

GULFPORT ENERGY CORP
Form 10-Q
November 01, 2018
Table of Contents

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018 OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-19514

Gulfport Energy Corporation
(Exact Name of Registrant As Specified in Its Charter)

Delaware 73-1521290
(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification Number)
3001 Quail Springs Parkway
Oklahoma City, Oklahoma 73134
(Address of Principal Executive Offices) (Zip Code)
(405) 252-4600
(Registrant Telephone Number, Including Area Code)

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 (Section 232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
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

As of October 29, 2018, 173,302,055 shares of the registrant's common stock were outstanding.

Table of Contents

GULFPORT ENERGY CORPORATION
TABLE OF CONTENTS

	Page
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. <u>Consolidated Financial Statements (Unaudited):</u>	<u>2</u>
<u>Consolidated Balance Sheets at September 30, 2018 and December 31, 2017</u>	<u>2</u>
<u>Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2018 and 2017</u>	<u>4</u>
<u>Consolidated Statements of Stockholders' Equity for the Nine Months Ended September 30, 2018 and 2017</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2018 and 2017</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
Item 2. <u>Management's Discussion and Analysis of Financial Conditions and Results of Operations</u>	<u>38</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>56</u>
Item 4. <u>Controls and Procedures</u>	<u>57</u>
<u>PART II OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>59</u>
Item 1A. <u>Risk Factors</u>	<u>59</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>60</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>60</u>
Item 5. <u>Other Information</u>	<u>60</u>
Item 6. <u>Exhibits</u>	<u>61</u>
<u>Signatures</u>	<u>63</u>

Table of Contents

GULFPORT ENERGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2018	December 31, 2017
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 124,571	\$ 99,557
Accounts receivable—oil and natural gas sales	157,391	146,773
Accounts receivable—joint interest and other	39,511	35,440
Accounts receivable—related parties	79	—
Prepaid expenses and other current assets	9,742	4,912
Short-term derivative instruments	19,809	78,847
Total current assets	351,103	365,529
Property and equipment:		
Oil and natural gas properties, full-cost accounting, \$2,925,145 and \$2,912,974 excluded from amortization in 2018 and 2017, respectively	9,936,714	9,169,156
Other property and equipment	92,388	86,754
Accumulated depletion, depreciation, amortization and impairment	(4,506,306)	(4,153,733)
Property and equipment, net	5,522,796	5,102,177
Other assets:		
Equity investments	232,529	302,112
Long-term derivative instruments	3,530	8,685
Deferred tax asset	—	1,208
Inventories	8,234	8,227
Other assets	17,038	19,814
Total other assets	261,331	340,046
Total assets	\$6,135,230	\$ 5,807,752
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$582,464	\$ 553,609
Asset retirement obligation—current	120	120
Short-term derivative instruments	62,601	32,534
Current maturities of long-term debt	647	622
Total current liabilities	645,832	586,885
Long-term derivative instruments	15,101	2,989
Asset retirement obligation—long-term	78,411	74,980
Deferred tax liability	3,046	—
Other non-current liabilities	—	2,963
Long-term debt, net of current maturities	2,100,825	2,038,321
Total liabilities	2,843,215	2,706,138
Commitments and contingencies (Note 9)		
Preferred stock, \$.01 par value; 5,000,000 authorized, 30,000 authorized as redeemable 12% cumulative preferred stock, Series A; 0 issued and outstanding	—	—
Stockholders' equity:		
	1,732	1,831

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Common stock - \$.01 par value, 200,000,000 authorized, 173,218,643 issued and outstanding at September 30, 2018 and 183,105,910 at December 31, 2017

Paid-in capital	4,316,006	4,416,250
Accumulated other comprehensive loss	(46,354)	(40,539)
Retained deficit	(979,369)	(1,275,928)
Total stockholders' equity	3,292,015	3,101,614
Total liabilities and stockholders' equity	\$6,135,230	\$5,807,752

See accompanying notes to consolidated financial statements.

2

Table of Contents

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(In thousands, except share data)			
Revenues:				
Natural gas sales	\$271,167	\$ 223,340	\$753,261	\$ 606,544
Oil and condensate sales	45,682	31,459	140,687	85,338
Natural gas liquid sales	53,776	33,559	141,883	88,985
Net (loss) gain on natural gas, oil, and NGL derivatives	(9,663)	(22,860)	(96,737)	141,588
	360,962	265,498	939,094	922,455
Costs and expenses:				
Lease operating expenses	22,325	20,020	64,143	60,044
Production taxes	9,348	5,419	23,861	14,464
Midstream gathering and processing	78,913	69,372	214,546	176,258
Depreciation, depletion and amortization	119,915	106,650	352,848	254,887
General and administrative	15,848	13,065	42,955	37,922
Accretion expense	1,037	456	3,056	1,148
Acquisition expense	—	33	—	2,391
	247,386	215,015	701,409	547,114
INCOME FROM OPERATIONS	113,576	50,483	237,685	375,341
OTHER (INCOME) EXPENSE:				
Interest expense	33,253	27,130	100,922	74,797
Interest income	(92)	(37)	(162)	(927)
Litigation settlement	917	—	917	—
Insurance proceeds	—	—	(231)	—
Gain on sale of equity method investments	(2,733)	—	(124,768)	(12,523)
(Income) loss from equity method investments, net	(12,858)	2,737	(35,282)	33,468
Other income	(61)	(345)	(201)	(863)
	18,426	29,485	(58,805)	93,952
INCOME BEFORE INCOME TAXES	95,150	20,998	296,490	281,389
INCOME TAX EXPENSE (BENEFIT)	—	2,763	(69)	2,763
NET INCOME	\$95,150	\$ 18,235	\$296,559	\$ 278,626
NET INCOME PER COMMON SHARE:				
Basic	\$0.55	\$ 0.10	\$1.69	\$ 1.56
Diluted	\$0.55	\$ 0.10	\$1.68	\$ 1.56
Weighted average common shares outstanding—Basic	173,057,538	82,957,416	175,776,312	178,736,569
Weighted average common shares outstanding—Diluted	173,304,914	83,008,436	176,440,461	179,130,570

See accompanying notes to consolidated financial statements.

Table of Contents

GULFPORT ENERGY CORPORATION
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Net income	\$95,150	\$18,235	\$296,559	\$278,626
Foreign currency translation adjustment	3,052	6,832	(5,815)	12,719
Other comprehensive income (loss)	3,052	6,832	(5,815)	12,719
Comprehensive income	\$98,202	\$25,067	\$290,744	\$291,345

See accompanying notes to consolidated financial statements.

Table of Contents

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock Shares	Amount	Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Retained Deficit	Total Stockholders' Equity
	(In thousands, except share data)					
Balance at January 1, 2018	183,105,910	\$1,831	\$4,416,250	\$ (40,539)	\$(1,275,928)	\$3,101,614
Net income	—	—	—	—	296,559	296,559
Other Comprehensive Loss	—	—	—	(5,815)	—	(5,815)
Stock-based Compensation	—	—	9,654	—	—	9,654
Shares Repurchased	(10,505,469)	(105)	(109,892)	—	—	(109,997)
Issuance of Restricted Stock	618,202	6	(6)	—	—	—
Balance at September 30, 2018	173,218,643	\$1,732	\$4,316,006	\$ (46,354)	\$(979,369)	\$3,292,015
Balance at January 1, 2017	158,829,816	\$1,588	\$3,946,442	\$ (53,058)	\$(1,711,080)	\$2,183,892
Net income	—	—	—	—	278,626	278,626
Other Comprehensive Income	—	—	—	12,719	—	12,719
Stock-based Compensation	—	—	7,988	—	—	7,988
Issuance of Common Stock for the Vitruvian Acquisition, net of related expenses	23,852,117	239	459,197	—	—	459,436
Issuance of Restricted Stock	399,843	4	(4)	—	—	—
Balance at September 30, 2017	183,081,776	\$1,831	\$4,413,623	\$ (40,339)	\$(1,432,454)	\$2,942,661

See accompanying notes to consolidated financial statements.

