Agreements provide us and each of our counterparties with rights of set-off upon the occurrence of defined acts of default by either us or our counterparty to a derivative, whereby the party not in default may set-off all liabilities owed to the defaulting party against all net derivative asset receivables from the defaulting party. Had all counterparties failed completely to perform according to the terms of the existing contracts, we would have had the right to offset \$13.9 million against amounts outstanding under our Revolving Credit Facility at September 30, 2020. See Note 8 for additional information regarding our Revolving Credit Facility.

Commodity Derivatives

We may use a combination of commodity derivatives (e.g., floating-for-fixed swaps, put options, costless collars and three-way collars) to manage exposure to commodity price volatility. We recognize all derivative instruments at fair value.

In April 2020, the Company monetized a portion of its 2021 crude oil hedges for total cash proceeds of approximately \$18.0 million.

We enter into natural gas derivative contracts that are indexed to NYMEX-Henry Hub. We also enter into oil derivative contracts indexed to NYMEX-WTI. Our NGL derivative contracts are primarily indexed to OPIS Mont Belvieu.

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At September 30, 2020, we had the following open commodity positions:

	Remaining 2020	2021	2022
Natural Gas Derivative Contracts:			
Fixed price swap contracts:			
Average monthly volume (MMBtu)	1,450,000	925,000	500,000
Weighted-average fixed price	\$ 2.26	\$ 2.49	\$ 2.45
Collar contracts:			
Two-way collars			
Average monthly volume (MMBtu)	420,000	925,000	200,000
Weighted-average floor price	\$ 2.60	\$ 2.10	\$ 2.10
Weighted-average ceiling price	\$ 2.88	\$ 3.28	\$ 2.99
Natural Gas Basis Swaps:			
PEPL basis swaps:			
Average monthly volume (MMBtu)	600,000	500,000	—
Weighted-average spread	\$ (0.46)	\$ (0.40)	\$ —
Crude Oil Derivative Contracts:			
Fixed price swap contracts:			
Average monthly volume (Bbls)	199,300	53,750	30,000
Weighted-average fixed price	\$ 57.41	\$ 52.02	\$ 55.32
Collar contracts:			
Two-way collars			
Average monthly volume (Bbls)	14,300	—	—
Weighted-average floor price	\$ 55.00	\$ —	\$ —
Weighted-average ceiling price	\$ 62.10	\$ —	\$ —
Three-way collars			
Average monthly volume (Bbls)	30,500	20,000	—
Weighted-average ceiling price	\$ 65.75	\$ 51.30	\$ —
Weighted-average floor price	\$ 50.00	\$ 40.00	\$ —
Weighted-average sub-floor price	\$ 40.00	\$ 30.00	\$ —
NGL Derivative Contracts:			
Fixed price swap contracts:			
Average monthly volume (Bbls)	111,450	22,800	—
Weighted-average fixed price	\$ 21.99	\$ 24.25	\$ —

Interest Rate Swaps

Periodically, we enter into interest rate swaps to mitigate exposure to market rate fluctuations by converting variable interest rates such as those in our Credit Agreement to fixed interest rates. At September 30, 2020, we had the following interest rate swap open positions:

	Remaining 2020	2021	2022
Average Monthly Notional (in thousands)	\$ 125,000	\$ 125,000	\$ 75,000
Weighted-average fixed rate	1.612%	1.612%	1.281%
Floating rate	1 Month LIBOR	1 Month LIBOR	1 Month LIBOR

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Balance Sheet Presentation

The following table summarizes both: (i) the gross fair value of derivative instruments by the appropriate balance sheet classification even when the derivative instruments are subject to netting arrangements and qualify for net presentation in the balance sheet and (ii) the net recorded fair value as reflected on the balance sheet at September 30, 2020 and December 31, 2019. There was no cash collateral received or pledged associated with our derivative instruments since most of the counterparties, or certain of their affiliates, to our derivative contracts are lenders under our Revolving Credit Facility.

Type	Balance Sheet Location	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
		September 30, 2020	September 30, 2020	December 31, 2019	December 31, 2019
(In thousands)					
Commodity contracts	Short-term derivative instruments	\$ 20,084	\$ 9,092	\$ 11,518	\$ 5,887
Interest rate swaps	Short-term derivative instruments	—	1,862	248	253
Gross fair value		20,084	10,954	11,766	6,140
Netting arrangements		(10,168)	(10,168)	(5,887)	(5,887)
Net recorded fair value	Short-term derivative instruments	\$ 9,916	\$ 786	\$ 5,879	\$ 253
Commodity contracts	Long-term derivative instruments	\$ 7,178	\$ 4,164	\$ 6,990	\$ 973
Interest rate swaps	Long-term derivative instruments	—	1,350	347	305
Gross fair value		7,178	5,514	7,337	1,278
Netting arrangements		(4,164)	(4,164)	(973)	(973)
Net recorded fair value	Long-term derivative instruments	\$ 3,014	\$ 1,350	\$ 6,364	\$ 305

(Gains) Losses on Derivatives

We do not designate derivative instruments as hedging instruments for accounting and financial reporting purposes. Accordingly, all gains and losses, including changes in the derivative instruments' fair values, have been recorded in the accompanying Unaudited Condensed Statements of Consolidated Operations. The following table details the gains and losses related to derivative instruments for the periods indicated (in thousands):

Statements of Operations Location	For the Three Months Ended		For the Nine Months Ended		
	September 30,		September 30,		
	2020	2019	2020	2019	
Commodity derivative contracts	(Gain) loss on commodity derivatives	\$ 14,352	\$ (28,725)	\$ (74,196)	\$ (19,231)
(Gain) loss on interest rate derivatives	Interest expense, net	(20)	(199)	4,034	334

Note 7. Asset Retirement Obligations

The Company's asset retirement obligations primarily relate to the Company's portion of future plugging and abandonment costs for wells and related facilities. The following table presents the changes in the asset retirement obligations for the nine months ended September 30, 2020 (in thousands):

Asset retirement obligations at beginning of period	\$ 91,089
Liabilities added from acquisition or drilling	79
Liabilities settled	(199)
Accretion expense	4,617
Revision of estimates	46
Asset retirement obligation at end of period	95,632
Less: Current portion	(357)
Asset retirement obligations - long-term portion	\$ 95,275

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 8. Long-Term Debt

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

	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
	(In thousands)	
Revolving Credit Facility (1)	\$ 265,000	\$ 285,000
Paycheck Protection Program loan (2)	5,516	—
Total debt	270,516	285,000
Current portion of long-term debt (3)	5,000	—
Long-term debt	<u>\$ 265,516</u>	<u>\$ 285,000</u>

- (1) The carrying amount of our Revolving Credit Facility approximates fair value because the interest rates are variable and reflective of market rates.
(2) See below for additional information regarding the receipt of the paycheck protection program loan.
(3) Reflects the current portion of the monthly reductions for the Revolving Credit Facility as described below regarding the Third Amendment (as defined below).

Revolving Credit Facility

Amplify Energy Operating LLC, our wholly owned subsidiary (“OLLC”), is a party to a reserve-based revolving credit facility (the “Revolving Credit Facility”), subject to a borrowing base of \$270.0 million as of September 30, 2020, which is guaranteed by us and all of our current subsidiaries. The Revolving Credit Facility matures on November 2, 2023.

Our borrowing base under our Revolving Credit Facility is subject to redetermination on at least a semi-annual basis primarily based on a reserve engineering report with respect to our estimated natural gas, oil and NGL reserves, which takes into account the prevailing natural gas, oil and NGL prices at such time, as adjusted for the impact of our commodity derivative contracts.

As of September 30, 2020, we were in compliance with all the financial (current ratio and total leverage ratio) and other covenants associated with our Revolving Credit Facility.

Borrowing Base Redetermination

On June 12, 2020, the Company entered into the Borrowing Base Redetermination Agreement and Third Amendment to Credit Agreement, among the Borrower, Amplify Acquisitionco LLC, a Delaware limited liability company, the guarantors party thereto, the lenders party thereto and Bank of Montreal, as administrative agent (the “Third Amendment”). The Third Amendment amended the parties’ existing Credit Agreement, dated November 2, 2018, to among other things:

- reduce the borrowing base under the Credit Agreement from \$450.0 million to \$285.0 million, with monthly reductions of \$5.0 million thereafter until the borrowing base is reduced to \$260.0 million, effective November 1, 2020;
- increase the amount of first priority liens on all assets from at least 85% to 90%;
- suspend certain financial covenants for the quarter ended June 30, 2020;
- amend the definition of “Consolidated EBITDAX” in the Credit Agreement to decrease the limit of cash and cash equivalents permitted from \$30.0 million to \$25.0 million and increase the limit of transaction-related expense add-backs from \$5.0 million to \$20.0 million;
- increase the minimum hedging requirements to at least 30% - 60% of our estimated production from total proved developed producing reserves;
- incorporate a mandatory prepayment at times when cash and cash equivalents (as defined in the Credit Agreement) on hand exceed \$25.0 million for five consecutive business days; and
- amend certain other covenants and provisions.

