

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

FORM 8-K

Current Report

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

Date of Report (Date of earliest event reported): May 2, 2018

SRC Energy Inc.

(Exact name of registrant as specified in its charter)

COLORADO
(State or other jurisdiction of
incorporation or organization)

001-35245
(Commission
File Number)

20-2835920
(I.R.S. Employer
Identification Number)

1675 Broadway, Suite 2600
Denver, Colorado 80202

Registrant's telephone number, including area code: (720) 616-4300

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On May 2, 2018, SRC Energy Inc. issued a press release describing operating and financial results for the quarter ended March 31, 2018 and certain related information. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Current Report on Form 8-K, including the exhibit hereto, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release of SRC Energy Inc., dated May 2, 2018

SIGNATURE

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

Date: May 2, 2018

SRC Energy Inc.

By: /s/ James P. Henderson
James P. Henderson
Chief Financial Officer

EXHIBIT INDEX

Exhibit No. Description

[99.1](#) Press Release of SRC Energy Inc., dated May 2, 2018



May 2, 2018

SRC Energy Inc. Reports First Quarter 2018 Financial and Operating Results; Announces Amended and Restated Credit Agreement with an Increased Borrowing Base

Denver--(GlobeNewswire - 5/2/2018) -- SRC Energy Inc. (NYSE American: SRCI) ("SRC", the "Company", "we", "us" or "our"), a U.S. oil and gas exploration and production company with operations focused on the Wattenberg Field in the Denver-Julesburg Basin, reports its financial and operating results for the three months ended March 31, 2018 and announces an amended and restated credit agreement with an increase to its borrowing base.

First Quarter 2018 Highlights

- Revenues were \$147.2 million for the three months ended March 31, 2018
- Net income was \$65.8 million or \$0.27 per diluted share for the three months ended March 31, 2018
- Adjusted EBITDA was \$115.7 million for the three months ended March 31, 2018 (see further discussion regarding the presentation of adjusted EBITDA in "About Non-GAAP Financial Measures" below)
- Drilling and completion capital expenditures of \$111.0 million for the three months ended March 31, 2018 were funded from EBITDA

First Quarter 2018 Financial Results

The following tables present certain per unit metrics that compare results of the corresponding reporting periods:

	Three Months Ended			
	<u><i>Net Volumes</i></u>	3/31/2018	3/31/2017	% Chg.
Crude Oil (MBbls)		2,041	680	200%
Natural Gas Liquids (MBbls)		758	343	121%
Natural Gas (MMcft)		7,719	3,446	124%
Sales Volumes: (MBOE)		4,086	1,597	156%
	<u><i>Average Daily Volumes</i></u>			
Daily Production (BOE/day)		45,397	17,743	156%
	<u><i>Product Price Received</i></u>			
Crude Oil (\$/Bbl)		\$56.01	\$42.50	32%
Natural Gas Liquids (\$/Bbl)		\$19.15	15.94	20%
Natural Gas (\$/Mcf)		\$2.14	\$2.66	(20)%
Average Realized Price (\$/BOE)		\$35.58	\$27.27	30%
	<u><i>Per Unit Cost Information (\$/BOE)</i></u>			
Lease Operating Exp.		\$1.93	\$2.33	(17)%
Production Tax		\$3.29	\$0.92	258%
DD&A Expense		\$9.08	\$8.28	10%
Total G&A Expense		\$2.35	\$5.14	(54)%

Oil, natural gas, and natural gas liquids revenues for the three months ended March 31, 2018 increased 236% compared to the three months ended March 31, 2017. This was due to a 156% increase in sales volumes combined with a 30% improvement in average realized sales price per BOE.

Unit operating costs generally continue to benefit from larger volumes of production from horizontal wells turned to sales during the last twelve months. Production taxes for the three months ended March 31, 2017 were favorably impacted by an adjustment to the Company's assumed ad valorem tax rate.

The Company's 2018 first quarter net income totaled \$65.8 million, or \$0.27 per diluted share, compared to a net income of \$19.9 million, or \$0.10 per diluted share, in the year ago quarter. Adjusted EBITDA in the first quarter of 2018 was \$115.7 million as compared to \$32.5 million in the year ago quarter.