Table of Contents

GULFPORT ENERGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended September 30,	
	2018	2017
	(In thousands)	
Cash flows from operating activities:		
Net income	\$296,559	\$278,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion expense	3,056	1,148
Depletion, depreciation and amortization	352,848	254,887
Stock-based compensation expense	5,792	4,793
(Income) loss from equity investments	(35,040)	34,018
Change in fair value of derivative instruments	106,373	(129,692)
Deferred income tax benefit	(69)	—
Amortization of loan commitment fees	4,554	3,548
Gain on sale of equity method investments	(124,768)	(12,523)
Distributions from equity method investments	1,978	—
Changes in operating assets and liabilities:		
Increase in accounts receivable—oil and natural gas sales	(10,618)	(20,056)
Increase in accounts receivable—joint interest and other	(2,277)	(23,289)
Increase in accounts receivable—related parties	(79)	(346)
Increase in prepaid expenses and other current assets	(4,830)	(2,531)
Decrease (increase) in other assets	1,228	(5,665)
Increase in accounts payable, accrued liabilities and other	14,968	111,335
Settlement of asset retirement obligation	(719)	(2,520)
Net cash provided by operating activities	608,956	491,733
Cash flows from investing activities:		
Additions to other property and equipment	(7,134)	(16,288)
Acquisition of oil and natural gas properties	—	(1,339,456)
Additions to oil and natural gas properties	(755,263)	(789,743)
Proceeds from sale of oil and natural gas properties	4,820	4,079
Proceeds from sale of other property and equipment	217	658
Proceeds from sale of equity method investments	226,487	—
Contributions to equity method investments	(2,318)	(44,844)
Distributions from equity method investments	446	4,114
Net cash used in investing activities	(532,745)	(2,181,480)
Cash flows from financing activities:		
Principal payments on borrowings	(165,428)	(183)
Borrowings on line of credit	225,000	365,000
Borrowings on term loan	—	2,951
Debt issuance costs and loan commitment fees	(772)	(8,261)
Payments on repurchase of stock	(109,997)	—
Proceeds from issuance of common stock, net of offering costs	—	(5,364)
Net cash (used in) provided by financing activities	(51,197)	354,143
Net increase (decrease) in cash, cash equivalents and restricted cash	25,014	(1,335,604)
Cash, cash equivalents and restricted cash at beginning of period	99,557	1,460,875

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Cash, cash equivalents and restricted cash at end of period	\$124,571	\$125,271
Supplemental disclosure of cash flow information:		
Interest payments	\$75,045	\$50,826
Income tax payments	\$—	\$—
Supplemental disclosure of non-cash transactions:		
Capitalized stock-based compensation	\$3,862	\$3,195
Asset retirement obligation capitalized	\$1,094	\$11,557
Interest capitalized	\$3,956	\$8,753
Foreign currency translation (loss) gain on equity method investments	\$(5,815)	\$12,719
See accompanying notes to consolidated financial statements.		

6

Table of Contents

GULFPORT ENERGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

These consolidated financial statements have been prepared by Gulfport Energy Corporation (the “Company” or “Gulfport”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”), and reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods, on a basis consistent with the annual audited consolidated financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the summary of significant accounting policies and notes thereto included in the Company’s most recent annual report on Form 10-K. Results for the three and nine month periods ended September 30, 2018 are not necessarily indicative of the results expected for the full year.

1. ACQUISITIONS

Vitruvian Acquisition

In December 2016, the Company, through its wholly-owned subsidiary Gulfport MidCon LLC (“Gulfport MidCon”) (formerly known as SCOOP Acquisition Company, LLC), entered into an agreement to acquire certain assets of Vitruvian II Woodford, LLC (“Vitruvian”), an unrelated third-party seller (the “Vitruvian Acquisition”). The assets included in the Vitruvian Acquisition include 46,400 net surface acres located in Grady, Stephens and Garvin Counties, Oklahoma. On February 17, 2017, the Company completed the Vitruvian Acquisition for a total initial purchase price of approximately \$1.85 billion, consisting of \$1.35 billion in cash, subject to certain adjustments, and approximately 23.9 million shares of the Company’s common stock (of which approximately 5.2 million shares were placed in an indemnity escrow). The cash portion of the purchase price was funded with the net proceeds from the Company's December 2016 common stock and senior note offerings and cash on hand. Acquisition costs of \$0.03 million and \$2.4 million were incurred during the three and nine months ended September 30, 2017, respectively, related to the Vitruvian Acquisition. No acquisition costs were incurred during the three and nine months ended September 30, 2018.

Allocation of Purchase Price

The Vitruvian Acquisition qualified as a business combination for accounting purposes and, as such, the Company estimated the fair value of the acquired properties as of the February 17, 2017 acquisition date. The fair value of the assets acquired and liabilities assumed was estimated using assumptions that represent Level 3 inputs. See Note 11 for additional discussion of the measurement inputs.

The Company estimated that the consideration paid in the Vitruvian Acquisition for these properties approximated the fair value that would be paid by a typical market participant. As a result, no goodwill or bargain purchase gain was recognized in conjunction with the purchase.

The following table summarizes the consideration paid by the Company in the Vitruvian Acquisition to acquire the properties and the fair value amount of the assets acquired as of February 17, 2017.

Table of Contents

	(In thousands)
Consideration:	
Cash, net of purchase price adjustments	\$ 1,354,093
Fair value of Gulfport's common stock issued	464,639
Total consideration	\$ 1,818,732
Estimated fair value of identifiable assets acquired and liabilities assumed:	
Oil and natural gas properties	
Proved properties	\$ 362,264
Unproved properties	1,462,957
Asset retirement obligations	(6,489)
Total fair value of net identifiable assets acquired	\$ 1,818,732

The equity consideration included in the initial purchase price was based on an equity offering price of \$20.96 on December 15, 2016. The decrease in the price of Gulfport's common stock from \$20.96 on December 15, 2016 to \$19.48 on February 17, 2017 resulted in a decrease to the fair value of the total consideration paid as compared to the initial purchase price of approximately \$35.3 million, which resulted in a closing date fair value lower than the initial purchase price.

Post-Acquisition Operating Results

For the three months ended September 30, 2017 and the period from the acquisition date of February 17, 2017 to September 30, 2017, the assets acquired in the Vitruvian Acquisition contributed the following amounts of revenue to the Company's consolidated statements of operations. The amount of net income contributed by the assets is not presented below as it is impracticable to calculate due to the Company integrating the acquired assets into its overall operations using the full cost method of accounting.

	Period from February 17, 2017	
	Three months to ended September 30, 2017	September 30, 2017
	(In thousands)	
Revenue	\$ 60,940	\$ 137,706

Pro Forma Information (Unaudited)

The following unaudited pro forma combined financial information presents the Company's results as though the Vitruvian Acquisition had been completed at January 1, 2017. The pro forma combined financial information has been included for comparative purposes and is not necessarily indicative of the results that might have actually occurred had the Vitruvian Acquisition taken place on January 1, 2017; furthermore, the financial information is not intended to be a projection of future results.

Three months ended	Nine months ended
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	September	September
	30, 2017	30, 2017
	(In thousands, except share data)	
Pro forma revenue	\$265,498	\$958,354
Pro forma net income	\$18,235	\$300,052
Pro forma earnings per share (basic)	\$0.10	\$1.68
Pro forma earnings per share (diluted)	\$0.10	\$1.68

8

Table of Contents**2. PROPERTY AND EQUIPMENT**

The major categories of property and equipment and related accumulated depletion, depreciation, amortization and impairment as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
	(In thousands)	
Oil and natural gas properties	\$9,936,714	\$ 9,169,156
Office furniture and fixtures	42,302	37,369
Building	44,565	44,565
Land	5,521	4,820
Total property and equipment	10,029,102	9,255,910
Accumulated depletion, depreciation, amortization and impairment	(4,506,306)	(4,153,733)
Property and equipment, net	\$5,522,796	\$ 5,102,177

Under the full cost method of accounting, the Company is required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the oil and natural gas properties. At September 30, 2018, the calculated ceiling was greater than the net book value of the Company's oil and natural gas properties, thus no ceiling test impairment was required for the nine months ended September 30, 2018. No impairment was required for oil and natural gas properties for the nine months ended September 30, 2017.

Included in oil and natural gas properties at September 30, 2018 is the cumulative capitalization of \$194.4 million in general and administrative costs incurred and capitalized to the full cost pool. General and administrative costs capitalized to the full cost pool represent management's estimate of costs incurred directly related to exploration and development activities such as geological and other administrative costs associated with overseeing the exploration and development activities. All general and administrative costs not directly associated with exploration and development activities were charged to expense as they were incurred. Capitalized general and administrative costs were approximately \$10.6 million and \$28.8 million for the three and nine months ended September 30, 2018, respectively, and \$8.9 million and \$25.6 million for the three and nine months ended September 30, 2017, respectively.

The average depletion rate per Mcfe, which is a function of capitalized costs, future development costs and the related underlying reserves in the periods presented, was \$0.94 and \$0.89 per Mcfe for the nine months ended September 30, 2018 and 2017, respectively.

The following table summarizes the Company's non-producing properties excluded from amortization by area at September 30, 2018:

	September 30, 2018
	(In thousands)
Utica	\$ 1,522,633
MidContinent	1,401,392
Niobrara	449
Southern Louisiana	571
Bakken	100
	\$ 2,925,145

At December 31, 2017, approximately \$2.9 billion of non-producing leasehold costs was not subject to amortization. The Company evaluates the costs excluded from its amortization calculation at least annually. Subject to industry conditions and the level of the Company's activities, the inclusion of most of the above referenced costs into the Company's amortization calculation typically occurs within three to five years. However, the majority of the Company's non-producing leases in the Utica Shale have five-year extension terms which could extend this time frame beyond five years.

