**Amplify Energy: 4Q 2022 Earnings Script**

**March 10, 2023 / 10am CT**

**Operator**

Welcome to Amplify Energy's Fourth Quarter 2022 Investor Conference Call. Amplify's operating and financial results were released yesterday after market close on March 9, 2023 and are available on Amplify's website at www.amplifyenergy.com. During this conference call, all participants will be in a listen-only mode. Today's call is being recorded. A replay of the call will be accessible until Friday, March 24th by dialing (800) 654-1563 and then entering access code 21021351.

I would now like to turn the conference call over to Eric Willis, Senior Vice President and General Counsel of Amplify Energy Corp…

**Eric Willis**

Good morning and welcome to the Amplify Energy conference call to discuss operating and financial results for the fourth quarter of 2022.

Before we get started, we would like to remind you that some of our remarks may contain forward-looking statements, which reflect management's current views of future events and are subject to various risks, uncertainties, expectations, and assumptions. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct and undertakes no obligation and does not intend to update these forward-looking statements to reflect events or circumstances occurring after this earnings call. Please refer to our press release and SEC filings for a list of factors that may cause actual results to differ materially from those in the forward-looking statements made during this call. In addition, the unaudited financial information that will be highlighted here is derived from our internal financial books, records, and reports. For additional detailed disclosure, we encourage you to read our Form 10-K, that was filed yesterday afternoon.

Also, non-GAAP financial measures may be disclosed during this call. Reconciliations of these measures to comparable GAAP measures may be found in our earnings release or on our website at www.amplifyenergy.com.

***Introduction***

During the call, Martyn Willsher, Amplify's President and Chief Executive Officer, will provide an update regarding our assets in Southern California, fourth quarter financial and operational highlights, and our hedging program and balance sheet. Martyn will conclude our prepared remarks with comments regarding Amplify's 2023 guidance and strategy, and we will then have a question-and-answer session.

**Martyn Willsher**

***Southern California Update***

Thank you, Eric.

Before we get into the quarterly results and our 2023 outlook, I will begin with an update regarding our Southern California assets.

I am pleased to announce that we have safely and successfully completed the scheduled repair operations to remove and replace the sections of pipeline damaged by anchor strikes from two shipping vessels in 2021. Upon completion of the repairs, the pipeline also underwent a series of safety tests and inspections, the results of which are being evaluated by federal regulators. We are currently awaiting regulatory approval to restart production and will update the market when we have additional clarity on timing.

In addition, as we announced last week, Amplify reached a $96.5 million settlement with the vessels and their respective owners and operators, which resolves our affirmative claims related to the pipeline incident. The overall resolution includes subrogation claims by Amplify's property damage and loss of production income, or LOPI, insurers, with Amplify ultimately receiving a net payment of approximately $85 million. The Marine Exchange has agreed to non-monetary terms, as well. The response to the incident, resulting litigation and repair and restart operations have demanded considerable resources and focus from Amplify's employees, management team and Board of Directors. We are eager to move forward from this unfortunate and preventable event and to dedicate all of our attention to safely resuming operations at Beta, our business as a whole and the strategic direction of the Company.

***Fourth Quarter Highlights***

Now on to the quarter…

Production for the fourth quarter of 2022 averaged approximately 20,800 Boepd, a reduction of 1% compared to 21,000 Boepd in the third quarter. The slight quarter-over-quarter decrease was driven by lower production in the Eagle Ford and Oklahoma, partially offset by higher production at Bairoil and in East Texas.

Fourth quarter Adjusted EBITDA was approximately $21.9 million compared to $30.8 million in the prior quarter. The decrease was primarily attributable to lower commodity prices, particularly natural gas and NGL prices, which were further impacted by significant natural gas basis differentials. This impact was partially offset by lower fourth quarter commodity hedge settlement payments and a positive prior period adjustment related to LOPI proceeds.

