Price $38.58 **Recent Purchase** **August 10, 2021**

- 4.8% estimated yield for 2022 with a projected $1.85 dividend per share.
- Leadership position with strong production and assets in Colorado's DJ Basin.
- Attractive merged enterprise with all parties taking stock and contributing assets with a low valuation.
- Valuation could expand with decreasing costs, expanded production capacity, and larger market capitalization.
- 425,000 acres of land, with 117-160k MBoe/d after the merger.

Investment Thesis

Bonanza Creek (BCEI) is one of the premier oil and gas (O&G) firms in the Denver-Julesburg Basin in Colorado (DJ Basin). Bonanza Creek has announced a merger with Extraction Oil and Gas (XOG) and a purchase of Crestone Peak Resources. The combined transaction is expected to close in Fall 2021.

The priority post-merger will be to generate free cash flow, returning free cash to shareholders, and an "aggressive" commitment to remaining carbon neutral. With disciplined capital allocation and a commitment to low leverage, we believe that investing in BCEI now is a great way to get in on the ground floor of the largest Oil and Gas (O&G) firm in the Denver-Julesburg Basin in Colorado (DJ Basin). We believe this will provide ESG-friendly dividends and capital appreciation.

Merger with Extraction and Crestone Peak Acquisition

Bonanza Creek (BCEI) and Extraction Oil and Gas (XOG) will be combining into a single firm called Civitas on a 50% BCEI shareholders, 50% XOG shareholder basis. As a result, Civitas will become the largest energy producer in the Denver-Julesburg Basin in Colorado (DJ Basin), possessing some 425,000 acres with 117,000 barrels of oil equivalent (MBoe) production per day. On top of this, Civitas will achieve $25 million in savings and achieve one of the lowest debt ratios in the industry. Additionally, in an all-stock acquisition, Civitas further expanded its DJ Basin footprint with the acquisition of Crestone Peak Resources (private company, abbreviated CPR). This acquisition will raise the production of Civitas by 43,000 MBoe/d.

Net Production Mix (%)

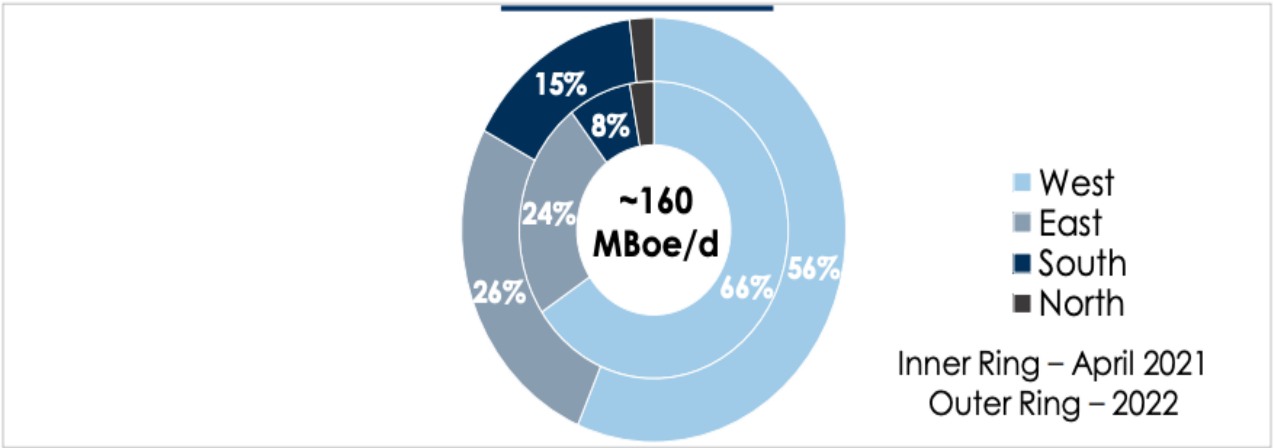
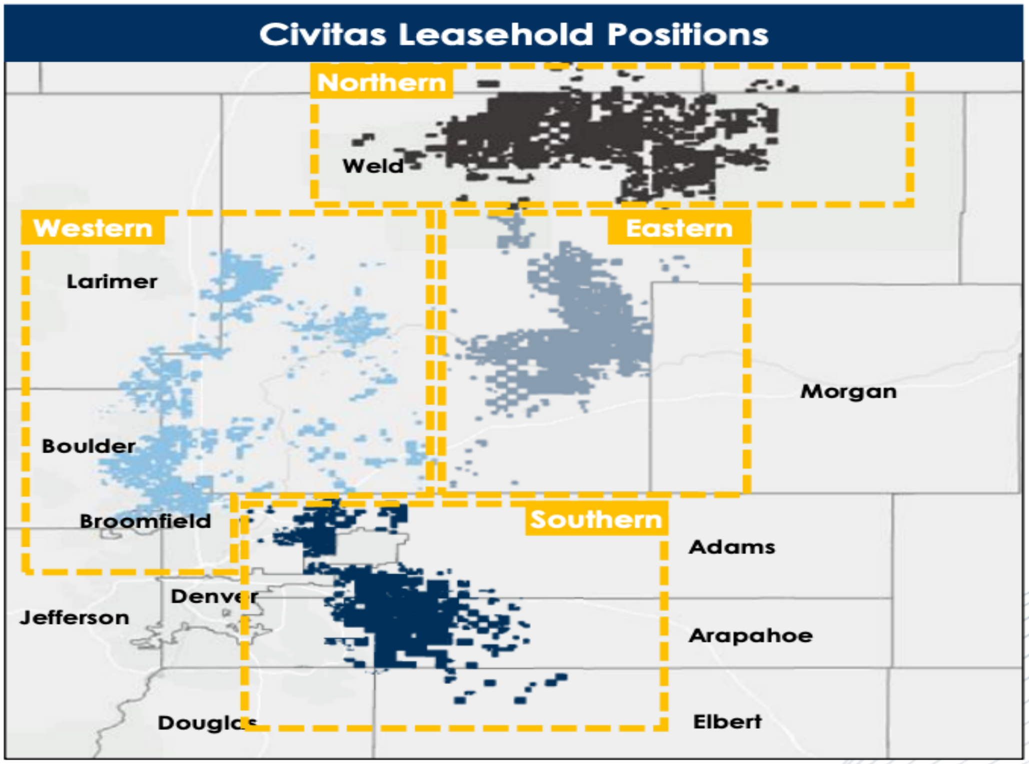