Weighted-Average Interest Rates

The following table presents the weighted-average interest rates paid, excluding commitment fees, on our consolidated variable-rate debt obligations for the periods presented:

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revolving Credit Facility	3.72%	4.89%	3.61%	4.99%

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Letters of Credit

At September 30, 2020, we had no letters of credit outstanding.

Unamortized Deferred Financing Costs

Unamortized deferred financing costs associated with our Revolving Credit Facility was \$1.7 million at September 30, 2020. At September 30, 2020, the unamortized deferred financing costs are amortized over the remaining life of our Revolving Credit Facility. For the nine months ended September 30, 2020, we wrote-off \$2.4 million of deferred financing costs in connection with the decrease in our borrowing base.

Paycheck Protection Program

On April 24, 2020, the Company received a \$5.5 million loan under the Paycheck Protection Program (the “PPP Loan”). The Paycheck Protection Program was established as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) to provide loans to qualifying businesses. The loans and accrued interest are potentially forgivable provided that the borrower uses the loan proceeds for eligible purposes. At this time, the Company anticipates that a substantial majority of the loan proceeds will be forgiven under the program. The term of the Company’s PPP Loan is two years with an annual interest rate of 1% and no payments of principal or interest due during the six-month period beginning on the date of the PPP Loan.

Note 9. Equity (Deficit)

Common Stock

The Company’s authorized capital stock includes 250,000,000 shares of common stock, \$0.01 par value per share. The following is a summary of the changes in our common stock issued for the nine months ended September 30, 2020:

	Common Shares
Balance, December 31, 2019	37,566,540
Issuance of common stock	—
Restricted stock units vested	83,412
Repurchase of common shares (1)	(22,386)
Balance, September 30, 2020	37,627,566

(1) Represents the net settlement on vesting of restricted stock necessary to satisfy the minimum statutory tax withholding requirements.

Warrants

On the May 4, 2017, Legacy Amplify entered into a warrant agreement (the “Warrant Agreement”) with American Stock Transfer & Trust Company, LLC, as warrant agent (“AST”), pursuant to which Legacy Amplify issued warrants to purchase up to 2,173,913 shares of Legacy Amplify’s common stock (representing 8% of Legacy Amplify’s outstanding common stock as of May 4, 2017), including shares of Legacy Amplify’s common stock issuable upon full exercise of the warrants, but excluding any common stock issuable under Legacy Amplify’s Management Incentive Plan, exercisable for a five-year period commencing on May 4, 2017 at an exercise price of \$42.60 per share.

On the effective date of the Merger, Legacy Amplify, Midstates and AST entered into an Assignment and Assumption Agreement, pursuant to which the Company agreed to assume Legacy Amplify’s Warrant Agreement.

In connection with the Merger in August 2019, the Company assumed outstanding warrants of 4,647,520 Third Lien Notes Warrants at an exercise price of \$22.78 per share (the “Third Lien Warrants”) and 2,332,089 Unsecured Creditor Warrants at an exercise price of \$43.67 per share (the “Unsecured Creditor Warrants” and collectively with the Third Lien Warrants, the “Warrants”). As a result of the Merger, the value of the outstanding Warrants was adjusted downward based on the low stock price and estimated fair value as of the Merger date. The Warrants expired on April 21, 2020.

Share Repurchase Program

In connection, with the closing of the Merger, the board of directors approved the commencement of an open market share repurchase program of up to \$25.0 million of the Company’s outstanding shares of common stock. As of February 28, 2020, the Company had repurchased approximately 4.2 million shares of common stock at an average price of \$5.94 per share for a total cost of approximately \$24.9 million (inclusive of fees).

On December 21, 2018, Legacy Amplify’s board of directors authorized the repurchase of up to \$25.0 million of Legacy Amplify outstanding shares of common stock, with repurchases beginning on January 9, 2019. During the six months ended June 30, 2019, Legacy Amplify repurchased 169,400 shares of common stock at an average price of \$7.35 for a total cost of approximately \$1.3 million. On April 18, 2019, in anticipation of the Merger, Legacy Amplify terminated the repurchase program.

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Cash Dividend Payment

On March 3, 2020, our board of directors approved a dividend of \$0.10 per share of outstanding common stock or \$3.8 million in aggregate, which was paid on March 30, 2020, to stockholders of record at the close of business on March 16, 2020. The board of directors of the Company previously decided to suspend the quarterly dividend program until further notice. Under the terms of our Credit Agreement, dividends are restricted based upon certain leverage and liquidity covenants. Future dividends, if any, are subject to these debt covenants and discretionary approval by the board of directors.

Note 10. Earnings per Share

The following sets forth the calculation of earnings (loss) per share, or EPS, for the periods indicated (in thousands, except per share amounts):

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net income (loss)	\$ (17,685)	\$ 5,157	\$ (426,220)	\$ (7,679)
Less: Net income allocated to participating restricted stockholders	—	128	—	—
Basic and diluted earnings available to common stockholders	<u>\$ (17,685)</u>	<u>\$ 5,029</u>	<u>\$ (426,220)</u>	<u>\$ (7,679)</u>
Common shares/units:				
Common shares outstanding — basic	37,626	33,707	37,596	26,093
Dilutive effect of potential common shares	—	—	—	—
Common shares outstanding — diluted	<u>37,626</u>	<u>33,707</u>	<u>37,596</u>	<u>26,093</u>
Net earnings per share:				
Basic	<u>\$ (0.47)</u>	<u>\$ 0.15</u>	<u>\$ (11.34)</u>	<u>\$ (0.29)</u>
Diluted	<u>\$ (0.47)</u>	<u>\$ 0.15</u>	<u>\$ (11.34)</u>	<u>\$ (0.29)</u>
Antidilutive stock options (1)	—	3	—	3
Antidilutive warrants (2)	2,174	9,154	2,174	9,154

(1) Amount represents options to purchase common stock that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

(2) Amount represents warrants to purchase common stock that are excluded from the diluted net earnings per share calculations because of their antidilutive effect.

Note 11. Long-Term Incentive Plans

In May 2017, Legacy Amplify implemented the Management Incentive Plan (the “Legacy Amplify MIP”). In connection with the closing of the Merger, on August 6, 2019, the Company assumed the Legacy Amplify MIP.

Restricted Stock Units

Restricted Stock Units with Service Vesting Condition

The restricted stock units with service vesting conditions (“TSUs”) are accounted for as equity-classified awards. The grant-date fair value is recognized as compensation cost on a straight-line basis over the requisite service period and forfeitures are accounted for as they occur. Compensation costs are recorded as general and administrative expense. The unrecognized cost associated with the TSUs was \$0.4 million at September 30, 2020. We expect to recognize the unrecognized compensation cost for these awards over a weighted-average period of approximately 1.5 years.

AMPLIFY ENERGY CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes information regarding the TSUs granted under the Legacy Amplify MIP for the period presented:

	Number of Units	Weighted- Average Grant Date Fair Value per Unit (1)
TSUs outstanding at December 31, 2019	291,370	\$ 5.18
Granted (2)	43,250	\$ 3.10
Forfeited	(92,912)	\$ 5.12
Vested	(76,153)	\$ 5.12
TSUs outstanding at September 30, 2020	165,555	\$ 4.70

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued.

(2) The aggregate grant date fair value of TSUs issued for the nine months ended September 30, 2020 was \$0.1 million based on a grant date market price of ranging from \$0.54 to \$6.61 per share.

Restricted Stock Units with Market and Service Vesting Conditions

The restricted stock units with market and service vesting conditions (“PSUs”) are accounted for as equity-classified awards. The grant-date fair value is recognized as compensation cost on a graded-vesting basis. As such, the Company recognizes compensation cost over the requisite service period for each separately vesting tranche of the award as though the award were, in substance, multiple awards. The Company accounts for forfeitures as they occur. Compensation costs are recorded as general and administrative expense. The unrecognized cost related to the PSUs was approximately \$0.1 million at September 30, 2020. We expect to recognize the unrecognized compensation cost for these awards over a weighted-average period of approximately 1.5 years.

The PSUs will vest based on the satisfaction of service and market vesting conditions with market vesting based on the Company’s achievement of certain share price targets. The PSUs are subject to service-based vesting such that 50% of the PSUs service vest on the applicable market vesting date and an additional 25% of the PSUs service vest on each of the first and second anniversaries of the applicable market vesting date.

In the event of a qualifying termination, subject to certain conditions, (i) all PSUs that have satisfied the market vesting conditions will fully service vest, upon such termination, and (ii) if the termination occurs between the second and third anniversaries of the grant date, then PSUs that have not market vested as of the termination will market vest to the extent that the share targets (in each case, reduced by \$0.25) are achieved as of such termination. Subject to the foregoing, any unvested PSUs will be forfeited upon termination of employment.

A Monte Carlo simulation was used in order to determine the fair value of these awards at the grant date.