Table of Contents

A reconciliation of the Company's asset retirement obligation for the nine months ended September 30, 2018 and 2017 is as follows:

	September 30, 2018	September 30, 2017
	(In thousands)	
Asset retirement obligation, beginning of period	\$ 75,100	\$ 34,276
Liabilities incurred	1,468	11,557
Liabilities settled	(719)	(2,520)
Accretion expense	3,056	1,148
Revisions in estimated cash flows	(374)	—
Asset retirement obligation as of end of period	78,531	44,461
Less current portion	120	195
Asset retirement obligation, long-term	\$ 78,411	\$ 44,266

3. EQUITY INVESTMENTS

Investments accounted for by the equity method consist of the following as of September 30, 2018 and December 31, 2017:

		Carrying value		(Income) loss from equity method investments			
	Approximate ownership %	September 30, 2018	December 31, 2017	Three months ended September 30,		Nine months ended September 30,	
				2018	2017	2018	2017
		(In thousands)					
Investment in Tatex Thailand II, LLC	23.5 %	\$ —	\$ —	\$(137)	\$(95)	\$(241)	\$(549)
Investment in Grizzly Oil Sands ULC	24.9999 %	53,381	57,641	275	296	833	869
Investment in Timber Wolf Terminals LLC	50.0 %	—	983	—	4	536	8
Investment in Windsor Midstream LLC	22.5 %	39	30	—	(2)	(9)	25,232
Investment in Stingray Cementing LLC ⁽¹⁾	— %	—	—	—	—	—	205
Investment in Stingray Energy Services LLC ⁽¹⁾	— %	—	—	—	—	—	282
Investment in Sturgeon Acquisitions LLC ⁽¹⁾	— %	—	—	—	—	—	(71)
Investment in Mammoth Energy Services, Inc. ⁽¹⁾	22.0 %	179,109	165,715	(12,996)	2,407	(35,708)	4,907
Investment in Strike Force Midstream LLC ⁽²⁾	— %	—	77,743	—	127	(693)	2,585
		\$ 232,529	\$ 302,112	\$(12,858)	\$ 2,737	\$(35,282)	\$ 33,468

(1) On June 5, 2017, Mammoth Energy Services, Inc. ("Mammoth

Energy")
acquired
Stingray
Cementing
LLC, Stingray
Energy
Services LLC
and Sturgeon
Acquisitions
LLC. See
below under
Mammoth
Energy
Partners
LP/Mammoth
Energy
Services, Inc.
for
information
regarding
these
transactions.

On May 1,
2018, the
Company sold
its 25%
interest in
Strike Force
Midstream to
EQT
Midstream
(2) Partners, LP.
See below
under under
Strike Force
Midstream
LLC for
information
regarding this
transaction.

The tables below summarize financial information for the Company's equity investments as of September 30, 2018 and December 31, 2017.

Table of Contents

Summarized balance sheet information:

	September 30, 2018	December 31, 2017
	(In thousands)	
Current assets	\$481,394	\$ 415,032
Noncurrent assets	\$1,336,604	\$ 1,542,090
Current liabilities	\$358,177	\$ 261,086
Noncurrent liabilities	\$48,328	\$ 148,839

Summarized results of operations:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(In thousands)			
Gross revenue	\$384,043	\$160,950	\$1,451,580	\$357,901
Net income (loss)	\$68,414	\$2,101	\$181,884	\$(109,651)

Tatex Thailand II, LLC

The Company has an indirect ownership interest in Tatex Thailand II, LLC ("Tatex II"). Tatex II holds an 8.5% interest in APICO, LLC ("APICO"), an international oil and gas exploration company. APICO has a reserve base located in Southeast Asia through its ownership of concessions covering approximately 180,000 acres which includes the Phu Horm Field. The Company received \$0.2 million and \$0.5 million in distributions from Tatex II during the nine months ended September 30, 2018 and 2017, respectively.

Tatex Thailand III, LLC

The Company has an ownership interest in Tatex Thailand III, LLC ("Tatex III"). Tatex III previously owned a concession covering approximately 245,000 acres in Southeast Asia. As of December 31, 2014, the Company reviewed its investment in Tatex III and, together with Tatex III, made the decision to allow the concession to expire in January 2015. As such, the Company fully impaired the asset as of December 31, 2014. In December 2017, Tatex III was dissolved and the Company received a final distribution of \$0.2 million.

Grizzly Oil Sands ULC

The Company, through its wholly owned subsidiary Grizzly Holdings Inc. ("Grizzly Holdings"), owns an interest in Grizzly Oil Sands ULC ("Grizzly"), a Canadian unlimited liability company. The remaining interest in Grizzly is owned by Grizzly Oil Sands Inc. ("Oil Sands"). As of September 30, 2018, Grizzly had approximately 830,000 acres under lease in the Athabasca, Peace River and Cold Lake oil sands regions of Alberta, Canada. Grizzly has high-graded three oil sands projects to various stages of development. Grizzly commenced commercial production from its Algar Lake Phase I steam-assisted gravity drainage ("SAGD") oil sand project during the second quarter of 2014 and has regulatory approval for up to 11,300 barrels per day of bitumen production. Algar Lake production peaked at 2,200 barrels per day during the ramp-up phase of the SAGD facility, however, in April 2015, Grizzly made the decision to suspend operations at its Algar Lake facility due to the commodity price drop and its effect on project economics. Grizzly continues to monitor market conditions as it assesses start up plans for the facility. The Company reviewed its investment in Grizzly for impairment at September 30, 2018 and 2017 and determined no impairment was required. If commodity prices decline in the future however, impairment of the investment in Grizzly may be necessary. During the nine months ended September 30, 2018, Gulfport paid \$2.3 million in cash calls. Grizzly's functional currency is the Canadian dollar. The Company's investment in Grizzly was increased by a \$2.9 million foreign currency translation gain and decreased by a \$5.7 million foreign currency translation loss for the three and nine months ended September 30, 2018, respectively. The Company's investment in Grizzly was increased by \$6.7 million and \$12.5 million as a result of a foreign currency translation gain for the three and nine months ended September 30, 2017, respectively.

Table of Contents

Timber Wolf Terminals LLC

During 2012, the Company invested in Timber Wolf Terminals LLC (“Timber Wolf”). Timber Wolf was formed to operate a crude/condensate terminal and a sand transloading facility in Ohio. During the nine months ended September 30, 2018 and 2017, the Company paid no cash calls to Timber Wolf. The Company received \$0.4 million in distributions from Timber Wolf during the nine months ended September 30, 2018 resulting from the sale of assets held by Timber Wolf.

Windsor Midstream LLC

At September 30, 2018, the Company held a 22.5% interest in Windsor Midstream LLC (“Midstream”), an entity controlled and managed by an unrelated third party. The Company received no distributions from Midstream during the nine months ended September 30, 2018 and \$0.5 million in distributions during the same period in 2017.

Stingray Cementing LLC

During 2012, the Company invested in Stingray Cementing LLC (“Stingray Cementing”). Stingray Cementing provides well cementing services. The (income) loss from equity method investments presented in the table above reflects any intercompany profit eliminations. On June 5, 2017, the Company contributed all of its membership interests in Stingray Cementing to Mammoth Energy. See below under Mammoth Energy Partners LP/Mammoth Energy Services, Inc. for information regarding this transaction.

Stingray Energy Services LLC

During 2013, the Company invested in Stingray Energy Services LLC (“Stingray Energy”). Stingray Energy provides rental tools for land-based oil and natural gas drilling, completion and workover activities as well as the transfer of fresh water to wellsites. The (income) loss from equity method investments presented in the table above reflects any intercompany profit eliminations. On June 5, 2017, the Company contributed all of its membership interests in Stingray Energy to Mammoth Energy. See below under Mammoth Energy Partners LP/Mammoth Energy Services, Inc. for information regarding this transaction.

Sturgeon Acquisitions LLC

During 2014, the Company invested in Sturgeon Acquisitions LLC (“Sturgeon”) and received an ownership interest of 25% in Sturgeon. Sturgeon owns and operates sand mines that produce hydraulic fracturing grade sand. On June 5, 2017, the Company contributed all of its membership interests in Sturgeon to Mammoth Energy. See below under Mammoth Energy Partners LP/Mammoth Energy Services, Inc. for information regarding this transaction.

Mammoth Energy Partners LP/Mammoth Energy Services, Inc.

In the fourth quarter of 2014, the Company contributed its investments in four entities to Mammoth Energy Partners LP (“Mammoth”) for a 30.5% interest in this entity. In October 2016, Mammoth converted from a limited partnership into a limited liability company named Mammoth Energy Partners LLC (“Mammoth LLC”) and the Company and the other members of Mammoth LLC contributed their interests in Mammoth LLC to Mammoth Energy. Following the contribution, Mammoth Energy completed its initial public offering of shares of its common stock.

On June 5, 2017, the Company contributed all of its membership interests in Sturgeon (which owned Taylor Frac, LLC, Taylor Real Estate Investments, LLC and South River Road, LLC), Stingray Energy and Stingray Cementing to Mammoth Energy in exchange for approximately 2.0 million shares of Mammoth Energy common stock (the “June 2017 Transactions”). The Company accounted for the transactions as a sale of financial assets under ASC 860, Transfers and Servicing. The Company valued the shares of Mammoth Energy common stock it received in the June 2017 Transactions at \$18.50 per share, which was the closing price of Mammoth Energy common stock on June 5, 2017. During the second quarter of 2017, the Company recognized a gain of \$12.5 million from the June 2017 Transactions, which is included in gain on sale of equity method investments in the accompanying consolidated statement of operations.

On June 29, 2018, the Company sold 1,235,600 shares of its Mammoth Energy common stock in an underwritten public offering for net proceeds of approximately \$47.0 million. In connection with the Company's public offering of a portion of its shares of Mammoth Energy common stock, the Company granted the underwriters an option to purchase additional shares of its Mammoth Energy common stock. On July 26, 2018, the underwriters exercised this option, in part, and on July 30, 2018, the

Table of Contents

Company sold an additional 118,974 shares for net proceeds of approximately \$4.5 million. Following the sales of these shares, the Company owned 9,829,548 shares, or approximately 22.0%, of Mammoth Energy's outstanding common stock. As a result of the sales, the Company recorded a gain of \$2.7 million and \$28.3 million for the three and nine months ended September 30, 2018, which is included in gain on sale of equity method investments in the accompanying consolidated statements of operations.