The Company accrued deferred tax expense of \$5.8 million during the first quarter of 2018 as compared to no expense in the same period of 2017. This is primarily a result of expectations for positive three-year cumulative taxable income through 2018. The Company expects an effective tax rate of approximately 8% through the remainder of the year.

Credit Agreement

On April 2, 2018 the Company entered into a new amended and restated credit agreement for its revolving credit facility. Among other provisions, the borrowing base under the credit agreement was increased to \$550 million with aggregate elected commitments of \$450 million. The Company currently has no amounts drawn on the facility.

Operational Status

First Quarter 2018 Operating Activity						
	Lateral Length	# of wells on Pad	WI %	# of Wells Drilled	# of Wells Completed	# of Wells Turned to Sales
Leffler Pad	LL	12	90%			12
Ag Pad	LL	12	89%		12	
Goetzel Pad	LL	12	92%	1	6	
Falken Pad	6 SL, 12 LL	18	95%	4		
Donn Pad	LL	13	88%	8		
Boomerang Pad	12 ML, 4 LL	16	83%	15		
Total wells				28	18	12
<i>SL ~4,500' ML ~7,500' LL ~10,000'</i>						

Conference Call

The Company will host a conference call on Thursday, May 3, 2018 at 11:00 a.m. Eastern time (9:00 a.m. Mountain time) to discuss the results. The call will be conducted by Chairman and CEO Lynn A. Peterson, CFO James Henderson, Chief Development Officer Nick Spence, Chief Operations Officer Mike Eberhard, and Manager of Investor Relations John Richardson. A Q&A session will immediately follow the discussion of the results for the quarter. Please refer to SRC's website at www.srcenergy.com for the most recent corporate presentation and other news and information.

To participate in this call please dial:

Domestic Dial-in Number: (877) 407-9122

International Dial-in Number: (201) 493-6747

Webcast: <https://78449.themediaframe.com/dataconf/productusers/srci/mediaframe/24383/index1.html>

Replay Information:

Conference ID #: 411931

Replay Dial-In (Toll Free US & Canada): 877-660-6853

Replay Dial-In (International): 201-612-7415

Expiration Date: 5/17/18

About SRC Energy Inc.

SRC Energy Inc. is a domestic oil and natural gas exploration and production company. SRC's core area of operations is in the Greater Wattenberg Field of the Denver-Julesburg Basin. The Denver-Julesburg Basin encompasses parts of Colorado, Wyoming, Kansas and Nebraska. The Company's corporate offices are located in Denver, Colorado. More company news and information about SRC is available at www.srcenergy.com.

Important Cautions Regarding Forward Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are forward-looking statements. The use of words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "should", "likely", "guidance" or similar expressions indicates a forward-looking statement. These statements are subject to risks and uncertainties and are based on the beliefs and assumptions of management, and information currently available to management. The actual results could differ materially from a conclusion, forecast or projection in the forward-looking information. Certain material factors or assumptions were applied in drawing a conclusion or making a forecast or projection as reflected in the forward-looking information. The identification in this press release of factors that may affect the Company's future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. Factors that could cause the Company's actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to: the success of the Company's exploration and development efforts; the price of oil and gas; worldwide economic situation; change in interest rates or inflation; willingness and ability of third parties to honor their contractual commitments; the availability of adequate midstream infrastructure, the Company's ability to raise additional capital, as it may be affected by current conditions in the stock market and competition in the oil and gas industry for risk capital; the Company's capital costs, which may be affected by delays or cost overruns; costs of production; environmental and other regulations, as the same presently exist or may later be amended; the Company's ability to identify, finance and integrate any future acquisitions; the volatility of the Company's stock price; and the other factors described in the "Risk Factors" sections of the Company's filings with the Securities and Exchange Commission, all of which are incorporated by reference in this release.

Company Contact:

John Richardson (Investor Relations Manager)

SRC Energy Inc.