The assumptions used to estimate the fair value of the PSUs are as follows:

Share price targets	\$ 12.50	\$ 15.00	\$ 17.50
Risk-free interest rate:			
Awards Issued on January 1, 2020	1.61%	1.61%	1.61%
Dividend yield			
Awards Issued on January 1, 2020	12.1%	12.1%	12.1%
Expected volatility:			
Awards Issued on January 1, 2020	60.0%	60.0%	60.0%
Calculated fair value per PSU:			
Awards Issued on January 1, 2020	\$ 3.66	\$ 2.98	\$ 2.46

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The following table summarizes information regarding the PSUs granted under the Legacy Amplify MIP for the period presented:

	Number of Units	Weighted- Average Grant Date Fair Value per Unit (1)
PSUs outstanding at December 31, 2019	305,893	\$ 2.15
Granted (2)	43,250	\$ 3.03
Forfeited	(131,790)	\$ 2.11
Vested	—	\$ —
PSUs outstanding at September 30, 2020	<u>217,353</u>	<u>\$ 2.35</u>

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued.

(2) The aggregate grant date fair value of PSUs issued for the nine months ended September 30, 2020 was \$0.1 million based on a calculated fair value price ranging from \$2.46 to \$3.66 per share.

2017 Non-Employee Directors Compensation Plan

In June 2017, Legacy Amplify implemented the 2017 Non-Employee Directors Compensation Plan (“Legacy Amplify Non-Employee Directors Compensation Plan”) to attract and retain the services of experienced non-employee directors of Legacy Amplify or its subsidiaries. In connection with the closing of the Merger, on August 6, 2019, the Company assumed the Legacy Amplify Non-Employee Directors Compensation Plan.

The restricted stock units with a service vesting condition (“Board RSUs”) are accounted for as equity-classified awards. The grant-date fair value is recognized as compensation cost on a straight-line basis over the requisite service period and forfeitures are accounted for as they occur. Compensation costs are recorded as general and administrative expense. The unrecognized cost associated with restricted stock unit awards was less than \$0.1 million at September 30, 2020. We expect to recognize the unrecognized compensation cost for these awards over a weighted-average period of approximately 1.5 years.

The following table summarizes information regarding the Board RSUs granted under the Legacy Amplify Non-Employee Directors Compensation Plan for the period presented:

	Number of Units	Weighted- Average Grant Date Fair Value per Unit (1)
Board RSUs outstanding at December 31, 2019	16,157	\$ 5.12
Granted	—	\$ —
Forfeited	—	\$ —
Vested	(7,259)	\$ 5.12
Board RSUs outstanding at September 30, 2020	<u>8,898</u>	<u>\$ 5.12</u>

(1) Determined by dividing the aggregate grant date fair value of awards by the number of awards issued.

Compensation Expense

The following table summarizes the amount of recognized compensation expense associated with the Legacy Amplify MIP and Legacy Amplify Non-Employee Directors Compensation Plan, which are reflected in the accompanying Unaudited Condensed Statements of Consolidated Operations for the periods presented (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Equity classified awards				
TSUs	\$ 59	\$ 650	\$ 184	\$ 1,852
PSUs	30	120	69	825
Board RSUs	4	58	15	221
	<u>\$ 93</u>	<u>\$ 828</u>	<u>\$ 268</u>	<u>\$ 2,898</u>

AMPLIFY ENERGY CORP.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 12. Leases

For the quarter ended September 30, 2020, our leases qualify as operating leases and we did not have any existing or new leases qualifying as financing leases or variable leases. We have leases for office space and equipment in our corporate office and operating regions as well as vehicles, compressors and surface rentals related to our business operations. In addition, we have offshore Southern California pipeline right-of-way use agreements. Most of our leases, other than our corporate office lease, have an initial term and may be extended on a month-to-month basis after expiration of the initial term. Most of our leases can be terminated with 30-day prior written notice. The majority of our month-to-month leases are not included as a lease liability in our balance sheet under ASC 842 because continuation of the lease is not reasonably certain. Additionally, the Company elected the short-term practical expedient to exclude leases with a term of twelve months or less.

Our corporate office lease does not provide an implicit rate. To determine the present value of the lease payments, we use our incremental borrowing rate based on the information available at the inception date. To determine the incremental borrowing rate, we apply a portfolio approach based on the applicable lease terms and the current economic environment. We use a reasonable market interest rate for our office equipment and vehicle leases.

For the nine months ended September 30, 2020 and 2019, we recognized approximately \$1.8 million and \$1.6 million, respectively, of costs relating to the operating leases in the Unaudited Condensed Statement of Operations.

Supplemental cash flow information related to the Company's lease liabilities are included in the table below:

	For the Nine Months Ended	
	September 30,	
	2020	2019
	(In thousands)	
Non-cash amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,351	\$ 4,925

The following table presents the Company's right-of-use assets and lease liabilities for the period presented:

	September 30,	December 31,
	2020	2019
	(In thousands)	
Right-of-use asset	\$ 3,055	\$ 4,406
Lease liabilities:		
Current lease liability	2,227	1,712
Long-term lease liability	853	2,720
Total lease liability	\$ 3,080	\$ 4,432

The following table reflects the Company's maturity analysis of the minimum lease payment obligations under non-cancelable operating leases with a remaining term in excess of one year (in thousands):

	Office leases	Leased vehicles and office equipment	Total
Remaining in 2020	\$ 406	\$ 174	\$ 580
2021	1,355	587	1,942
2022	411	207	618
2023 and thereafter	—	44	44
Total lease payments	2,172	1,012	3,184
Less: interest	75	29	104
Present value of lease liabilities	\$ 2,097	\$ 983	\$ 3,080

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The weighted average remaining lease terms and discount rate for all of our operating leases for the period presented:

	September 30,	
	2020	2019
Weighted average remaining lease term (years):		
Office leases	0.91	1.67
Vehicles	0.41	0.53
Office equipment	0.05	0.09
Weighted average discount rate:		
Office leases	3.41%	3.61%
Vehicles	0.97%	0.85%
Office equipment	0.17%	0.18%

Note 13. Supplemental Disclosures to the Unaudited Condensed Consolidated Balance Sheets and Unaudited Condensed Consolidated Statements of Cash Flows

Accrued Liabilities

Current accrued liabilities consisted of the following at the dates indicated (in thousands):

	September 30,		December 31,	
	2020		2019	
Accrued lease operating expense	\$	9,050	\$	11,794
Accrued general and administrative expense		3,314		3,126
Operating lease liability		2,227		1,712
Accrued ad valorem tax		2,348		520
Accrued capital expenditures		1,499		5,515
Asset retirement obligations		357		623
Accrued interest payable		27		36
Other		241		32
Accrued liabilities	\$	19,063	\$	23,358

Cash and Cash Equivalents Reconciliation

The following table provides a reconciliation of cash and cash equivalents on the Unaudited Condensed Consolidated Balance Sheet to cash, cash equivalents and restricted cash on the Unaudited Condensed Statements of Consolidated Cash Flows (in thousands):

	September 30,		December 31,	
	2020		2019	
Cash and cash equivalents	\$	13,521	\$	—
Restricted cash		—		325
Total cash, cash equivalents and restricted cash	\$	13,521	\$	325

Unproved Property

We recognized \$49.3 million of impairment expense on unproved properties for the nine months ended September 30, 2020, which was related to expiring leases and the evaluation of qualitative and quantitative factors related to the current decline in commodity prices. No impairment expense was recorded for unproved properties for the nine months ended September 30, 2019.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Supplemental Cash Flows

Supplemental cash flows for the periods presented (in thousands):

	For the Nine Months Ended	
	September 30,	
	2020	2019
Supplemental cash flows:		
Cash paid for interest, net of amounts capitalized	\$ 7,921	\$ 12,477
Cash paid for reorganization items, net	532	684
Cash paid for taxes	85	—
Noncash investing and financing activities:		
Change in capital expenditures in payables and accrued liabilities	(4,016)	324
Assets acquired & liabilities assumed in the Merger:		
Accounts receivable	—	14,633
Prepays and other current assets	—	3,229
Other non-current assets	—	9,879
Oil and natural gas properties	—	142,642
Other property and equipment	—	6,280
Accounts payable and other current liabilities	—	(24,135)
Other non-current liabilities	—	(5,067)
Long-term debt	—	(76,559)
Issuance of common stock in connection with the Merger	—	90,150

Note 14. Related Party Transactions

Related Party Agreements

There have been no transactions in excess of \$120,000 between us and any related person in which the related person had a direct or indirect material interest for the three and nine months ended September 30, 2020 and 2019, respectively.

Note 15. Commitments and Contingencies

Litigation and Environmental

We are not aware of any litigation, pending or threatened, that we believe will have a material adverse effect on our financial position, results of operations or cash flows; however, cash flow could be significantly impacted in the reporting periods in which such matters are resolved.

Although we are insured against various risks to the extent we believe it is prudent, there is no assurance that the nature and amount of such insurance will be adequate, in every case, to indemnify us against liabilities arising from future legal proceedings.

At September 30, 2020 and December 31, 2019, we had no environmental reserves recorded on our Unaudited Condensed Consolidated Balance Sheet.

Minimum Volume Commitment

The Company is party to a gas purchase, gathering and processing contract in Oklahoma, which includes certain minimum NGL commitments. To the extent the Company does not deliver natural gas volumes in sufficient quantities to generate, when processed, the minimum levels of recovered NGLs, it would be required to reimburse the counterparty an amount equal to the sum of the monthly shortfall, if any, multiplied by a fee. The Company is not meeting the minimum volume required under these contractual provisions. The commitment fee expense for the nine months ended September 30, 2020, was approximately \$1.0 million.