The Company's investment in Mammoth Energy was increased by a \$0.1 million foreign currency gain and decreased by a \$0.2 million foreign currency loss resulting from Mammoth Energy's foreign subsidiary for the three and nine months ended September 30, 2018, respectively. The Company's investment in Mammoth Energy was increased by a \$0.16 million and \$0.2 million foreign currency gain resulting from Mammoth Energy's foreign subsidiary for the three and nine months ended September 30, 2017, respectively. During the nine months ended September 30, 2018, Gulfport received distributions of \$1.2 million from Mammoth Energy as a result of a \$0.125 per share dividend in August 2018. The (income) loss from equity method investments presented in the table above reflects any intercompany profit eliminations.

Strike Force Midstream LLC

In February 2016, the Company, through its wholly-owned subsidiary Gulfport Midstream Holdings, LLC ("Midstream Holdings"), entered into an agreement with Rice Midstream Holdings LLC ("Rice"), then a subsidiary of Rice Energy Inc., to develop natural gas gathering assets in eastern Belmont County and Monroe County, Ohio through Strike Force Midstream LLC ("Strike Force"). In 2017, Rice was acquired by EQT Corporation ("EQT"). Prior to the sale of the Company's interest in Strike Force (discussed below), the Company owned a 25% interest in Strike Force, and EQT acted as operator and owned the remaining 75% interest. Strike Force's gathering assets provide gathering services for wells operated by Gulfport and other operators and connectivity of existing dry gas gathering systems. Prior to the sale of its interest in Strike Force, the Company elected to report its proportionate share of Strike Force's earnings on a one-quarter lag as permitted under ASC 323, Investments - Equity Method and Joint Ventures. The (income) loss from equity method investments presented in the table above reflects any intercompany profit eliminations.

During the nine months ended September 30, 2018, Gulfport received distributions of \$0.8 million from Strike Force. During the nine months ended September 30, 2017, Gulfport paid \$43.0 million in cash calls to Strike Force and received distributions of \$3.6 million from Strike Force.

On May 1, 2018, the Company sold its 25% interest in Strike Force to EQT Midstream Partners, LP for proceeds of \$175.0 million in cash. As a result of the sale, the Company recognized a gain of \$96.4 million net of transaction fees, which is included in gain on sale of equity method investments in the accompanying consolidated statement of operations.

4. VARIABLE INTEREST ENTITIES

As of September 30, 2018, the Company held variable interests in the following variable interest entities ("VIEs"), but was not the primary beneficiary: Midstream and Timber Wolf. These entities have governing provisions that are the functional equivalent of a limited partnership and are considered VIEs because the limited partners or non-managing members lack substantive kick-out or participating rights which causes the equity owners, as a group, to lack a controlling financial interest. The Company is a limited partner or non-managing member in each of these VIEs and is not the primary beneficiary because it does not have a controlling financial interest. The general partner or managing member has power to direct the activities that most significantly impact the VIEs' economic performance. The Company also held a variable interest in Strike Force prior to the sale of that interest due to the fact that it did not have sufficient equity capital at risk. The Company was not the primary beneficiary of this entity. Prior to Mammoth Energy's initial public offering, or "IPO", Mammoth LLC was considered a VIE. As a result of the Company's contribution of its interest in Mammoth LLC to Mammoth Energy in exchange for Mammoth Energy common stock and the completion of Mammoth Energy's IPO, the Company determined that it no longer held an interest in a VIE. Prior to the contribution of Stingray Energy, Stingray Cementing and Sturgeon to Mammoth Energy, these entities were considered VIEs. As a result of the Company's contribution of its membership interests in Stingray Energy, Stingray Cementing and Sturgeon to Mammoth Energy in exchange for Mammoth Energy common stock, the

Company determined that it no longer held an interest in a VIE.

The Company accounts for its investment in these VIEs following the equity method of accounting. The carrying amounts of the Company's equity investments are classified as other non-current assets on the accompanying consolidated balance sheets. The Company's maximum exposure to loss as a result of its involvement with these VIEs is based on the Company's capital contributions and the economic performance of the VIEs, and is equal to the carrying value of the Company's investments which is the maximum loss the Company could be required to record in the consolidated statements of operations. See Note 3 for further discussion of these entities, including the carrying amounts of each investment.

Table of Contents

5. LONG-TERM DEBT

Long-term debt consisted of the following items as of September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
	(In thousands)	
Revolving credit agreement (1)	\$60,000	\$—
6.625% senior unsecured notes due 2023 (2)	350,000	350,000
6.000% senior unsecured notes due 2024 (3)	650,000	650,000
6.375% senior unsecured notes due 2025 (4)	600,000	600,000
6.375% senior unsecured notes due 2026 (5)	450,000	450,000
Net unamortized debt issuance costs (6)	(31,824)	(34,781)
Construction loan (7)	23,296	23,724
Less: current maturities of long term debt	(647)	(622)
Debt reflected as long term	\$2,100,825	\$2,038,321

The Company capitalized approximately \$1.6 million and \$4.0 million in interest expense to undeveloped oil and natural gas properties during the three and nine months ended September 30, 2018, respectively. The Company capitalized approximately \$2.1 million and \$8.8 million in interest expense to undeveloped oil and natural gas properties during the three and nine months ended September 30, 2017, respectively.

(1) The Company has entered into a senior secured revolving credit facility, as amended, with The Bank of Nova Scotia, as the lead arranger and administrative agent and certain lenders from time to time party thereto. The credit agreement provides for a maximum facility amount of \$1.5 billion and matures on December 31, 2021. On March 29, 2017, the Company further amended its revolving credit facility to, among other things, amend the definition of the term EBITDAX to permit pro forma treatment of acquisitions that involve the payment of consideration by Gulfport and its subsidiaries in excess of \$50.0 million and of dispositions of property or series of related dispositions of properties that yields gross proceeds to Gulfport or any of its subsidiaries in excess of \$50.0 million. On May 4, 2017, the revolving credit facility was further amended to increase the borrowing base from \$700.0 million to \$1.0 billion, adjust certain of the Company's investment baskets and add five additional banks to the syndicate. On November 21, 2017, the Company further amended its revolving credit facility to, among other things, (a) decrease the applicable rate for all loans by 0.5% and (b) add a provision that allows Gulfport to elect a commitment amount (the "Elected Commitment Amount") that is less than the borrowing base. In connection with this amendment, the borrowing base was set at \$1.2 billion, with an elected commitment of \$1.0 billion. On May 21, 2018, the Company further amended its revolving credit facility to, among other things, (a) decrease the applicable rate for all loans by 0.25%, (b) permit Gulfport and each of its subsidiaries to use the proceeds from dispositions of certain investments to acquire the common stock or other equity interests of Gulfport, subject to certain limitations and (c) increase the borrowing base to \$1.4 billion, with an elected commitment of \$1.0 billion.

As of September 30, 2018, \$60.0 million was outstanding under the revolving credit facility and the total availability for future borrowings under this facility, after giving effect to an aggregate of \$316.2 million of letters of credit, was \$623.8 million. The Company's wholly-owned subsidiaries have guaranteed the obligations of the Company under the revolving credit facility.

Advances under the revolving credit facility may be in the form of either base rate loans or eurodollar loans. The interest rate for base rate loans is equal to (1) the applicable rate, which ranges from 0.25% to 1.25%, plus (2) the highest of: (a) the federal funds rate plus 0.50%, (b) the rate of interest in effect for such day as publicly announced from time to time by agent as its "prime rate," and (c) the eurodollar rate for an interest period of one month plus 1.00%. The interest rate for eurodollar loans is equal to (1) the applicable rate, which ranges from 1.25% to 2.25%, plus (2) the London interbank offered rate that appears on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate for deposits in U.S. dollars, or, if such rate is not available, the rate as administered by ICE Benchmark Administration (or any other person that takes over administration of such rate) per annum equal to the offered rate on such other page or service that displays on average London interbank offered rate as determined by ICE Benchmark

Administration (or any other person that takes over administration of such rate) for deposits in U.S. dollars, or, if such rate is not available, the average quotations for three major New York money center banks of whom the agent shall inquire as the "London Interbank Offered Rate" for deposits in U.S. dollars. At

14

Table of Contents

September 30, 2018, amounts borrowed under the credit facility bore interest at the eurodollar rate with a weighted average of 3.72%.

The revolving credit facility contains customary negative covenants including, but not limited to, restrictions on the Company's and its subsidiaries' ability to:

- incur indebtedness;
- grant liens;
- pay dividends and make other restricted payments;
- make investments;
- make fundamental changes;
- enter into swap contracts;
- dispose of assets;
- change the nature of their business; and
- enter into transactions with affiliates.