Capital spending during the fourth quarter was approximately $5.5 million, a decrease of $4.4 million from the third quarter of 2022. The quarter-over-quarter decrease was primarily attributable to a reduction in workover activity in Oklahoma, a decrease in facility capital spend at Beta and reduced development expenditures in the Eagle Ford.

Free Cash Flow, defined as Adjusted EBITDA, less capex and cash interest expense, was $12.3 million in the fourth quarter of 2022.

Despite the substantial impact of the Beta Incident and lack of production from Beta, Amplify reported $93.8 million of Adjusted EBITDA and over $43 million of free cash flow for full-year 2022, which demonstrates our ability to generate substantial and sustainable cash-flow and the benefits of a mature, diversified asset base.

***Operational Update***

Moving on to an update on our operations…

In Oklahoma, production in the fourth quarter averaged 6,600 Boepd, a reduction of 200 Boepd from the prior quarter, resulting primarily from adverse weather conditions, third-party compression issues and natural production declines. Lease operating expenses were higher this quarter compared to the third quarter, primarily due to increased electrical costs from a higher number of wells online. During the fourth quarter, we decided to drop a workover rig from three to two as we continue working through our inventory of offline wells and artificial lift enhancements. In 2023, we believe this less capital-intensive workover program, focused on rod-lift conversions and ESP optimizations, will continue to offset natural production declines and reduce future operating expenses and downtime. Starting in July 2023, we anticipate lower GP&T expense as our NGL minimum volume commitment expires.

At Bairoil, production for the quarter averaged 3,700 Boepd and increased approximately 100 Boepd quarter-over-quarter as a result of improved runtimes. Lease operating expenses increased from the prior quarter resulting from additional facility and workover projects. Going forward we intend to focus on reducing operating costs while targeted well recompletions and conversions will drive further operational improvements and efficiencies.

In East Texas and North Louisiana, production in the fourth quarter averaged 9,500 Boepd, which was 300 Boepd higher than the previous quarter due to revised production volumes from our non-operated properties. We remain committed to efficiently managing production and costs, while pursuing high-return workover projects and participating in accretive joint development projects. The results from prior projects completed during the second quarter continue to exceed expectations, and we intend to participate in similar high-return projects in 2023 and beyond.

In the Eagle Ford, fourth quarter production averaged 1,100 Boepd, compared to 1,400 Boepd in the third quarter, as the result of production declines from new wells brought online earlier in the year. We are currently participating in 11 gross (1.0 net) development projects, including two refracs, which are projected to be online in the second quarter of 2023.

***Hedging***

Now an update on our hedge book…

We continue to realize the benefits from the scheduled roll-off of our hedge book and have the potential to capture additional upside in the current commodity price environment. Currently, our forecasted oil and gas production is hedged approximately 50-60% for 2023 and 5-10% in 2024. Crude oil production is approximately 30-40% hedged for 2023, and we are unhedged for 2024. On the gas side, we are approximately 65-75% hedged for 2023 and 5-15% hedged for 2024.

***Balance Sheet Update***

With regards to our balance sheet …

As of February 28, Amplify had net debt of approximately $167 million, consisting of $185 million outstanding under our revolving credit facility and $18 million of cash on hand. This excludes the $85 million in net proceeds from the Beta settlement which will significantly reduce our leverage profile by nearly 50% to below 1.0x by the end of this month.

Currently the Company is working with new and existing capital providers to explore potential solutions to refinance or replace the revolving credit facility, which matures in May 2024.

***2023 Guidance***

On to guidance. Yesterday we provided operational and financial expectations for full-year 2023.

Our average daily production forecast for the year ranges between 20,000 and 22,000 Boepd, with a commodity mix of approximately 36% oil, 17% NGLs, and 47% natural gas. Our guidance assumes Beta returns to production next month and slowly ramps up to full production over the remainder of 2023.

Amplify's 2023 capital budget is forecasted to be between $30 and $40 million, approximately $15 million of which will be dedicated to one-time costs associated with platform electrification and other emissions reducing projects at Beta. The balance of the capital budget will be committed to joint development projects in East Texas and the Eagle Ford, high-return workover projects, routine facility maintenance across our asset base and facility and well work to restore production at Beta.