The Company is party to a gas purchase, gathering and processing contract in East Texas, which includes certain minimum NGL commitments. The Company anticipates that a shortfall will occur for year-end 2020 and has established an accrual for the commitment fee expense of \$1.2 million for the nine months ended September 30, 2020.

Supplemental Bond for Decommissioning Liabilities Trust Agreement

Beta Operating Company, LLC, has an obligation with the BOEM in connection with its 2009 acquisition of our properties in federal waters offshore Southern California. The Company supports this obligation with \$161.3 million of A-rated surety bonds and \$0.3 million of cash.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 16. Income Taxes

The Company had no income tax benefit/(expense) for the three months ended September 30, 2020 and had less than (\$0.1) million in income tax benefit/(expense) for the nine months ended September 30, 2020. The Company had no income tax benefit/(expense) for the three months ended September 30, 2019 and less than \$0.1 million income tax benefit/(expense) for the nine months ended September 30, 2019. The Company's effective tax rate was 0.0% for the three and nine months ended September 30, 2020, and 0.0% and 0.6% for the three and nine months ended September 30, 2019, respectively. The effective tax rates for the three and nine months ended September 30, 2020 and 2019 are different from the statutory U.S. federal income tax rate primarily due to our recorded valuation allowances.

In March 2020, the President of the United States signed the CARES Act, to stabilize the economy during the coronavirus pandemic. The CARES Act temporarily suspends and modifies certain tax laws established by the 2017 tax reform law known as the Tax Cuts and Jobs Act, including, but not limited to, modifications to net operating loss limitations, business interest limitations and alternative minimum tax. The CARES Act did not have a material impact on the Company's current year tax provision.

Note 17. Subsequent Events

Notice of Non-Compliance with NYSE Continued Listing Standards

On October 13, 2020, the Company received written notification (the "Share Price Notice") from the NYSE that the Company no longer satisfied the continued listing compliance standards set forth under Section 802.01C of the Manual because the average closing price of the Common Stock was below \$1.00 over a 30 consecutive trading-day period that ended October 12, 2020. Under the NYSE's rules, the Company has six months following receipt of the Share Price Notice to regain compliance with the minimum share price requirement.

The Company notified the NYSE of its intent to cure the deficiency and return to compliance with the NYSE's continued listing requirements. The Company can regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period, the Common Stock has a closing share price of at least \$1.00 and an average closing share price of at least \$1.00 over the 30 trading-day period ending on the last trading day of that month.

Under NYSE rules, the Common Stock will continue to be listed on the NYSE during this six-month cure period, subject to the Company's compliance with other continued listing requirements, including compliance with Section 802.01B. In connection with the receipt of the Market Cap Notice, the NYSE previously assigned a ".BC" indicator to the Common Stock symbol "AMPY" to signify that the Company currently is not in compliance with the NYSE's continued listing requirements. If the Company fails to regain compliance with Sections 802.01B or 802.01C, as applicable, during the applicable cure periods, the Common Stock will be subject to the NYSE's suspension and delisting procedures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and accompanying notes in "Item 1. Financial Statements" contained herein and our Annual Report the Amplify Form 10-K. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements" in the front of this report.

Overview

We operate in one reportable segment engaged in the acquisition, development, exploitation and production of oil and natural gas properties. Our management evaluates performance based on the reportable business segment as the economic environments are not different within the operation of our oil and natural gas properties. Our business activities are conducted through OLLC our wholly owned subsidiary, and its wholly owned subsidiaries. Our assets consist primarily of producing oil and natural gas properties and are located in Oklahoma, the Rockies, in federal waters offshore Southern California, East Texas / North Louisiana and South Texas. Most of our oil and natural gas properties are located in large, mature oil and natural gas reservoirs. The Company's properties consist primarily of operated and non-operated working interests in producing and undeveloped leasehold acreage and working interests in identified producing wells. As of December 31, 2019:

- Our total estimated proved reserves were approximately 163.0 MBoe, of which approximately 43% were oil and 80% were classified as proved developed reserves;
- We produced from 2,643 gross (1,567 net) producing wells across our properties, with an average working interest of 59% and the Company is the operator of record of the properties containing 93% of our total estimated proved reserves; and
- Our average net production for the three months ended December 31, 2019 was 29.9 MBoe/d, implying a reserve-to-production ratio of approximately 15 years.

Industry Trends and Outlook

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine the extent of the impact caused by the COVID-19 pandemic to the Company's operations.

In addition, oil prices severely declined following unsuccessful negotiations between members of OPEC and certain nonmembers, including Russia, to implement production cuts in an effort to decrease the global oversupply and to rebalance supply and demand due to the ongoing COVID-19 pandemic. In April 2020, members of OPEC and Russia agreed to temporary production reductions, but uncertainty about whether such production cuts and/or the duration of such reductions will be sufficient to rebalance supply and demand remains and may continue for the foreseeable future. We anticipate further market and commodity price volatility for the remainder of 2020 as a result of the events described above.

The reductions in commodity prices have resulted in lower levels of cash flow from operating activities. In addition, the borrowing base under our Revolving Credit Facility is subject to redetermination on at least a semi-annual basis primarily based on an engineering report with respect to our estimated oil, NGL and natural gas reserves, which will take into account the prevailing oil, NGL and natural gas prices at such time, adjusted for the impact of our commodity derivative contracts. Severely reduced commodity prices contributed to a reduction in our borrowing base during the Spring 2020 determination process, and continued low prices may adversely impact subsequent redeterminations. The reduction in commodity prices has directly led to an impairment of our oil and natural gas properties. There may be further impairments in future periods if commodity prices remain depressed.

The Company has executed several significant initiatives to better position the Company through the downturn, including significant decreases to operating and general and administrative expenses, substantial reductions to capital programs, the monetization of a portion of the Company's 2021 in-the-money crude oil hedges, the receipt of loan proceeds from the federal government PPP program, Beta royalty relief and the suspension of the quarterly dividend.

Recent Developments

Notice of Non-Compliance with New York Stock Exchange (“NYSE”) Continued Listing Standards

On August 31, 2020, the Company, received written notification (the “Market Cap Notice”) from the NYSE that the Company no longer satisfies the continued listing compliance standards set forth under Section 802.01B of the NYSE Listed Company Manual (the “Manual”) because the average global market capitalization of the Company was less than \$50,000,000 over a consecutive 30 trading-day period that ended on August 28, 2020 and, at the same time, the Company’s stockholders’ equity was less than \$50,000,000.

Under NYSE procedures, the Company had 45 days from its receipt of the Market Cap Notice to submit a plan to the NYSE demonstrating how it intends to regain compliance with the NYSE’s continued listing standards within 18 months. The Company submitted its plan to regain compliance with the listing standards within the required timeframe.

In addition, on October 13, 2020, the Company received written notification (the “Share Price Notice”) from the NYSE that the Company no longer satisfied the continued listing compliance standards set forth under Section 802.01C of the Manual because the average closing price of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), was below \$1.00 over a 30 consecutive trading-day period that ended October 12, 2020 (the “Share Price Deficiency”). Under the NYSE’s rules, the Company has six months following receipt of the Share Price Notice to regain compliance with the minimum share price requirement.

The Company notified the NYSE of its intent to cure the Share Price Deficiency and return to compliance with the NYSE’s continued listing requirements. The Company can regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period, the Common Stock has a closing share price of at least \$1.00 and an average closing share price of at least \$1.00 over the 30 trading-day period ending on the last trading day of that month.

Under NYSE rules, the Common Stock, will continue to be listed on the NYSE during the cure periods described above, subject to the Company’s compliance with other continued listing requirements. The Common Stock’s trading symbol “AMPY” was assigned a “.BC” indicator by the NYSE to signify that the Company currently is not in compliance with the NYSE’s continued listing requirements. If the Company fails to regain compliance with Sections 802.01B or 802.01C, as applicable, of the Manual during the applicable cure periods, the Common Stock will be subject to the NYSE’s suspension and delisting procedures.

Beta Royalty Relief

On, June 24, 2020, the Bureau of Safety and Environmental Enforcement (“BSEE”) informed the Company that it had been approved for the Special Case Royalty Relief for the Company’s interests in three Pacific Outer Continental Shelf blocks (P-300, P-0301, and P-0306), referred to as the Beta unit in the Beta Field located in federal waters approximately 11 miles offshore from the Port of Long Beach, California. The royalty relief was effective beginning July 1, 2020 for the Beta leases. On the Company’s two primary producing leases, the royalty rate was reduced from 25% to 12.5%, and on the third lease, the royalty rate was reduced from 16.67% to 8.33%.

The royalty relief rates will be suspended in months in which the weighted average NYMEX oil and Henry Hub gas price exceeds \$66.19 per BOE which represents a 25% premium to the average realized price recognized by the Company during the qualification period. The royalty relief would end in the event that the Company generates no benefit from the royalty relief rates due to either higher production or realized pricing for 12 consecutive months.

Business Environment and Operational Focus

We use a variety of financial and operational metrics to assess the performance of our oil and natural gas operations, including: (i) production volumes; (ii) realized prices on the sale of our production; (iii) cash settlements on our commodity derivatives; (iv) lease operating expense; (v) gathering, processing and transportation; (vi) general and administrative expense; and (vii) Adjusted EBITDA (as defined below).