The negative covenants are subject to certain exceptions as specified in the revolving credit facility. The revolving credit facility also contains certain affirmative covenants, including, but not limited to the following financial covenants:

(i) the ratio of net funded debt to EBITDAX (net income, excluding (i) any non-cash revenue or expense associated with swap contracts resulting from ASC 815 and (ii) any cash or non-cash revenue or expense attributable to minority investments plus without duplication and, in the case of expenses, to the extent deducted from revenues in determining net income, the sum of (a) the aggregate amount of consolidated interest expense for such period, (b) the aggregate amount of income, franchise, capital or similar tax expense (other than ad valorem taxes) for such period, (c) all amounts attributable to depletion, depreciation, amortization and asset or goodwill impairment or writedown for such period, (d) all other non-cash charges, (e) exploration costs deducted in determining net income under successful efforts accounting, (f) actual cash distributions received from minority investments, (g) to the extent actually reimbursed by insurance, expenses with respect to liability on casualty events or business interruption, and (h) all reasonable transaction expenses related to dispositions and acquisitions of assets, investments and debt and equity offerings (provided that expenses related to any unsuccessful disposition will be limited to \$3.0 million in the aggregate) for a twelve-month period may not be greater than 4.00 to 1.00; and

(ii) the ratio of EBITDAX to interest expense for a twelve-month period may not be less than 3.00 to 1.00.

The Company was in compliance with its financial covenants at September 30, 2018.

(2) On April 21, 2015, the Company issued \$350.0 million in aggregate principal amount of 6.625% Senior Notes due 2023 (the "2023 Notes") to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act (the "2023 Notes Offering"). The Company received net proceeds of approximately \$343.6 million after initial purchaser discounts and commissions and estimated offering expenses.

The 2023 Notes were issued under an indenture, dated as of April 21, 2015, among the Company, the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as trustee. In October 2015, the 2023 Notes were exchanged for a new issue of substantially identical debt securities registered under the Securities Act. Pursuant to the indenture relating to the 2023 Notes, interest on the 2023 Notes accrues at a rate of 6.625% per annum on the outstanding principal amount thereof, payable semi-annually on May 1 and November 1 of each year. The 2023 Notes are not guaranteed by Grizzly Holdings, Inc. and will not be guaranteed by any of the Company's future unrestricted subsidiaries.

(3) On October 14, 2016, the Company issued \$650.0 million in aggregate principal amount of 6.000% Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued under an indenture, dated as of October 14, 2016, among the Company, the subsidiary guarantors party thereto and the senior note indenture trustee (the "2024 Indenture"), to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act (the "2024 Notes Offering"). Under the 2024 Indenture, interest on the 2024 Notes accrues at a rate of 6.000% per annum on the outstanding principal amount thereof from October

14, 2016, payable semi-annually on April 15 and October 15 of each year, commencing on April 15, 2017. The 2024 Notes will mature on October 15, 2024. The Company

Table of Contents

received approximately \$638.9 million in net proceeds from the offering of the 2024 Notes, which was used, together with cash on hand, to purchase the then outstanding 2020 Notes in a concurrent cash tender offer, to pay fees and expenses thereof, and to redeem any of the 2020 Notes that remained outstanding after the completion of the tender offer.

(4) On December 21, 2016, the Company issued \$600.0 million in aggregate principal amount of 6.375% Senior Notes due 2025 (the “2025 Notes”). The 2025 Notes were issued under an indenture, dated as of December 21, 2016, among the Company, the subsidiary guarantors party thereto and the senior note indenture trustee (the “2025 Indenture”), to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. Under the 2025 Indenture, interest on the 2025 Notes accrues at a rate of 6.375% per annum on the outstanding principal amount thereof from December 21, 2016, payable semi-annually on May 15 and November 15 of each year, commencing on May 15, 2017. The 2025 Notes will mature on May 15, 2025. The Company received approximately \$584.7 million in net proceeds from the offering of the 2025 Notes, which was used, together with the net proceeds from the Company’s December 2016 common stock offering and cash on hand, to fund the cash portion of the purchase price for the Vitruvian Acquisition. See “Note 1 – Acquisitions” for additional discussion of the Vitruvian Acquisition.

(5) On October 11, 2017, the Company issued \$450.0 million in aggregate principal amount of its 6.375% Senior Notes due 2026 (the “2026 Notes”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. Interest on the 2026 Notes accrues at a rate of 6.375% per annum on the outstanding principal amount thereof from October 11, 2017, payable semi-annually on January 15 and July 15 of each year, commencing on January 15, 2018. The 2026 Notes will mature on January 15, 2026. The Company received approximately \$444.1 million in net proceeds from the offering of the 2026 Notes, a portion of which was used to repay all of the Company's outstanding borrowings under its secured revolving credit facility on October 11, 2017 and the balance was used to fund the remaining outspend related to the Company's 2017 capital development plans.

In connection with the 2026 Notes offering, the Company and its subsidiary guarantors entered into a registration rights agreement pursuant to which the Company agreed to file a registration statement with respect to an offer to exchange the 2026 Notes for a new issue of substantially identical debt securities registered under the Securities Act. On January 18, 2018, the Company filed a registration statement on Form S-4 with respect to an offer to exchange the 2026 Notes for substantially identical debt securities registered under the Securities Act, which registration statement was declared effective by the SEC on February 12, 2018. The exchange offer relating to the 2026 notes closed on March 22, 2018.

(6) Loan issuance costs related to the 2023 Notes, the 2024 Notes, the 2025 Notes and the 2026 Notes (collectively the “Notes”) have been presented as a reduction to the Notes. At September 30, 2018, total unamortized debt issuance costs were \$4.6 million for the 2023 Notes, \$9.0 million for the 2024 Notes, \$12.9 million for the 2025 Notes and \$5.2 million for the 2026 Notes. In addition, loan commitment fee costs for the construction loan agreement described immediately below were \$0.1 million at September 30, 2018.

(7) On June 4, 2015, the Company entered into a construction loan agreement (the “Construction Loan”) with InterBank for the construction of a new corporate headquarters in Oklahoma City, which was substantially completed in December 2016. The Construction Loan allows for maximum principal borrowings of \$24.5 million and required the Company to fund 30% of the cost of the construction before any funds could be drawn, which occurred in January 2016. Interest accrues daily on the outstanding principal balance at a fixed rate of 4.50% per annum and was payable on the last day of the month through May 31, 2017. Starting June 30, 2017, the Company began making monthly payments of principal and interest, with the final payment due June 4, 2025. At September 30, 2018, the total borrowings under the Construction Loan were approximately \$23.3 million.

6. COMMON STOCK AND CHANGES IN CAPITALIZATION

Issuance of Common Stock

On February 17, 2017, the Company completed the Vitruvian Acquisition for a total initial purchase price of approximately \$1.85 billion, consisting of \$1.35 billion in cash, subject to certain adjustments, and approximately 23.9

million shares of the Company's common stock (of which approximately 5.2 million shares are subject to the indemnity escrow). See "Note 1 - Acquisitions" for additional discussion of the Vitruvian Acquisition.

Stock Repurchase Program

In January 2018, the board of directors of the Company approved a stock repurchase program to acquire up to \$100 million of the Company's outstanding stock during 2018. In May 2018, the Company's board of directors authorized the expansion of

Table of Contents

its stock repurchase program, authorizing the Company to acquire up to an additional \$100 million of its outstanding common stock during 2018 for a total of up to \$200 million. Purchases under the repurchase program may be made from time to time in open market or privately negotiated transactions, and are subject to market conditions, applicable legal requirements, contractual obligations and other factors. The repurchase program does not require the Company to acquire any specific number of shares. This repurchase program is authorized to extend through December 31, 2018 and may be suspended from time to time, modified, extended or discontinued by the board of directors at any time. The Company repurchased 0.4 million and 10.5 million shares for a cost of approximately \$5.0 million and \$110.0 million during the three and nine months ended September 30, 2018, respectively. All repurchased shares have been retired.

7. STOCK-BASED COMPENSATION

During the three and nine months ended September 30, 2018, the Company's stock-based compensation cost was \$3.6 million and \$9.7 million, respectively, of which the Company capitalized \$1.4 million and \$3.9 million, respectively, relating to its exploration and development efforts. During the three and nine months ended September 30, 2017, the Company's stock-based compensation cost was \$2.8 million and \$8.0 million, respectively, of which the Company capitalized \$1.1 million and \$3.2 million, respectively, relating to its exploration and development efforts.

The following table summarizes restricted stock activity for the nine months ended September 30, 2018:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value
Unvested shares as of January 1, 2018	976,027	\$ 18.71
Granted	1,197,628	9.45
Vested	(618,202) 17.77
Forfeited	(32,633) 17.31
Unvested shares as of September 30, 2018	1,522,820	\$ 11.84

Unrecognized compensation expense as of September 30, 2018 related to restricted shares was \$15.5 million. The expense is expected to be recognized over a weighted average period of 1.63 years.

