

March 7, 2019



# Rosehill Resources Announces 2018 Reserves and Fourth Quarter 2018 Production

## Expands Acreage Position in Southern Delaware With Farm-In Agreement

HOUSTON, March 07, 2019 (GLOBE NEWSWIRE) -- Rosehill Resources Inc. ("Rosehill" or the "Company") (NASDAQ: ROSE, ROSEW, ROSEU) today announced proved reserves as of December 31, 2018, fourth quarter 2018 average net production, and a farm-in agreement in the Southern Delaware area.

### Highlights

- Increased proved reserves to 48.4 million barrels of crude oil equivalent ("MMBOE") (prepared by Netherland, Sewell & Associates, Inc.) with a PV-10 of \$743 million as of December 31, 2018, up 55% and 102%, respectively, from December 31, 2017 (see the "Non-GAAP Measure" disclosure below for discussion of PV-10)
- Proved reserve additions of 17.2 MMBOE resulted in a reserve replacement ratio of 258% (total of extensions, discoveries, and revisions, divided by production through third quarter 2018 and preliminary fourth quarter 2018 estimate)
- Preliminary average net production of approximately 22,700 barrels of oil equivalent per day ("BOEPD") (73% oil and 87% total liquids) for the fourth quarter of 2018, an increase of 15% compared to the third quarter of 2018; expect capital expenditures for 2018 to fall in-line with the top-end of guidance
- Executed farm-in agreement in Southern Delaware allowing the Company to earn up to approximately 2,200 net acres upon drilling and completing up to seven wells by the end of 2020
- Recent installation of electric submersible pump ("ESP") in Southern Delaware on the Sisters 17 A001 well, increasing production significantly from previous level

"We are very pleased to announce our 2018 year-end proved reserves and preliminary fourth quarter 2018 production, along with other key developments in our Southern Delaware area. Our substantial increase in reserves and PV-10 are the result of the tremendous production accomplishments we made in 2018 and the quality of our assets.

The farm-in agreement is consistent with our growth strategy and demonstrates our enthusiasm for our Southern Delaware area and provides an opportunity to add strategic acreage at an attractive acquisition cost. The agreement will have no impact to our 2019 guidance and capital plan balanced with Adjusted EBITDAX, other than a marginal shift to our 2019 drilling activity. This additional acreage will further block up our Southern Delaware area, allowing for additional extended laterals and enhanced economics from our expanding infrastructure,” stated Gary C. Hanna, Rosehill’s Chairman and Interim President and Chief Executive Officer.

Mr. Hanna continued, “The development of our Southern Delaware area is continuing at a rapid pace, with seven additional wells drilled since early November. Drilling performance has accelerated with our most recent well drilled in approximately 10 days, and the installation of an ESP on the Sisters well is indicating encouraging early results. We are currently in the completion stage for six wells in the Southern Delaware with early ESP installation planned for each well and expect to have initial results early in the second quarter.”

## Reserves

The Company’s proved reserves increased 55% from December 31, 2017 to 48.4 MMBOE at December 31, 2018, consisting of 69% oil, 16% natural gas liquids (“NGLs”) and 15% natural gas.

The PV-10 value increased to \$743 million, up 102% from December 31, 2017, and determined at SEC pricing of \$65.56 per barrel of oil and \$3.10 per million British thermal units (“MMBTU”) of natural gas, prior to adjusting for quality and basis differentials. SEC prices net of differentials were \$56.55 per barrel of oil and \$1.84 per MMBTU. The Company’s additions to proved reserves in 2018 were achieved organically with no additions attributable to purchases. Due to the early development stage of the asset, the Southern Delaware area contributed less than 10% to our proved reserve estimates and PV-10 as of December 31, 2018 and is expected to be a driver of future reserves growth.

The following table outlines the Company’s proved reserves as of December 31, 2018:

Reserve Category	Oil (MBbls)	Gas (MMcf)	NGL (MBbls)	Total (MBoe)	PV-10 (\$ in thousands)
Proved Developed	18,464	26,194	4,477	27,307	555,444
Proved Undeveloped	14,694	18,388	3,298	21,056	187,117
<b>Total Proved</b>	<b>33,158</b>	<b>44,583</b>	<b>7,775</b>	<b>48,363</b>	<b>742,561</b>

Note: PV-10 is a non-GAAP financial measure. See the “Non-GAAP Measures” disclosure below for additional information. Table may not total due to rounding.