Sources of Revenues

Our revenues are derived from the sale of natural gas and oil production, as well as the sale of NGLs that are extracted from natural gas during processing. Production revenues are derived entirely from the continental United States. Natural gas, NGL and oil prices are inherently volatile and are influenced by many factors outside our control. In order to reduce the impact of fluctuations in natural gas and oil prices on revenues, we intend to periodically enter into derivative contracts that fix the future prices received. At the end of each period the fair value of these commodity derivative instruments are estimated and because hedge accounting is not elected, the changes in the fair value of unsettled commodity derivative instruments are recognized in earnings at the end of each accounting period.

Critical Accounting Policies and Estimates

A discussion of our critical accounting policies and estimates is included in the Amplify Form 10-K. Significant estimates include, but are not limited to, oil and natural gas reserves; depreciation, depletion and amortization of proved oil and natural gas properties; future cash flows from oil and natural gas properties; impairment of long-lived assets; fair value of derivatives; fair value of equity compensation; fair values of assets acquired and liabilities assumed in business combinations and asset retirement obligations. These estimates, in our opinion, are subjective in nature, require the use of professional judgment and involve complex analysis.

When used in the preparation of our consolidated financial statements, such estimates are based on our current knowledge and understanding of the underlying facts and circumstances and may be revised as a result of actions we take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our consolidated financial position, results of operations and cash flows.

Results of Operations

The results of operations for the three and nine months ended September 30, 2020 and 2019 have been derived from our consolidated financial statements. The following table summarizes certain of the results of operations for the periods indicated.

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(\$ In thousands)			
Oil and natural gas sales	\$ 52,488	\$ 72,426	\$ 145,163	\$ 196,978
Lease operating expense	27,639	32,977	91,190	88,179
Gathering, processing and transportation	5,256	4,459	14,998	13,507
Taxes other than income	3,761	5,135	9,942	13,008
Depreciation, depletion and amortization	7,950	15,617	31,129	39,696
Impairment expense	—	—	455,031	—
General and administrative expense	6,443	27,034	21,551	46,908
Accretion of asset retirement obligations	1,565	1,428	4,617	4,071
(Gain) loss on commodity derivative instruments	14,352	(28,725)	(74,196)	(19,231)
Interest expense, net	(3,362)	(5,276)	(17,218)	(13,787)
Loss on lease	—	(4,237)	—	(4,237)
Reorganization items, net	(180)	(33)	(532)	(684)
Income tax benefit (expense)	—	—	(85)	50
Net income (loss)	(17,685)	5,157	(426,220)	(7,679)
Oil and natural gas revenue:				
Oil sales	\$ 36,868	\$ 55,011	\$ 101,682	\$ 136,754
NGL sales	5,537	4,306	14,002	15,509
Natural gas sales	10,083	13,109	29,479	44,715
Total oil and natural gas revenue	<u>\$ 52,488</u>	<u>\$ 72,426</u>	<u>\$ 145,163</u>	<u>\$ 196,978</u>
Production volumes:				
Oil (MBbls)	997	1,017	2,924	2,465
NGLs (MBbls)	430	383	1,319	907
Natural gas (MMcf)	6,706	7,482	21,149	18,775
Total (MBoe)	<u>2,545</u>	<u>2,647</u>	<u>7,768</u>	<u>6,501</u>
Average net production (MBoe/d)	<u>27.7</u>	<u>28.8</u>	<u>28.3</u>	<u>23.8</u>
Average sales price:				
Oil (per Bbl)	\$ 36.98	\$ 54.11	\$ 34.78	\$ 55.48
NGL (per Bbl)	12.89	11.25	10.62	17.11
Natural gas (per Mcf)	1.50	1.75	1.39	2.38
Total (per Boe)	<u>\$ 20.63</u>	<u>\$ 27.37</u>	<u>\$ 18.69</u>	<u>\$ 30.30</u>
Average unit costs per Boe:				
Lease operating expense	\$ 10.86	\$ 12.46	\$ 11.74	\$ 13.56
Gathering, processing and transportation	2.07	1.68	1.93	2.08
Taxes other than income	1.48	1.94	1.28	2.00
General and administrative expense	2.53	10.21	2.77	7.22
Depletion, depreciation and amortization	3.12	5.90	4.01	6.11

For the three months ended September 30, 2020 compared to the three months ended September 30, 2019

Net loss of \$17.7 million and net income of \$5.2 million were recorded for the three months ended September 30, 2020 and 2019, respectively.

Oil, natural gas and NGL revenues were \$52.5 million and \$72.4 million for the three months ended September 30, 2020 and 2019, respectively. Average net production volumes were approximately 27.7 MBoe/d and 28.8 MBoe/d for the three months ended September 30, 2020 and 2019, respectively. The decrease in production volumes was primarily due to natural decline in well activity and decreased drilling activity in South Texas. The average realized sales price was \$20.63 per Boe and \$27.37 per Boe for the three months ended September 30, 2020 and 2019, respectively. The decrease in average realized sales price is primarily due to a decrease in commodity prices. The overall decrease in revenue is due to a decline in well activity and a decrease in commodity pricing.

Lease operating expense was \$27.6 million and \$33.0 million for the three months ended September 30, 2020 and 2019, respectively. The change in lease operating expense was primarily related to decreased production and the implementation of cost savings initiatives. On a per Boe basis, lease operating expense was \$10.86 and \$12.46 for the three months ended September 30, 2020 and 2019, respectively. The change on a per Boe basis is related to decreased drilling activities and the implementation of cost savings initiatives during the quarter.

Gathering, processing and transportation was \$5.3 million and \$4.5 million for the three months ended September 30, 2020 and 2019, respectively. On a per Boe basis, gathering, processing and transportation was \$2.07 and \$1.68 for the three months ended September 30, 2020 and 2019, respectively. The increase in gathering, processing and transportation was primarily driven by the increased fee related to the minimum volume requirement, see Note 15 of the Notes to Unaudited Condensed Consolidated Financial Statements included under "Item 1. Financial Statements" of this quarterly report for additional information.

Taxes other than income was \$3.8 million and \$5.1 million for the three months ended September 30, 2020 and 2019, respectively. On a per Boe basis, taxes other than income were \$1.48 and \$1.94 for the three months ended September 30, 2020 and 2019, respectively. The change in taxes other than income on a per Boe basis was primarily due to a decrease in commodity prices.

Depreciation, depletion and amortization ("DD&A expense") was \$8.0 million and \$15.6 million for the three months ended September 30, 2020 and 2019, respectively. The change in DD&A expense is primarily due to the first quarter impairment which reduced depletable oil and gas property. The decrease was also impacted by lower production.

General and administrative expense was \$6.4 million and \$27.0 million for the three months ended September 30, 2020 and 2019, respectively. The change in general and administrative expense is primarily related to a decrease in acquisition expense of \$12.1 million attributable to the Merger, a decrease in professional fees of \$4.8 million, a decrease in our director and officer insurance of \$2.1 million primarily due to the write-off of the remaining merger related insurance for Midstates and a decrease in legal expenses of \$0.9 million.

Net losses (gains) on commodity derivative instruments of \$14.4 million were recognized for the three months ended September 30, 2020, consisting of \$28.4 million decrease in the fair value of open positions offset by \$14.1 million of cash settlements received on expired positions. Net gains on commodity derivative instruments of \$28.7 million were recognized for the three months ended September 30, 2019, consisting of \$24.6 million increase in fair value of open positions and offset by \$4.1 million of cash settlements paid on expired positions.

Given the volatility of commodity prices, it is not possible to predict future reported mark-to-market net gains or losses and the actual net gains or losses that will ultimately be realized upon settlement of the hedge positions in future years. If commodity prices at settlement are lower than the prices of the hedge positions, the hedges are expected to partially mitigate the otherwise negative effect on earnings of lower oil, natural gas and NGL prices. However, if commodity prices at settlement are higher than the prices of the hedge positions, the hedges are expected to dampen the otherwise positive effect on earnings of higher oil, natural gas and NGL prices and will, in this context, be viewed as having resulted in an opportunity cost.

Interest expense, net was \$3.4 million and \$5.3 million for the three months ended September 30, 2020 and 2019, respectively. The change in interest expense is primarily related to a decrease of \$1.0 million in the amortization and write-off of deferred financing costs, a decrease of \$0.3 million in our commitment fees and a decrease of \$0.3 million in interest expense primarily due to lower interest rates related to our Revolving Credit Facility.

Average outstanding borrowings under our Revolving Credit Facility were \$274.5 million and \$238.0 million for the three months ended September 30, 2020 and 2019, respectively.

Loss on Lease of \$4.2 million for the three months ended September 30, 2019, which relates to the Midstates corporate office lease. The office was vacated by mid-November 2019. Because excess sublease inventory in the local market, a liability had been accrued for rent and other operating expenses based upon the term and provisions of the lease.

For the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019

Net losses of \$426.2 million and \$7.7 million were recorded for the nine months ended September 30, 2020 and 2019, respectively.