Tel 720-616-4308

E-mail: jrichardson@srcenergy.com

Reconciliation of Non-GAAP Financial Measures

We define adjusted EBITDA, a non-GAAP financial measure, as net income adjusted to exclude the impact of the items set forth in the table below. We exclude those items because they can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures, and the method by which the assets were acquired. We believe that adjusted EBITDA is widely used in our industry as a measure of operating performance and may also be used by investors to measure our ability to meet debt covenant requirements. The following table presents a reconciliation of adjusted EBITDA to net income, its nearest GAAP measure:

SRC ENERGY INC.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(unaudited, in thousands)

	Three Months Ended March 31,	
	2018	2017
Adjusted EBITDA:		
Net income	\$ 65,796	\$ 19,880
Depreciation, depletion, and accretion	37,081	13,229
Stock-based compensation	2,796	2,675
Mark-to-market of commodity derivative contracts:		
Total gain on commodity derivatives contracts	5,781	(3,379)
Cash settlements on commodity derivative contracts	(1,555)	81
Interest income, net of interest expense	(9)	(11)
Income tax expense	5,811	—
Adjusted EBITDA	<u>\$ 115,701</u>	<u>\$ 32,475</u>

Condensed Consolidated Financial Statements

Condensed consolidated financial statements are included below. Additional financial information, including footnotes that are considered an integral part of the condensed consolidated financial statements, can be found in SRC's Quarterly Report on Form 10-Q for the period ended March 31, 2018, which is available at www.sec.gov.

SRC ENERGY INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited; in thousands)

<u>ASSETS</u>	March 31, 2018	December 31, 2017
Current assets:		
Cash and cash equivalents	\$ 71,743	\$ 48,772
Other current assets	119,394	111,263
Total current assets	<u>191,137</u>	<u>160,035</u>
Oil and gas properties and other equipment	1,973,109	1,876,576
Goodwill	40,711	40,711
Other assets	2,049	2,242
Total assets	<u>\$ 2,207,006</u>	<u>\$ 2,079,564</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current liabilities	257,154	202,307
Revolving credit facility	—	—
Notes payable, net of issuance costs	538,471	538,186
Asset retirement obligations	25,330	28,376
Other liabilities	8,140	2,261
Total liabilities	<u>829,095</u>	<u>771,130</u>
Shareholders' equity:		
Common stock and paid-in capital	1,478,195	1,474,514
Retained deficit	(100,284)	(166,080)
Total shareholders' equity	<u>1,377,911</u>	<u>1,308,434</u>
Total liabilities and shareholders' equity	<u>\$ 2,207,006</u>	<u>\$ 2,079,564</u>

SRC ENERGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 65,796	\$ 19,880
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, and accretion	37,081	13,229
Provision for deferred taxes	5,811	—
Other, non-cash items	4,561	(1,387)
Changes in operating assets and liabilities	14,432	(2,364)
Net cash provided by operating activities	<u>127,681</u>	<u>29,358</u>
Cash flows from investing activities:		
Acquisitions of oil and gas properties and leaseholds	(1,329)	(25,082)
Capital expenditures for drilling and completion activities	(100,347)	(55,464)
Other capital expenditures	(3,957)	(4,488)
Proceeds from sales of oil and gas properties and other	728	70,689
Net cash used in investing activities	<u>(104,905)</u>	<u>(14,345)</u>
Cash flows from financing activities:		
Equity financing activities	431	(431)
Debt financing activities	(236)	—
Net cash provided by (used in) financing activities	<u>195</u>	<u>(431)</u>
Net increase in cash and equivalents	22,971	14,582
Cash and equivalents at beginning of period	48,772	36,834
Cash and equivalents at end of period	<u>\$ 71,743</u>	<u>\$ 51,416</u>

SRC ENERGY INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except share and per share data)

	Three Months Ended March 31,	
	2018	2017
Oil, natural gas, and NGL revenues	\$ 147,233	\$ 43,790
Expenses:		
Lease operating expenses	7,896	3,722
Transportation and gathering	1,855	250
Production taxes	13,443	1,466
Depreciation, depletion, and accretion	37,081	13,229
Unused commitment charge	—	669
General and administrative	9,600	8,200
Total expenses	69,875	27,536
Operating income	77,358	16,254
Other income (expense):		
Commodity derivatives gain (loss)	(5,781)	3,379
Interest expense, net of amounts capitalized	—	—
Interest income	9	11
Other income	21	236
Total other income (expense)	(5,751)	3,626
Income before income taxes	71,607	19,880
Income tax expense	5,811	—
Net income	\$ 65,796	\$ 19,880
Net income per common share:		
Basic	\$ 0.27	\$ 0.10
Diluted	\$ 0.27	\$ 0.10
Weighted-average shares outstanding:		
Basic	241,751,915	200,707,891
Diluted	243,166,897	201,309,251

Released 5/2/2018