Table of Contents

8. EARNINGS PER SHARE

Reconciliations of the components of basic and diluted net income per common share are presented in the tables below:

	Three months ended September 30,					
	2018		2017			
	Income	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except share data)					
Basic:						
Net income	\$95,150	173,057,538	\$0.55	\$18,235	182,957,416	\$0.10
Effect of dilutive securities:						
Stock options and awards	—	247,376		—	51,020	
Diluted:						
Net income	\$95,150	173,304,914	\$0.55	\$18,235	183,008,436	\$0.10
	Nine months ended September 30,					
	2018		2017			
	Income	Shares	Per Share	Income	Shares	Per Share
	(In thousands, except share data)					
Basic:						
Net income	\$296,559	175,776,312	\$1.69	\$278,626	178,736,569	\$1.56
Effect of dilutive securities:						
Stock options and awards	—	664,149		—	394,001	
Diluted:						
Net income	\$296,559	176,440,461	\$1.68	\$278,626	179,130,570	\$1.56

Table of Contents

9. COMMITMENTS AND CONTINGENCIES

Plugging and Abandonment Funds

In connection with the Company's acquisition in 1997 of the remaining 50% interest in its WCBB properties, the Company assumed the seller's (Chevron) obligation to contribute approximately \$18,000 per month through March 2004 to a plugging and abandonment trust and the obligation to plug a minimum of 20 wells per year for 20 years commencing March 11, 1997. Beginning in 2009, the Company could access the trust for use in plugging and abandonment charges associated with the property, although it has not yet done so. As of September 30, 2018, the plugging and abandonment trust totaled approximately \$3.1 million. At September 30, 2018, the Company had plugged 555 wells at WCBB since it began its plugging program in 1997, which management believes fulfills its minimum plugging obligation.

Operating Leases

The Company leases office facilities under non-cancellable operating leases exceeding one year. Future minimum lease commitments under these leases at September 30, 2018 were as follows:

	(In thousands)
Remaining 2018	\$ 39
2019	144
2020	90
2021	38
Total	\$ 311

Firm Transportation and Sales Commitments

The Company had approximately 2,659,000 MMBtu per day of firm sales contracted with third parties. The table below presents these commitments at September 30, 2018 as follows:

	(MMBtu per day)
Remaining 2018	590,000
2019	659,000
2020	526,000
2021	372,000
2022	272,000
Thereafter	240,000
Total	2,659,000

The Company also had approximately \$3.6 billion of firm transportation contracted with third parties. The table below presents these commitments at September 30, 2018 as follows:

	(In thousands)
Remaining 2018	\$62,012
2019	251,644
2020	247,581
2021	246,620
2022	246,620
Thereafter	2,511,853
Total	\$3,566,330

Table of Contents

Other Commitments

Effective October 1, 2014, the Company entered into a Sand Supply Agreement with Muskie Proppant LLC (“Muskie”), a subsidiary of Mammoth Energy. Effective August 3, 2018, the Company extended the agreement through December 31, 2021. Pursuant to this agreement, as amended, the Company has agreed to purchase annual and monthly amounts of proppant sand subject to exceptions specified in the agreement at agreed pricing plus agreed costs and expenses. Failure by either Muskie or the Company to deliver or accept the minimum monthly amount results in damages calculated per ton based on the difference between the monthly obligation amount and the amount actually delivered or accepted, as applicable. The Company incurred \$1.3 million and \$1.5 million in non-utilization fees under this agreement during the three and nine months ended September 30, 2018, respectively. The Company did not incur any non-utilization fees during the nine months ended September 30, 2017.

Effective October 1, 2014, the Company entered into an Amended and Restated Master Services Agreement for pressure pumping services with Stingray Pressure Pumping LLC (“Stingray Pressure”), a subsidiary of Mammoth Energy. Pursuant to this agreement, as amended effective July 1, 2018, Stingray Pressure has agreed to provide hydraulic fracturing, stimulation and related completion and rework services to the Company and the Company has agreed to pay Stingray Pressure a monthly service fee plus the associated costs of the services provided. The Company has the right to suspend services of one crew and only one crew at any point in time without payment, fee or other obligation associated with the suspended crew, given appropriate notification of suspension.

Future minimum commitments under these agreements at September 30, 2018 are \$154.2 million.

Litigation

In two separate complaints, one filed by the State of Louisiana and the Parish of Cameron in the 38th Judicial District Court for the Parish of Cameron on February 9, 2016 and the other filed by the State of Louisiana and the District Attorney for the 15th Judicial District of the State of Louisiana in the 15th Judicial District Court for the Parish of Vermilion on July 29, 2016, the Company was named as a defendant, among 26 oil and gas companies, in the Cameron Parish complaint and among more than 40 oil and gas companies in the Vermilion Parish complaint, or the Complaints. The Complaints were filed under the State and Local Coastal Resources Management Act of 1978, as amended, and the rules, regulations, orders and ordinances adopted thereunder, which the Company referred to collectively as the CZM Laws, and allege that certain of the defendants’ oil and gas exploration, production and transportation operations associated with the development of the East Hackberry and West Hackberry oil and gas fields, in the case of the Cameron Parish complaint, and the Tigre Lagoon and Lac Blanc oil and gas fields, in the case of the Vermilion Parish complaint, were conducted in violation of the CZM Laws. The Complaints allege that such activities caused substantial damage to land and waterbodies located in the coastal zone of the relevant Parish, including due to defendants’ design, construction and use of waste pits and the alleged failure to properly close the waste pits and to clear, re-vegetate, detoxify and return the property affected to its original condition, as well as the defendants’ alleged discharge of waste into the coastal zone. The Complaints also allege that the defendants’ oil and gas activities have resulted in the dredging of numerous canals, which had a direct and significant impact on the state coastal waters within the relevant Parish and that the defendants, among other things, failed to design, construct and maintain these canals using the best practical techniques to prevent bank slumping, erosion and saltwater intrusion and to minimize the potential for inland movement of storm-generated surges, which activities allegedly have resulted in the erosion of marshes and the degradation of terrestrial and aquatic life therein. The Complaints also allege that the defendants failed to re-vegetate, refill, clean, detoxify and otherwise restore these canals to their original condition. In these two petitions, the plaintiffs seek damages and other appropriate relief under the CZM Laws, including the payment of costs necessary to clear, re-vegetate, detoxify and otherwise restore the affected coastal zone of the relevant Parish to its original condition, actual restoration of such coastal zone to its original condition, and the payment of reasonable attorney fees and legal expenses and pre-judgment and post judgment interest.

The Company was served with the Cameron complaint in early May 2016 and with the Vermilion complaint in early September 2016. The Louisiana Attorney General and the Louisiana Department of Natural Resources intervened in both the Cameron Parish suit and the Vermilion Parish suit. Shortly after the Complaints were filed, certain defendants removed the cases to the United States District Court for the Western District of Louisiana. In both cases,

the plaintiffs filed motions to remand the lawsuits to state court, which were ultimately granted by the district courts. However, on May 23, 2018, a group of defendants again removed the Cameron Parish and Vermilion Parish lawsuits to federal court. In response, the plaintiffs again filed motions to remand the cases to state court. The removing defendants have opposed plaintiffs' motions to remand. The motions to remand remain pending, and further action in the cases will be stayed until the courts rule on the motions to remand. Also, shortly after the May 23, 2018 removal, the removing defendants filed motions with the United States Judicial Panel on Multidistrict Litigation (the "MDL Panel") requesting that the Cameron Parish and Vermilion Parish lawsuits be consolidated with 40 similar lawsuits so that pre-trial proceedings in the cases could be coordinated. The MDL Panel denied the motion to

Table of Contents

consolidate the lawsuits. Due to the procedural posture of lawsuits, the cases are still in their early stages and the parties have conducted very little discovery. As a result, the Company has not had the opportunity to evaluate the applicability of the allegations made in plaintiffs' complaints to the Company's operations and management cannot determine the amount of loss, if any, that may result.

In addition, due to the nature of the Company's business, it is, from time to time, involved in routine litigation or subject to disputes or claims related to its business activities, including workers' compensation claims and employment related disputes. In the opinion of the Company's management, none of the pending litigation, disputes or claims against the Company, if decided adversely, will have a material adverse effect on its financial condition, cash flows or results of operations.

10. DERIVATIVE INSTRUMENTS**Natural Gas, Oil and Natural Gas Liquids Derivative Instruments**

The Company seeks to reduce its exposure to unfavorable changes in natural gas, oil and natural gas liquids ("NGLs") prices, which are subject to significant and often volatile fluctuation, by entering into over-the-counter fixed price swaps, basis swaps and various types of option contracts. These contracts allow the Company to predict with greater certainty the effective natural gas, oil and NGLs prices to be received for hedged production and benefit operating cash flows and earnings when market prices are less than the fixed prices provided in the contracts. However, the Company will not benefit from market prices that are higher than the fixed prices in the contracts for hedged production.

Fixed price swaps are settled monthly based on differences between the fixed price specified in the contract and the referenced settlement price. When the referenced settlement price is less than the price specified in the contract, the Company receives an amount from the counterparty based on the price difference multiplied by the volume. Similarly, when the referenced settlement price exceeds the price specified in the contract, the Company pays the counterparty an amount based on the price difference multiplied by the volume. The prices contained in these fixed price swaps are based on the NYMEX Henry Hub for natural gas, Argus Louisiana Light Sweet Crude for oil, the NYMEX West Texas Intermediate for oil, and Mont Belvieu for propane, pentane and ethane. Below is a summary of the Company's open fixed price swap positions as of September 30, 2018.