Oil, natural gas and NGL revenues were \$145.2 million and \$197.0 million for the nine months ended September 30, 2020 and 2019, respectively. Average net production volumes were approximately 28.3 MBoe/d and 23.8 MBoe/d for the nine months ended September 30, 2020 and 2019, respectively. The change in production volumes was primarily due to incremental volumes in connection with the Merger offset by the natural decline of wells. The average realized sales price was \$18.69 per Boe and \$30.30 per Boe for the nine months ended September 30, 2020 and 2019, respectively. The decrease in average realized sales price is primarily due to the decrease in commodity prices. The overall decrease in revenue is due to a decline in well activity and a decrease in commodity pricing offset by additional volumes related to the Merger.

Lease operating expense was \$91.2 million and \$88.2 million for the nine months ended September 30, 2020 and 2019, respectively. The change in lease operating expense was primarily related to the Merger. On a per Boe basis, lease operating expense was \$11.74 and \$13.56 for the nine months ended September 30, 2020 and 2019, respectively. The change on a per Boe basis is related to decreased drilling activities and the implementation of cost savings initiatives during the quarter offset by an increase in production due to the Merger.

Gathering, processing and transportation was \$15.0 million and \$13.5 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in gathering, processing and transportation was primarily driven by the Merger and an increased fee for not meeting the minimum volume requirement. On a per Boe basis, gathering, processing and transportation was \$1.93 and \$2.08 for the nine months ended September 30, 2020 and 2019, respectively. The change on a per Boe basis was primarily due to increased production related to the Merger.

Taxes other than income was \$9.9 million and \$13.0 million for the nine months ended September 30, 2020 and 2019, respectively. On a per Boe basis, taxes other than income were \$1.28 and \$2.00 for the nine months ended September 30, 2020 and 2019, respectively. The change in taxes other than income on a per Boe basis was primarily due to a decrease in commodity prices.

DD&A expense was \$31.1 million and \$39.7 million for the nine months ended September 30, 2020 and 2019, respectively. The change in DD&A expense was primarily due to the first quarter impairment which reduced depletable oil and gas property.

Impairment expense was \$455.0 million for the nine months ended September 30, 2020. We recognized \$405.7 million of impairment expense on proved properties. The estimated future cash flows expected from these properties were compared to their carrying values and determined to be unrecoverable primarily as a result of declining commodity prices. We recognized \$49.3 million of impairment expense on unproved properties, which was related to expiring leases and the evaluation of qualitative and quantitative factors related to the current decline in commodity prices. No impairment expense was recorded for the nine months ended September 30, 2019.

General and administrative expense was \$21.6 million and \$46.9 million for the nine months ended September 30, 2020 and 2019, respectively. The change in general and administrative expense is primarily related to a decrease in acquisition expenses of \$12.2 million attributable to the Merger, decrease of \$5.2 million in professional services, a decrease of \$3.5 million in legal expenses and a decrease of stock compensation expense of \$2.6 million.

Net gains on commodity derivative instruments of \$74.2 million were recognized for the nine months ended September 30, 2020, consisting of \$2.3 million increase in the fair value of open positions, \$53.9 million of cash settlements paid on expired positions and \$18.0 million of cash settlements received on terminated positions. Net gains on commodity derivative instruments of \$19.2 million were recognized for the nine months ended September 30, 2019, consisting of \$17.0 million in the fair value of open positions and \$2.2 million of cash settlement paid on expired positions.

Interest expense, net was \$17.2 million and \$13.8 million for the nine months ended September 30, 2020 and 2019, respectively. The increase in interest expense is primarily related to \$1.6 million increase in amortization and write-off of deferred financing costs and a change in the loss on interest rates swaps of \$3.7 million offset by \$1.8 million decrease in interest expense related to our Revolving Credit Facility due to lower interest rates.

Average outstanding borrowings under our Revolving Credit Facility were \$285.6 million and \$258.3 million for the nine months ended September 30, 2020 and 2019, respectively.

Loss on Lease of \$4.2 million for the nine months ended September 30, 2019, which relates to the Midstates corporate office lease. The office was vacated by mid-November 2019. Because excess sublease inventory in the local market, a liability had been accrued for rent and other operating expenses based upon the term and provisions of the lease.

Adjusted EBITDA

We include in this report the non-GAAP financial measure Adjusted EBITDA and provide our reconciliation of Adjusted EBITDA to net income and net cash flows from operating activities, our most directly comparable financial measures calculated and presented in accordance with GAAP. We define Adjusted EBITDA as net income (loss):

Plus:

- Interest expense;
- Income tax expense;
- DD&A;
- Impairment of goodwill and long-lived assets (including oil and natural gas properties);
- Accretion of AROs;
- Loss on commodity derivative instruments;
- Cash settlements received on expired commodity derivative instruments;
- Losses on sale of assets;
- Share/unit-based compensation expenses;
- Exploration costs;
- Acquisition and divestiture related expenses;
- Restructuring related costs;
- Reorganization items, net;
- Severance payments; and
- Other non-routine items that we deem appropriate.

Less:

- Interest income;
- Income tax benefit;
- Gain on commodity derivative instruments;
- Cash settlements paid on expired commodity derivative instruments;
- Gains on sale of assets and other, net; and
- Other non-routine items that we deem appropriate.

We believe that Adjusted EBITDA is useful because it allows us to more effectively evaluate our operating performance and compare the results of our operations from period to period without regard to our financing methods or capital structure.

Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income or cash flows from operating activities as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies. We believe that Adjusted EBITDA is a widely followed measure of operating performance and may also be used by investors to measure our ability to meet debt service requirements.

In addition, management uses Adjusted EBITDA to evaluate actual cash flow available to develop existing reserves or acquire additional oil and natural gas properties.

The following tables present our reconciliation of Adjusted EBITDA to net income and net cash flows from operating activities, our most directly comparable GAAP financial measures, for each of the periods indicated.

Reconciliation of Adjusted EBITDA to Net Income (Loss)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(In thousands)			
Net income (loss)	\$ (17,685)	\$ 5,157	\$ (426,220)	\$ (7,679)
Interest expense, net	3,362	5,276	17,218	13,787
Income tax expense (benefit)	—	—	85	(50)
DD&A	7,950	15,617	31,129	39,696
Impairment expense	—	—	455,031	—
Accretion of AROs	1,565	1,428	4,617	4,071
(Gains) losses on commodity derivative instruments	14,352	(28,725)	(74,196)	(19,231)
Cash settlements received (paid) on expired commodity derivative instruments	14,067	4,109	53,862	2,201
Acquisition and divestiture related expenses	152	12,833	677	16,655
Share-based compensation expense	456	1,178	(84)	4,489
Exploration costs	5	3	24	24
(Gain) loss on settlement of AROs	113	224	113	401
Bad debt expense	218	165	469	266
Reorganization items, net	180	33	532	684
Severance payments	25	6,389	54	6,478
Non-cash loss on office lease	—	4,237	—	4,237
Other	—	—	—	—
Adjusted EBITDA	\$ 24,760	\$ 27,924	\$ 63,311	\$ 66,029

Reconciliation of Adjusted EBITDA to Net Cash from Operating Activities

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	(In thousands)			
Net cash provided by (used in) operating activities	\$ 20,609	\$ (7,411)	\$ 63,598	\$ 25,888
Changes in working capital	(217)	5,616	5,094	(2,240)
Interest expense, net	3,362	5,276	17,218	13,787
Gain (loss) on interest rate swaps	20	(448)	(4,035)	(932)
Cash settlements paid (received) on interest rate swaps	462	(113)	786	(158)
Cash settlements paid (received) on terminated derivatives	—	—	(17,977)	—
Amortization and write-off of deferred financing fees	(135)	512	(3,134)	(62)
Acquisition and divestiture related expenses	152	12,833	677	16,655
Income tax expense (benefit) - current portion	—	—	85	(50)
Exploration costs	5	3	24	24
Plugging and abandonment cost	312	278	312	660
Reorganization items, net	180	33	532	684
Severance payments	25	6,389	54	6,478
Non-cash loss on office lease	—	4,237	—	4,237
Other	(15)	719	77	1,058
Adjusted EBITDA	\$ 24,760	\$ 27,924	\$ 63,311	\$ 66,029

Liquidity and Capital Resources

Overview. Our ability to finance our operations, including funding capital expenditures and acquisitions, meet our indebtedness obligations, refinance our indebtedness or meet our collateral requirements will depend on our ability to generate cash in the future. Our primary sources of liquidity and capital resources have historically been cash flows generated by operating activities and borrowings under our Revolving Credit Facility. For the remainder of 2020, we expect our primary funding sources to be cash flows generated by operating activities and available borrowing capacity under our Revolving Credit Facility.

Capital Markets. We do not currently anticipate any near-term capital markets activity, but we will continue to evaluate the availability of public debt and equity for funding potential future growth projects and acquisition activity.