Image Source: Civitas-Crestone Presentation

On top of the increase in MBoe/d, the merger will allow Civitas to diversify its production mix within the DJ Basin. Presently, around 66% of production comes from the West Basin, which has around 135,000 acres. Once the merger closes and leases consolidate, Civitas should be able to even out their mix, with further expansion in the Southern Basin thanks to CPR's



heavy presence there. However, the primary mix will still remain in the West and East Basin for the foreseeable future.

Scale is an important part of cost-saving in Oil and Gas production. With the merger of these 3 firms, Civitas will be able to save costs on multiple fronts, including midstream costs, where formerly separate firms will be able to consolidate their inventory to reduce the number of fees paid, rationalize suppliers, and negotiate lower costs.

Dividend Distribution and Leverage

The primary strategy of Civitas will be to target leverage at or below 0.5x debt/EBITDA. This will allow excess free cash flow to grow the dividend and create the potential for share repurchases and special dividends. Though the additional acquisition of CPR does raise Civitas' potential debt by around $250 million, the additional capacity enabled by this addition should offset a good portion so that Civitas' target of staying under 0.5x debt/EBITDA should be met.

Civitas is forecasting a $1.85 per share dividend in 2022, with a forward yield of 4.8%. In contrast, BCEI paid out its annual dividend of $1.40. The additional value created by the merger of the firms cannot be overstated.

Environmental Social Governance (ESG)

XOG, BCEI, and CPR are already implementing autonomous monitoring systems and retrofitting older facilities to enable further use without further environmental damage. Civitas will continue down this path with aggressive operational changes to implement emission reductions programs mixed with capital expenditures on certified emission offsets. Some of the more direct changes Civitas is doing are adopting an all-electric fleet of vehicles, implementing charging stations across the communities they operate in, and the creation of a community solar initiative, which will not only reduce their carbon emissions but reduce local energy costs by up to 20%.

Risk

Declines in Oil and Gas prices and depleting resources are the primary risk facing BCEI, Civitas, and other O&G firms. Volatile price movements could adversely affect financials, and declining output as wells run dry could equally affect financial performance.