	Location	Daily Volume (MMBtu/day)	Weighted Average Price
Remaining 2018	NYMEX Henry Hub	1,010,000	\$ 3.01
2019	NYMEX Henry Hub	1,154,000	\$ 2.81
2020	NYMEX Henry Hub	204,000	\$ 2.77

	Location	Daily Volume (Bbls/day)	Weighted Average Price
Remaining 2018	ARGUS LLS	2,000	\$ 56.22
2019	ARGUS LLS	1,000	\$ 59.55
Remaining 2018	NYMEX WTI	4,500	\$ 53.72
2019	NYMEX WTI	4,000	\$ 58.28

	Location	Daily Volume (Bbls/day)	Weighted Average Price
2019	Mont Belvieu C2	1,000	\$ 18.48
Remaining 2018	Mont Belvieu C3	4,000	\$ 29.34
2019	Mont Belvieu C3	4,000	\$ 28.87
Remaining 2018	Mont Belvieu C5	500	\$ 46.62
2019	Mont Belvieu C5	500	\$ 54.08

The Company sold call options and used the associated premiums to enhance the fixed price for a portion of the fixed price natural gas swaps listed above. Each short call option has an established ceiling price. When the referenced settlement price is above the price ceiling established by these short call options, the Company pays its counterparty an amount equal to the difference between the referenced settlement price and the price ceiling multiplied by the

hedged contract volumes.

21

Location	Daily Volume (MMBtu/day)	Weighted Average Price
October 2018 - March 2019	NYMEX Henry Hub 50,000	\$ 3.13
April 2019 - December 2019	NYMEX Henry Hub 30,000	\$ 3.10

For a portion of the natural gas fixed price swaps listed above, the counterparty has an option to extend the original terms an additional twelve months for the period January 2019 through December 2019. The option to extend the terms expires in December 2018. If executed, the Company would have additional fixed price swaps for 100,000 MMBtu per day at a weighted average price of \$3.05 per MMBtu.

In addition, the Company entered into natural gas basis swap positions, which settle on the pricing index to basis differential of Transco Zone 4 to NYMEX Henry Hub natural gas price. As of September 30, 2018, the Company had the following natural gas basis swap positions for Transco Zone 4.

Location	Daily Volume (MMBtu/day)	Weighted Average Price
Remaining 2018	Transco Zone 4 40,000	\$ (0.05)
2019	Transco Zone 4 60,000	\$ (0.05)
2020	Transco Zone 4 60,000	\$ (0.05)

Balance Sheet Presentation

The Company reports the fair value of derivative instruments on the consolidated balance sheets as derivative instruments under current assets, noncurrent assets, current liabilities and noncurrent liabilities on a gross basis. The Company determines the current and noncurrent classification based on the timing of expected future cash flows of individual trades. The following table presents the fair value of the Company's derivative instruments on a gross basis at September 30, 2018 and December 31, 2017:

	September 30, 2018	December 31, 2017
	(In thousands)	
Short-term derivative instruments - asset	\$ 19,809	\$ 78,847
Long-term derivative instruments - asset	\$ 3,530	\$ 8,685
Short-term derivative instruments - liability	\$ 62,601	\$ 32,534
Long-term derivative instruments - liability	\$ 15,101	\$ 2,989

Gains and Losses

The following table presents the gain and loss recognized in net (loss) gain on natural gas, oil and NGL derivatives in the accompanying consolidated statements of operations for the three and nine months ended September 30, 2018 and 2017.

	Net (loss) gain on derivative instruments			
	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	(In thousands)			
Natural gas derivatives	\$ 14,101	\$(7,077)	\$(26,789)	\$ 135,868
Oil derivatives	(11,610)	(6,571)	(45,176)	12,477
Natural gas liquids derivatives	(12,154)	(9,212)	(24,772)	(6,757)
Total	\$(9,663)	\$(22,860)	\$(96,737)	\$ 141,588

Offsetting of derivative assets and liabilities

As noted above, the Company records the fair value of derivative instruments on a gross basis. The following table presents the gross amounts of recognized derivative assets and liabilities in the consolidated balance sheets and the amounts that are subject to offsetting under master netting arrangements with counterparties, all at fair value.

As of September 30, 2018

	Gross Assets (Liabilities)	Gross Amounts Subject to Master Netting Agreements	Net Amount
	Presented in the Consolidated Balance Sheets		
	(In thousands)		
Derivative assets	\$23,339	\$ (17,053)	\$6,286
Derivative liabilities	\$(77,702)	\$ 17,053	\$(60,649)

As of December 31, 2017

	Gross Assets (Liabilities)	Gross Amounts Subject to Master Netting Agreements	Net Amount
	Presented in the Consolidated Balance Sheets		
	(In thousands)		
Derivative assets	\$87,532	\$ (22,199)	\$65,333
Derivative liabilities	\$(35,523)	\$ 22,199	\$(13,324)

Concentration of Credit Risk

By using derivative instruments that are not traded on an exchange, the Company is exposed to the credit risk of its counterparties. Credit risk is the risk of loss from counterparties not performing under the terms of the derivative instrument. When the fair value of a derivative instrument is positive, the counterparty is expected to owe the Company, which creates credit risk. To minimize the credit risk in derivative instruments, it is the Company's policy to enter into derivative contracts only with counterparties that are creditworthy financial institutions deemed by management as competent and competitive market makers. The Company's derivative contracts are with multiple counterparties to lessen its exposure to any individual counterparty. Additionally, the Company uses master netting agreements to minimize credit risk exposure. The creditworthiness of the Company's counterparties is subject to periodic review. None of the Company's derivative instrument contracts contain credit-risk related contingent features. Other than as provided by the Company's revolving credit facility, the Company is not required to provide credit support or collateral to any of its counterparties under its derivative instruments, nor are the counterparties required to provide credit support to the Company.

11. FAIR VALUE MEASUREMENTS

The Company records certain financial and non-financial assets and liabilities on the balance sheet at fair value in accordance with ASC 820, Fair Value Measurement and Disclosures ("ASC 820"). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. The statement establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The statement requires fair value measurements be classified and disclosed in one of the following categories:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Significant inputs to the valuation model are unobservable.

Valuation techniques that maximize the use of observable inputs are favored. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the

Table of Contents

significance of a particular input to the fair value measurement requires judgment and may affect the placement of assets and liabilities within the levels of the fair value hierarchy. Reclassifications of fair value between Level 1, Level 2 and Level 3 of the fair value hierarchy, if applicable, are made at the end of each quarter.

The following tables summarize the Company's financial and non-financial assets and liabilities by ASC 820 valuation level as of September 30, 2018 and December 31, 2017:

September 30,
2018
Level 1 Level 2 Level 3
(In thousands)

Assets:

Derivative Instruments \$-\$23,339 \$ —

Liabilities:

Derivative Instruments \$-\$77,702 \$ —

December 31,
2017
Level 1 Level 2 Level 3
(In thousands)

Assets:

Derivative Instruments \$-\$87,532 \$ —

Liabilities:

Derivative Instruments \$-\$35,523 \$ —

The Company estimates the fair value of all derivative instruments using industry-standard models that consider various assumptions, including current market and contractual prices for the underlying instruments, implied volatility, time value, nonperformance risk, as well as other relevant economic measures. Substantially all of these inputs are observable in the marketplace throughout the full term of the instrument and can be supported by observable data.

The estimated fair values of proved oil and natural gas properties assumed in business combinations are based on a discounted cash flow model and market assumptions as to future commodity prices, projections of estimated quantities of oil and natural gas reserves, expectations for timing and amount of future development and operating costs, projections of future rates of production, expected recovery rates and risk-adjusted discount rates. The estimated fair values of unevaluated oil and natural gas properties was based on geological studies, historical well performance, location and applicable mineral lease terms. Based on the unobservable nature of certain of the inputs, the estimated fair value of the oil and gas properties assumed is deemed to use Level 3 inputs. The asset retirement obligations assumed as part of the business combination were estimated using the same assumptions and methodology as described below. See Note 1 for further discussion of the Vitruvian Acquisition.

The Company estimates asset retirement obligations pursuant to the provisions of ASC Topic 410, Asset Retirement and Environmental Obligations ("ASC 410"). The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligation liability is deemed to use Level 3 inputs. See Note 2 for further discussion of the Company's asset retirement obligations. Asset retirement obligations incurred during the nine months ended September 30, 2018 were approximately \$1.5 million.

The fair value of the common stock received from Mammoth Energy in connection with the Company's contribution of all of its membership interests in Sturgeon, Stingray Energy and Stingray Cementing was estimated using Level 1

inputs, as the price per share was a quoted price in an active market for identical Mammoth Energy common shares.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

24

Table of Contents

The carrying amounts on the accompanying consolidated balance sheet for cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and current debt are carried at cost, which approximates market value due to their short-term nature. Long-term debt related to the Construction Loan is carried at cost, which approximates market value based on the borrowing rates currently available to the Company with similar terms and maturities.

At September 30, 2018, the carrying value of the outstanding debt represented by the Notes was approximately \$2.0 billion, including the unamortized debt issuance cost of approximately \$4.6 million related to the 2023 Notes, approximately \$9.0 million related to the 2024 Notes, approximately \$12.9 million related to the 2025 Notes and approximately \$5.2 million related to the 2026 Notes. Based on the quoted market price, the fair value of the Notes was determined to be approximately \$2.0 billion at September 30, 2018.

13. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue Recognition

On January 1, 2018, the Company adopted Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASC 606") using the modified retrospective transition applied to contracts that were not completed as of that date. The adoption did not result in a material change in the Company's accounting or have a material effect on the Company's financial position, including measurement of revenue, the timing of revenue recognition and the recognition of contract assets, liabilities and related costs. For periods through December 31, 2017, the Company accounted for its revenue using ASC 605, Revenue Recognition.