Hedging. Commodity hedging has been and remains an important part of our strategy to reduce cash flow volatility. Our hedging activities are intended to support oil, NGL, and natural gas prices at targeted levels and to manage our exposure to commodity price fluctuations. We intend to enter into commodity derivative contracts at times and on terms desired to maintain a portfolio of commodity derivative contracts covering at least 30% - 60% of our estimated production from total proved developed producing reserves over a one-to-three year period at any given point of time to satisfy the hedging covenants in our Revolving Credit Facility and pursuant to our internal policies. We may, however, from time to time, hedge more or less than this approximate amount. Additionally, we may take advantage of opportunities to modify our commodity derivative portfolio to change the percentage of our hedged production volumes when circumstances suggest that it is prudent to do so. The current market conditions may also impact our ability to enter into future commodity derivative contracts. For additional information regarding the volumes of our production covered by commodity derivative contracts and the average prices at which production is hedged as of September 30, 2020, see “Item 3. Quantitative and Qualitative Disclosures About Market Risk — Counterparty and Customer Credit Risk.”

We evaluate counterparty risks related to our commodity derivative contracts and trade credit. Should any of these financial counterparties not perform, we may not realize the benefit of some of our hedges under lower commodity prices. We sell our oil and natural gas to a variety of purchasers. Non-performance by a customer could also result in losses.

Capital Expenditures. Our total capital expenditures were approximately \$27.2 million for the nine months ended September 30, 2020, which were primarily related to capital workovers and facilities located in Oklahoma, California and the Rockies and non-operated drilling activities in South Texas.

Working Capital. We expect to fund our working capital needs primarily with operating cash flows. We also plan to reinvest a sufficient amount of our operating cash flow to fund our expected capital expenditures. Our debt service requirements are expected to be funded by operating cash flows. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” and “— Overview” of this quarterly report for additional information.

As of September 30, 2020, we had working capital of \$11.1 million primarily due to accounts receivable of \$26.9 million, cash of \$13.5 million, prepaid expenses of \$12.2 million, and being in a receivable position with our short-term derivatives of \$9.9 million offset by revenues payable of \$24.2 million, accrued liabilities of \$19.1 million, current portion of long-term debt of \$5.0 million and accounts payable of \$2.3 million.

Debt Agreements

Revolving Credit Facility. On November 2, 2018, OLLC as borrower, entered into the Revolving Credit Facility (as amended and supplemented to date) with Bank of Montreal, as administrative agent. Our borrowing base under our Revolving Credit Facility is subject to redetermination on at least a semi-annual basis primarily based on a reserve engineering report with respect to our estimated natural gas, oil and NGL reserves, which takes into account the prevailing natural gas, oil and NGL prices at such time, as adjusted for the impact of our commodity derivative contracts.

On June 12, 2020, the Company entered into the Third Amendment; which, among other things, decreased the borrowing base from \$450.0 million to \$285.0 million, with monthly reductions of \$5.0 million thereafter until the borrowing base is reduced to \$260.0 million, effective November 1, 2020. The borrowing base as of September 30, 2020, was \$270.0 million.

As of September 30, 2020, we were in compliance with all the financial (current ratio and total leverage ratio) and other covenants associated with our Revolving Credit Facility.

As of September 30, 2020, we had approximately \$5.0 million of available borrowings under our Revolving Credit Facility. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” of this quarterly report for additional information regarding our Revolving Credit Facility.

Cash Flows from Operating, Investing and Financing Activities

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated. The cash flows for the nine months ended September 30, 2020 and 2019, have been derived from our Unaudited Condensed Consolidated Financial Statements. For information regarding the individual components of our cash flow amounts, see the Unaudited Condensed Statements of Consolidated Cash Flows included under “Item 1. Financial Statements” of this quarterly report.

	For the Nine Months Ended	
	September 30,	
	2020	2019
	(In thousands)	
Net cash provided by operating activities	\$ 63,598	\$ 25,888
Net cash provided by (used in) investing activities	(32,062)	46,911
Net cash used in financing activities	(18,340)	(115,095)

Operating Activities. Key drivers of net operating cash flows are commodity prices, production volumes and operating costs. Net cash provided by operating activities was \$63.6 million and \$25.9 million for the nine months ended September 30, 2020 and 2019, respectively. Production volumes were approximately 28.3 MBoe/d and 23.8 MBoe/d for the nine months ended September 30, 2020 and 2019, respectively. The average realized sales prices were \$18.69 per Boe and \$30.30 per Boe for the nine months ended September 30, 2020 and 2019, respectively. Lease operating expenses were \$91.2 million and \$88.2 million for the nine months ended September 30, 2020 and 2019, respectively. Gathering, processing and transportation was \$15.0 million and \$13.5 million for the nine months ended September 30, 2020 and 2019, respectively.

Net cash provided by operating activities for the nine months ended September 30, 2020 included \$53.1 million of cash receipts on expired derivative instruments and \$18.0 million of cash receipts on terminated derivative instruments compared to \$2.3 million of cash paid on expired derivatives for the nine months ended September 30, 2019. For the nine months ended September 30, 2020, we had net gains on derivative instruments of \$70.2 million compared to a net gain of \$18.9 million for the nine months ended September 30, 2019.

Investing Activities. Net cash used in investing activities for the nine months ended September 30, 2020 was \$32.1 million, of which \$31.2 million was used for additions to oil and natural gas properties. Net cash provided by investing activities for the nine months ended September 30, 2019 was \$46.9 million, of which \$19.3 million was related to cash acquired from the Merger, which was offset by \$63.0 million that was used for additions to oil and natural gas properties. Withdrawal of restricted investments was \$90.0 million, which related to the Company receiving \$90.0 million from the Beta decommissioning trust account for the nine months ended September 30, 2019.

Financing Activities. The Company had net repayments of \$20.0 million and \$16.0 million for the nine months ended September 30, 2020 and 2019, respectively, related to our Revolving Credit Facility. The Company received a \$5.5 million loan under the Paycheck Protection Program on April 24, 2020.

For the nine months ended September 30, 2020, the Company paid out \$3.8 million in dividends on March 30, 2020 to stockholders of record at the close of business on March 16, 2020. For the nine months ended September 30, 2019 the Company paid out \$8.2 million in dividends on September 18, 2019 to stockholders of record on the close of business on September 4, 2019.

For the nine months ended September 30, 2019, the Company paid \$76.6 million related to the repayment of Midstates' revolving credit facility which was terminated upon the closing of the Merger. Additionally, the Company spent \$13.3 million related to common stock repurchased and retired under the share repurchase program during the nine months ended September 30, 2019.

Contractual Obligations

During the nine months ended September 30, 2020, there were no significant changes in our consolidated contractual obligations from those reported in the Amplify Form 10-K except for the Revolving Credit Facility borrowings and repayments and the receipt of the PPP Loan. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements included under "Item 1. Financial Statements" of this quarterly report for additional information.

Off-Balance Sheet Arrangements

As of September 30, 2020, we had no off-balance sheet arrangements.

Recently Issued Accounting Pronouncements

For a discussion of recent accounting pronouncements that will affect us, see Note 2 of the Notes to Unaudited Condensed Consolidated Financial Statements included under "Item 1. Financial Statements" of this quarterly report for additional information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

In the normal course of our business operations, we are exposed to certain risks, including commodity prices. We may enter into derivative instruments to manage or reduce market risk, but do not enter into derivative agreements for speculative purposes. We do not designate these or plan to designate future derivative instruments as hedges for accounting purposes. Accordingly, the changes in the fair value of these instruments are recognized currently in earnings. We believe that our exposures to market risk have not changed materially since those reported under Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," included in the Legacy Amplify Form 10-K.

Commodity Price Risk

Our major market risk exposure is in the prices that we receive for our oil, natural gas and NGL production. To reduce the impact of fluctuations in commodity prices on our revenues, we periodically enter into derivative contracts with respect to a portion of our projected production through various transactions that fix the future prices we receive. It has been our practice to enter into fixed price swaps and costless collars only with lenders and their affiliates under our Revolving Credit Facility.

For additional information regarding the volumes of our production covered by commodity derivative contracts and the average prices at which production is hedged as of September 30, 2020, see Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements included “Item 1. Financial Statements” of this quarterly report.

Interest Rate Risk

Our risk management policy provides for the use of interest rate swaps to reduce the exposure to market rate fluctuations by converting variable interest rates to fixed interest rates. See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements included under Part I, Item 1 of this quarterly report for interest rate swap arrangements that were outstanding at September 30, 2020.

Counterparty and Customer Credit Risk

We are also subject to credit risk due to the concentration of our oil and natural gas receivables with several significant customers. In addition, our derivative contracts may expose us to credit risk in the event of nonperformance by counterparties. Some of the lenders, or certain of their affiliates, under our current credit agreements are counterparties to our derivative contracts. While collateral is generally not required to be posted by counterparties, credit risk associated with derivative instruments is minimized by limiting exposure to any single counterparty and entering into derivative instruments only with counterparties that are large financial institutions. Additionally, master netting agreements are used to mitigate risk of loss due to default with counterparties on derivative instruments. These agreements allow us to offset our asset position with our liability position in the event of default by the counterparty. We have also entered into ISDA Agreements with each of our counterparties. The terms of the ISDA Agreements provide us and each of our counterparties with rights of set-off upon the occurrence of defined acts of default by either us or our counterparty to a derivative, whereby the party not in default may set-off all liabilities owed to the defaulting party against all net derivative asset receivables from the defaulting party. Had all counterparties failed completely to perform according to the terms of the existing contracts, we would have had the right to offset \$13.9 million against amounts outstanding under our Revolving Credit Facility at September 30, 2020.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15(b) and 15d-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including the principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) and under the Exchange Act) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure, and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon the evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2020.