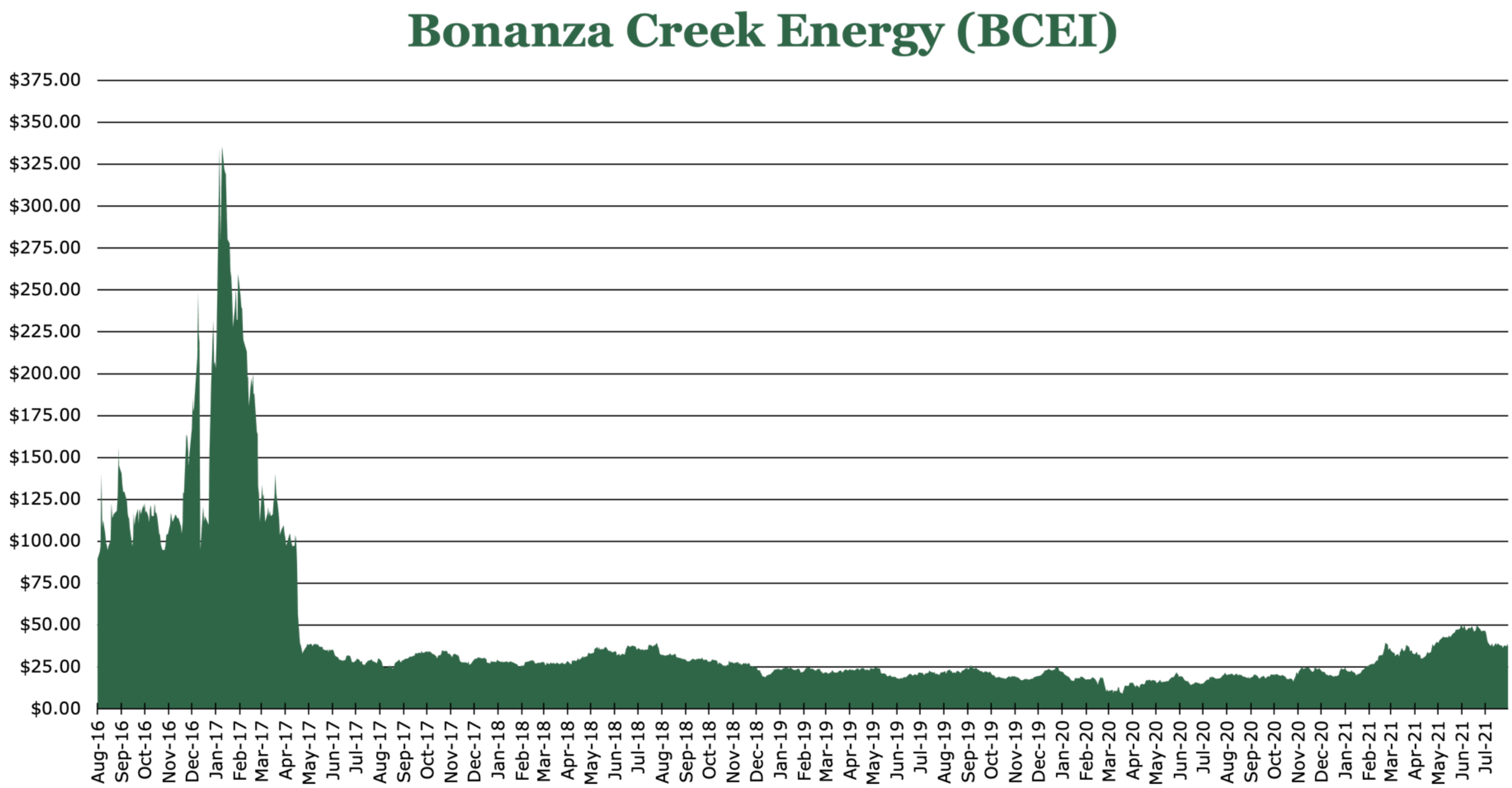
In addition, drilling is a somewhat dangerous business, and while BCEI mitigates risks with stringent safety protocols, accidents can still happen.

Legislative risk regarding Colorado is a unique risk to BCEI, as they only operate within the state of Colorado. Legislative and environmental activist pressure could make it much more difficult to develop interests in the region.

Metrics

BCEI has one of the strongest oil production per well size, allowing for significant cost savings. Into Q3 2021, BCEI will be increasing its capital expenditure budget in order to lower its cost per barrel and maintain its high level of reoccurring cash flow.

2021 Comparisons	Current Price	Current Yield	Price-to-Earnings	EV/EBITDA	Price-to-Book
Bonanza Creek (BCEI)	$38.58	4.8%	4.6	2.2	0.8
EOG Resources (EOG)	$69.11	2.7%	8.7	2.3	1.6
Ovintiv (OVV)	$24.79	2.2%	3.9	1.5	1.3
Cimarex Energy (XEC)	$64.61	1.6%	5.8	2.6	2.2
PDC Energy (PDCE)	$40.52	1.3%	6.1	2.4	1.2



Source: NASDAQ

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