## Operational Update

In February the Company installed an ESP on its Sisters 17 A001 well in the Southern Delaware area that was placed on first production in October 2018 without the aid of artificial lift. Shortly after installation of the ESP, the well reached production of 933 BOEPD, 89% oil or 187 BOEPD per 1,000 ft. over a 24-hour period. This level of production, which has

remained consistent, is significantly over the well's production rates prior to installation of the ESP and is encouraging for a well that was placed on first production five months prior. Due to this success, the Company is planning to install ESPs for subsequent wells completed in the Southern Delaware.

The Company's preliminary average net production in the fourth quarter of 2018 was approximately 22,700 BOEPD (73% oil and 87% total liquids). In the fourth quarter, the Company drilled eight wells, completed three wells, and exited the year with eight drilled uncompleted wells.

### **Farm-In Agreement**

The Company recently executed a farm-in agreement in its Southern Delaware area in Pecos County, Texas. The agreement allows for the Company to earn up to approximately 2,200 net acres upon drilling and completing up to seven wells through 2020. The Company will provide a 25% carry of drilling and completion cost for each of the seven wells, along with facilities equipment. The agreement will not result in any change to the Company's 2019 guidance, other than a slight shift in drilling activity.

### **About Rosehill Resources Inc.**

Rosehill Resources Inc. is an oil and gas exploration company with producing assets in Texas and New Mexico with its investment activity focused in the Delaware Basin portion of the Permian Basin. The Company's strategy for growth includes the organic development of its two core acreage areas in the Northern Delaware Basin and the Southern Delaware basin, as well as focused acquisitions in the Delaware Basin.

### **Forward-Looking Statements**

This communication includes certain statements that may constitute "forward-looking statements" for purposes of the federal securities laws. All statements, other than statements of historical fact included in this communication, regarding Rosehill's opportunities in the Delaware Basin, strategy, future operations, financial position, estimated results of operations, future earnings, future capital spending plans, prospects, plans and objectives of management are forward-looking statements. When used in this communication, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project," "guidance," "forecast" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

You should not place undue reliance on these forward-looking statements. Although the Company believes that the plans, intentions and expectations reflected in or suggested by the forward-looking statements in this communication are reasonable, no assurance can be given that these plans, intentions or expectations will be achieved or occur, and actual results could differ materially and adversely from those anticipated or implied by the forward-looking statements. Some factors that could cause actual results to differ include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and completion equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating oil and natural gas reserves and in projecting future rates of production, cash flow and access to capital, the timing of development

expenditures and the other risks and uncertainties discussed under Risk Factors in the Company's Form 10-K, and in other public filings with the Securities and Exchange Commission (the "SEC") by the Company. The Company's SEC filings are available publicly on the SEC's website at [www.sec.gov](http://www.sec.gov). These forward-looking statements are based on management's current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. All forward-looking statements speak only as of the date of this communication. Except as otherwise required by applicable law, the Company disclaims any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this communication.

### **Non-GAAP Measure**

PV-10 is a non-GAAP financial measure and represents the period-end present value of estimated future cash inflows from Rosehill's reserves, less future development and production costs, discounted at 10% per annum to reflect timing of future cash flows and using SEC pricing assumptions in effect at the end of the period. PV-10 differs from standardized measure, the most directly comparable GAAP financial measure, because it does not include the effects of income taxes. Moreover, GAAP does not provide a measure of estimated future net cash flows for reserves other than proved reserves. PV-10 can be used within the industry and by creditors and securities analysts to evaluate estimated net cash flows from reserves on a more comparable basis. At this time, Rosehill is unable to provide a reconciliation of PV-10 to a standardized measure because Rosehill has not yet finalized its calculation of the effects of income taxes for the year ended December 31, 2018. Rosehill expects to include a full reconciliation of PV-10 as of December 31, 2018 to standardized measure in its Form 10-K for the year ended December 31, 2018. Neither PV-10 nor standardized measure represents an estimate of fair market value of Rosehill's oil and natural gas properties. Rosehill and others in the industry use PV-10 as a measure to compare the relative size and value of estimated reserves held by companies without regard to the specific tax characteristics of such entities. The estimates for proved reserves as of December 31, 2018 have been prepared by Netherland, Sewell & Associates, Inc., Rosehill's independent reserve engineers.

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