The full impact of COVID-19 on our business is uncertain. In order to protect the health and safety of our employees, we took proactive steps to allow employees to work remotely and to reduce the number of employees on site at any one time in our field areas to comply with social distancing guidelines. We believe that our internal controls and procedures are still functioning as designed and were effective for the most recent quarter.

Change in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting occurred during the most recent quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as Exhibits 31.1 and 31.2, respectively, to this quarterly report.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

For information regarding legal proceedings, see Part I, “Item 1. Financial Statements,” Note 15, “Commitments and Contingencies — Litigation and Environmental” of the Notes to Unaudited Condensed Consolidated Financial Statements included in this quarterly report, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS.

Our business faces many risks. Any of the risks discussed elsewhere in this quarterly report and our other SEC filings could have a material impact on our business, financial position or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. In addition to the risk factors disclosed in Item 1A. Risk Factors in our 2019 Form 10-K, we face risks including the following:

The oversupply of oil and natural gas and lower demand caused by the COVID-19 pandemic, the failure of oil producing countries to sufficiently curtail production and general global economic instability may result in transportation and storage constraints, reduced production or the shut-in of our producing wells, any of which would adversely affect our business, financial condition and results of operations.

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which continues to spread throughout the United States. The spread of COVID-19 has caused significant volatility in U.S. and international markets. There is significant uncertainty regarding the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. The outbreak of COVID-19 in the United States and the uncertainty of its impact, has contributed to an unprecedented oversupply of and decline in demand for oil and natural gas. At this time, the full extent to which COVID-19 will negatively impact the global economy and our business is uncertain.

In addition, in March 2020, oil prices severely declined following unsuccessful negotiations between members of OPEC and certain nonmembers, including Russia, to implement production cuts in an effort to decrease the global oversupply and to rebalance supply and demand due to the ongoing COVID-19 pandemic. In April 2020, members of OPEC and Russia agreed to temporary production reductions, but uncertainty about whether such production cuts and/or the duration of such reductions will be sufficient to rebalance supply and demand remains and may continue for the foreseeable future. We anticipate further market and commodity price volatility for the remainder of 2020 as a result of the events described above.

To the extent that the COVID-19 pandemic continues to negatively impact demand and OPEC members and other oil exporting nations fail to take actions aimed at supporting and stabilizing commodity prices, we expect there to be excess supply of oil and natural gas for a sustained period. This excess supply could, in turn, result in transportation and storage capacity constraints, as well as shut-ins and production curtailment in the United States. If, in the future, our transportation and/or storage capacity becomes constrained, we may be required to shut-in wells or curtail production, which may adversely affect our business, financial condition and results of operations.

In addition, uncertainties regarding the global economic and financial environment could lead to an extended national or global economic recession. A slowdown in economic activity caused by a recession would likely reduce national and worldwide demand for oil and natural gas and result in lower commodity prices. Costs of exploration, development and production have not yet adjusted to current economic conditions, or in proportion to the significant reduction in product prices.

Over the past several years, capital and credit markets for the oil and natural gas industry have experienced volatility and disruption. Further market volatility and disruption and concerns regarding borrower solvency may substantially diminish the availability of funds from those markets, increase the cost of accessing the credit markets, subject borrowers to stricter lending standards, or may cause lenders to cease providing funding to borrowers, any of which may adversely affect our business, financial condition and results of operations.

We are currently out of compliance with the NYSE minimum share price and market capitalization requirements and are at risk of the NYSE delisting our Common Stock, which would have an adverse impact on the trading volume, liquidity and market price of our Common Stock.

On August 31, 2020, the Company, received the Market Cap Notice from the NYSE that the Company no longer satisfies the continued listing compliance standards set forth under Section 802.01B of the Manual because the average global market capitalization of the Company was less than \$50,000,000 over a consecutive 30 trading-day period that ended on August 28, 2020 and, at the same time, the Company’s stockholders’ equity was less than \$50,000,000.

Under NYSE procedures, the Company had 45 days from its receipt of the Market Cap Notice to submit a plan to the NYSE demonstrating how it intends to regain compliance with the NYSE’s continued listing standards within 18 months. The Company submitted its plan to regain compliance with the listing standards within the required timeframe.

In addition, on October 13, 2020, the Company received the Share Price Notice from the NYSE that the Company no longer satisfied the continued listing compliance standards set forth under Section 802.01C of the Manual because the average closing price of the Common Stock was below \$1.00 over a 30 consecutive trading-day period that ended October 12, 2020. Under the NYSE’s rules, the Company has six months following receipt of the Share Price Notice to regain compliance with the minimum share price requirement.

The Company notified the NYSE of its intent to cure the Share Price Deficiency and return to compliance with the NYSE’s continued listing requirements. The Company can regain compliance at any time during the six-month cure period if on the last trading day of any calendar month during the cure period, the Common Stock has a closing share price of at least \$1.00 and an average closing share price of at least \$1.00 over the 30 trading-day period ending on the last trading day of that month.

Under NYSE rules, the Common Stock, will continue to be listed on the NYSE during the cure periods described above, subject to the Company’s compliance with other continued listing requirements. The Common Stock’s trading symbol “AMPY” was assigned a “.BC” indicator by the NYSE to signify that the Company currently is not in compliance with the NYSE’s continued listing requirements. If the Company fails to regain compliance with Sections 802.01B or 802.01C, as applicable, of the Manual during the applicable cure periods, the Common Stock will be subject to the NYSE’s suspension and delisting procedures.

If the Company fails to regain compliance with Sections 802.01B or 802.01C during the cure periods described above, the Common Stock will be subject to the NYSE’s suspension and delisting procedures. Any such delisting could affect the market liquidity of our Common Stock, and, accordingly, the market price of our Common Stock could decrease. A delisting of our Common Stock from the NYSE could negatively impact us as it would likely reduce the liquidity and market price of our Common Stock; reduce the number of investors willing to hold or acquire our Common Stock; and negatively impact our ability to access equity markets and obtain financing.

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

The following table summarizes our repurchase activity during the three months ended September 30, 2020:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (1)
(In thousands)				
Common Shares Repurchased (1)				
July 1, 2020 - July 31, 2020	2,115	\$ 1.25	—	n/a
August 1, 2020 - August 31, 2020	1,894	\$ 1.22	—	n/a
September 1, 2020 - September 30, 2020	—	\$ —	—	n/a

(1) Common shares are generally net-settled by shareholders to cover the required withholding tax upon vesting. The Company repurchased the remaining vesting shares on the vesting date at current market price. See Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements included under “Item 1. Financial Statements” of this quarterly report for additional information.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit Number	Description
3.1	— Second Amended and Restated Certificate of Incorporation of Midstates Petroleum Company, Inc. (filed as Exhibit 3.1 to the Company’s Registration Statement on Form 8-A filed on October 21, 2016, and incorporated herein by reference).

Exhibit Number	Description
3.2	— Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Midstates Petroleum Company, Inc., dated August 6, 2019 (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 001-35512) filed on August 6, 2019).
3.3	— Second Amended and Restated Bylaws of Midstates Petroleum Company Inc. (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 001-35512) filed on August 6, 2019).
31.1*	— Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2*	— Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1**	— Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	— Inline XBRL Instance Document
101.SCH*	— Inline XBRL Schema Document
101.CAL*	— Inline XBRL Calculation Linkbase Document
101.DEF*	— Inline XBRL Definition Linkbase Document
101.LAB*	— Inline XBRL Labels Linkbase Document
101.PRE*	— Inline XBRL Presentation Linkbase Document
104*	— Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed as an exhibit to this Quarterly Report on Form 10-Q.

** Furnished as an exhibit to this Quarterly Report on Form 10-Q.

SIGNATURES

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

**Amplify Energy Corp.
(Registrant)**

Date: November 5, 2020

By: /s/ Martyn Willsher
Name: Martyn Willsher
Title: Interim Chief Executive Officer, Senior Vice President
and Chief Financial Officer

Date: November 5, 2020

By: /s/ Denise DuBard
Name: Denise DuBard
Title: Vice President and Chief Accounting Officer

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

I, Martyn Willsher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amplify Energy Corp. (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: November 5, 2020

/s/ Martyn Willsher

Martyn Willsher

Interim Chief Executive Officer, Senior Vice President and Chief Financial Officer
Amplify Energy Corp.

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

I, Martyn Willsher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Amplify Energy Corp. (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: November 5, 2020

/s/ Martyn Willsher

Martyn Willsher

Interim Chief Executive Office, Senior Vice President and Chief Financial Officer
Amplify Energy Corp.

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

In connection with the Quarterly Report on Form 10-Q of Amplify Energy Corp. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Martyn Willsher, Interim Chief Executive Officer, Senior Vice President and Chief Financial Officer of Amplify Energy Corp., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their 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: November 5, 2020

/s/ Martyn Willsher

Martyn Willsher

Interim Chief Executive Officer, Senior Vice President and Chief Financial Officer
Amplify Energy Corp.

The foregoing certifications are being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, are not being filed as part of the Report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.