Ultimately, we anticipate generating approximately $30 to $50 million of free cash for the year from Adjusted EBITDA of $80 to $100 million.

Additional guidance details were provided in our earnings release and can be found in the latest investor presentation currently available on our website.

***Forward Strategy***

Lastly, as we progress into 2023, we expect to continue enhancing our free cash flow profile through prudent asset management and capital allocation, which will be bolstered by the roll-off of our hedge book and the planned return of production at Beta. Currently, our forecasted 2023-2025 production is expected to decline on average by only 1% annually and generate cumulative free cash flow of approximately $180 million at current strip pricing.

Our improved liquidity and leverage profile, the return of production at Beta and the significant free cash flow from our diversified asset base, provides us with flexibility as we consider our strategic path forward and evaluate potential capital return options. In conjunction with that effort, the management team and Board are working to evaluate strategic opportunities that could further enhance Amplify's shareholder value.

With that, operator, we are now open for questions.

***Q&A***

**Operator**

At this time, if you'd like to ask a question, please press the star and one on your touchtone phone. You may remove yourself from the queue at any time by pressing star two. Once again that is star and one to ask a question. We will pause for a moment to allow questions to queue.

And once again that is star and one if you would like to ask a question.

I'm showing we have no questions in the queue at this time. I will turn it back over to the presenters for any additional or closing remarks.

**Martyn Willsher**

Yes, thank you. As usual at this point, we will respond to some questions that we received from shareholders as well, since the time we released earnings.

We'll start with the Beta restart. Obviously, there's a lot of interest in exactly when we're restarting. At this point, as our guidance suggests, our plan is to come online early in April of 2023. That's been consistent, we're obviously getting very close to that date and we're still increasingly optimistic and believe that's a very viable start date. We have completed everything that we need to do, and right now we're just working with the regulators to get that final sign off.

Secondarily, there's been questions about the free cash flow profile for '23-25 and what the major impacts have been there. That's largely been driven primarily by natural gas and NGL prices. Obviously, the last time we put this out was actually '22-24. I believe it was $235 million. At this time we are estimating more like $180 million which is driven primarily by natural gas and NGL prices. We are also taking a more conservative approach to the ramp up on Beta, and we've increased costs a little bit too, for potential workovers and things of that nature in the short term to make sure that we are allocating enough costs there to get that production back online and fully up to speed, hopefully by the end of the year, which is the ramp up process that we have in place in the guidance forecast that you see. There is a little bit of additional LOE, but with current commodity prices coming down a lot from where we were towards the end of the last year, I think that might actually end up being a little conservative as well. So those are kind of the three main drivers, but natural gas and NGL prices being the primary one.

The third is questions about strategy. For the last 18 months we've been largely reacting to the incident and working through that process, with the recent settlement ending all the litigation that we are directly involved in and the ability to generate free cash flow for us. This returns the potential for strategies like we had previously, which was returning capital to shareholders and utilizing our yield based assets to continue that program going forward. Before we can do that, we do need to refinance the existing RBL. So we haven't come forward with any direct plans yet but those are the kinds of strategies that we're considering in the near term. Obviously, we are always considering what to do with the portfolio. Whether there's strategic decisions like divesting a certain asset or multiple assets, and just to be clear, we're not part of any acquisition processes at this time either. So this is really where we pivot from where we've been reacting to what happened at Beta to getting Beta back online, refinancing the credit facility, and really deciding how we move forward from there, especially in returning capital and basically assessing the portfolio and what best to do with that.

At this time, I think that's all the questions that we had from shareholders.

**Martyn Willsher**

***Post Q&A Wrap-Up***

In closing, I'd just like to express my appreciation to the company's employees for their outstanding efforts and dedication, particularly over the last 18 months. We are really excited to put the Beta incident behind us at this point and actively pursue our go forward strategy as I’ve laid out.

I’d like to thank everyone for participating in the call today. As always if there are any questions, please do not hesitate to reach out. Thank you.