The Company's revenues are primarily derived from the sale of natural gas, oil and condensate and NGLs. Sales of natural gas, oil and condensate and NGLs are recognized in the period that the performance obligations are satisfied. The Company generally considers the delivery of each unit (MMBtu or Bbl) to be separately identifiable and represents a distinct performance obligation that is satisfied at a point-in-time once control of the product has been transferred to the customer. The Company considers a variety of facts and circumstances in assessing the point of control transfer, including but not limited to (i) whether the purchaser can direct the use of the product, (ii) the transfer of significant risks, (iii) the Company's right to payment and (iv) transfer of legal title.

Revenue is measured based on consideration specified in the contract with the customer, and excludes any amounts collected on behalf of third parties. These contracts typically include variable consideration that is based on pricing tied to market indices and volumes delivered in the current month. As such, this market pricing may be constrained (i.e., not estimable) at the inception of the contract but will be recognized based on the applicable market pricing, which will be known upon transfer of the goods to the customer. The payment date is usually within 30 days of the end of the calendar month in which the commodity is delivered.

The recognition of gains or losses on derivative instruments is outside the scope of ASC 606 and is not considered revenue from contracts with customers subject to ASC 606. The Company may use financial or physical contracts accounted for as derivatives as economic hedges to manage price risk associated with normal sales, or in limited cases may use them for contracts the Company intends to physically settle but do not meet all of the criteria to be treated as normal sales.

The Company has elected to exclude from the measurement of the transaction price all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer, such as sales tax, use tax, value-added tax and similar taxes.

Transaction Price Allocated to Remaining Performance Obligations

A significant number of the Company's product sales are short-term in nature generally through evergreen contracts with contract terms of one year or less. These contracts typically automatically renew under the same provisions. For those contracts, the Company has utilized the practical expedient allowed in the new revenue accounting standard that exempts the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

For product sales that have a contract term greater than one year, the Company has utilized the practical expedient that exempts the Company from disclosure of the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under these sales contracts, each unit of product generally represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required. Currently, the Company's product sales

25

Table of Contents

that have a contractual term greater than one year have no long-term fixed consideration.

Contract Balances

Receivables from contracts with customers are recorded when the right to consideration becomes unconditional, generally when control of the product has been transferred to the customer. Receivables from contracts with customers were \$157.4 million and \$146.8 million as of September 30, 2018 and December 31, 2017, respectively, and are reported in accounts receivable - oil and natural gas sales on the consolidated balance sheet. The Company currently has no assets or liabilities related to its revenue contracts, including no upfront or rights to deficiency payments.

Contract Modifications

For contracts modified prior to the beginning of the earliest reporting period presented under ASC 606, the Company has elected to reflect the aggregate of the effect of all modifications that occurred before the beginning of the earliest period presented under the new standard when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations for the modified contracts at transition.

Prior-Period Performance Obligations

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for certain gas and NGLs sales may be received for 30 to 90 days after the date production is delivered, and as a result, the Company is required to estimate the amount of production that was delivered to the purchaser and the price that will be received for the sale of the product. The differences between the estimates and the actual amounts for product sales is recorded in the month that payment is received from the purchaser. The Company has internal controls in place for the estimation process and any identified differences between revenue estimates and actual revenue received historically have not been significant. For the nine months ended September 30, 2018, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

14. INCOME TAXES

The Company records its quarterly tax provision based on an estimate of the annual effective tax rate expected to apply to continuing operations for the various jurisdictions in which it operates. The tax effects of certain items, such as tax rate changes, significant unusual or infrequent items, and certain changes in the assessment of the realizability of deferred taxes, are recognized as discrete items in the period in which they occur and are excluded from the estimated annual effective tax rate.

For the three and nine months ended September 30, 2018, the Company's estimated annual effective tax rate remained nominal as a result of the full valuation allowance on deferred tax assets. Based on the Company's estimated results for the year ending December 31, 2018, the Company anticipates remaining in a net deferred tax asset position. Based on the available positive and negative evidence, the Company expects to maintain a full valuation allowance as it cannot objectively assert that the deferred tax assets are more likely than not to be realized. A significant piece of negative evidence is the cumulative loss incurred over the three year period ending September 30, 2018. However, given the Company's current earnings and anticipated future earnings, it believes that there is a reasonable possibility that within the next 12 months sufficient positive evidence regarding recent cumulative income may become available, which may allow it to reach a conclusion that a significant portion of the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain net deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of any potential valuation allowance release is subject to change based on the levels of profitability that the Company is able to actually achieve.

On December 22, 2017, the President of the United States signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as the Tax Cuts and Jobs Act ("Tax Act") that significantly reformed the Internal Revenue Code of 1986, as amended. The Tax Act substantially revised numerous areas of U.S. federal income tax law, including reducing the maximum corporate income tax rate from 35% to 21%, allowing for full expensing of certain capital expenditures, modifying the limitations on the utilization of net operating losses, and repealing the

corporate alternative minimum tax. The various estimates included in determining the Company's tax provision as of December 31, 2017 remain provisional through the nine months ended September 30, 2018 and may be adjusted through subsequent events such as the filing of its 2017 consolidated federal income tax return and the issuance of additional guidance from the Internal Revenue Service or from state tax authorities. There were no material changes to the provisional estimates during the quarter ended September 30, 2018.

Table of Contents

15. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On April 21, 2015, the Company issued \$350.0 million in aggregate principal amount of the 2023 Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. In connection with the 2023 Notes Offering, the Company and its subsidiary guarantors entered into a registration rights agreement, dated as of April 21, 2015, pursuant to which the Company agreed to file a registration statement with respect to an offer to exchange the 2023 Notes for a new issue of substantially identical debt securities registered under the Securities Act. The exchange offer for the 2023 Notes was completed on October 13, 2015.

On October 14, 2016, the Company issued \$650.0 million in aggregate principal amount of the 2024 Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The net proceeds from the issuance of the 2024 Notes, together with cash on hand, were used to repurchase or redeem all of the then-outstanding 2020 Notes in October 2016.

On December 21, 2016, the Company issued \$600.0 million in aggregate principal amount of the 2025 Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. The Company used the net proceeds from the issuance of the 2025 Notes, together with the net proceeds from the December 2016 underwritten offering of the Company's common stock and cash on hand, to fund the cash portion of the purchase price for the Vitruvian Acquisition.

In connection with the 2024 Notes and the 2025 Notes Offerings, the Company and its subsidiary guarantors entered into two registration rights agreements, pursuant to which the Company agreed to file a registration statement with respect to offers to exchange the 2024 Notes and the 2025 Notes for new issues of substantially identical debt securities registered under the Securities Act. The exchange offers for the 2024 Notes and the 2025 Notes were completed on September 13, 2017.

On October 11, 2017, the Company issued \$450.0 million in aggregate principal amount of the 2026 Notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to certain non-U.S. persons in accordance with Regulation S under the Securities Act. A portion of the net proceeds from the issuance of the 2026 Notes was used to repay all of the Company's outstanding borrowings under its secured revolving credit facility on October 11, 2017 and the balance was used to fund the remaining outspend related to the Company's 2017 capital development plans.

In connection with the 2026 Notes offering, the Company and its subsidiary guarantors entered into a registration rights agreement pursuant to which the Company agreed to file a registration statement with respect to an offer to exchange the 2026 Notes for a new issue of substantially identical debt securities registered under the Securities Act. On January 18, 2018, the Company filed a registration statement on Form S-4 with respect to an offer to exchange the 2026 Notes for substantially identical debt securities registered under the Securities Act, which registration statement was declared effective by the SEC on February 12, 2018. The exchange offer relating to the 2026 notes closed on March 22, 2018.

The 2023 Notes, the 2024 Notes, the 2025 Notes and the 2026 Notes are guaranteed on a senior unsecured basis by all existing consolidated subsidiaries that guarantee the Company's secured revolving credit facility or certain other debt (the "Guarantors"). The 2023 Notes, the 2024 Notes, the 2025 Notes and the 2026 Notes are not guaranteed by Grizzly Holdings, Inc. (the "Non-Guarantor"). The Guarantors are 100% owned by Gulfport (the "Parent"), and the guarantees are full, unconditional, joint and several. There are no significant restrictions on the ability of the Parent or the Guarantors to obtain funds from each other in the form of a dividend or loan.

The following condensed consolidating balance sheets, statements of operations, statements of comprehensive income and statements of cash flows are provided for the Parent, the Guarantors and the Non-Guarantor and include the consolidating adjustments and eliminations necessary to arrive at the information for the Company on a condensed consolidated basis. The information has been presented using the equity method of accounting for the Parent's ownership of the Guarantors and the Non-Guarantor.

Table of Contents

CONDENSED CONSOLIDATING BALANCE SHEETS

(Amounts in thousands)

	September 30, 2018				Consolidated
	Parent	Guarantors	Non-Guarantor	Eliminations	
Assets					
Current assets:					
Cash and cash equivalents	\$89,214	\$ 35,357	\$	—\$	—\$ 124,571
Accounts receivable - oil and natural gas sales	111,463	45,928	—	—	157,391
Accounts receivable - joint interest and other	19,066	20,445	—	—	39,511
Accounts receivable - related parties	79	—	—	—	79