

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2017-05-11** | Period of Report: **2017-03-31**
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FILER

Alta Mesa Holdings, LP

CIK: **1518403** | IRS No.: **203565150** | State of Incorporation: **TX** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **333-173751** | Film No.: **17835189**
SIC: **1311** Crude petroleum & natural gas

Mailing Address
15021 KATY FREEWAY
SUITE 400
HOUSTON TX 77094

Business Address
15021 KATY FREEWAY
SUITE 400
HOUSTON TX 77094
281-530-0991

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2017

FOR

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 333-173751

ALTA MESA HOLDINGS, LP

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

20-3565150
(I.R.S. Employer
Identification No.)

15021 Katy Freeway, Suite 400,
Houston, Texas
(Address of principal executive offices)

77094
(Zip Code)

Registrant's telephone number, including area code: 281-530-0991

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

(Explanatory Note: The registrant is a voluntary filer and is not subject to the filing requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934. However, the registrant 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 would have been required to file such reports) as if it were subject to such filing requirements.)

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 definition 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 (Do not check if smaller reporting company)

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

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PART I — FINANCIAL INFORMATION**ITEM 1. Financial Statements****ALTA MESA HOLDINGS, LP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)**

| | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|--|---------------------------------|------------------------------------|
| | (in thousands) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 5,376 | \$ 7,185 |
| Short-term restricted cash | 589 | 433 |
| Accounts receivable, net of allowance of \$895 and \$889, respectively | 42,985 | 37,611 |
| Other receivables | 567 | 8,061 |
| Receivables due from affiliate | 869 | 8,883 |
| Prepaid expenses and other current assets | 13,212 | 3,986 |
| Derivative financial instruments | 3,896 | 83 |
| Total current assets | <u>67,494</u> | <u>66,242</u> |
| PROPERTY AND EQUIPMENT | | |
| Oil and natural gas properties, successful efforts method, net | 764,772 | 712,162 |
| Other property and equipment, net | 9,760 | 9,731 |
| Total property and equipment, net | <u>774,532</u> | <u>721,893</u> |
| OTHER ASSETS | | |
| Investment in LLC — cost | 9,000 | 9,000 |
| Deferred financing costs, net | 2,422 | 3,029 |
| Notes receivable due from affiliate | 10,187 | 9,987 |
| Deposits and other long-term assets | 3,292 | 2,977 |
| Derivative financial instruments | 7,173 | 723 |
| Total other assets | <u>32,074</u> | <u>25,716</u> |
| TOTAL ASSETS | <u>\$ 874,100</u> | <u>\$ 813,851</u> |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 115,196 | \$ 84,234 |
| Advances from non-operators | 3,741 | 4,058 |
| Advances from related party | 12,737 | 42,528 |
| Asset retirement obligations | 1,383 | 376 |
| Derivative financial instruments | 3,740 | 21,207 |
| Total current liabilities | <u>136,797</u> | <u>152,403</u> |
| LONG-TERM LIABILITIES | | |
| Asset retirement obligations, net of current portion | 60,988 | 61,128 |
| Long-term debt, net | 585,261 | 529,905 |
| Notes payable to founder | 27,255 | 26,957 |
| Derivative financial instruments | — | 4,482 |
| Other long-term liabilities | 6,778 | 6,870 |
| Total long-term liabilities | <u>680,282</u> | <u>629,342</u> |
| TOTAL LIABILITIES | 817,079 | 781,745 |
| Commitments and Contingencies (Note 10) | | |
| PARTNERS' CAPITAL | <u>57,021</u> | <u>32,106</u> |
| TOTAL LIABILITIES AND PARTNERS' CAPITAL | <u>\$ 874,100</u> | <u>\$ 813,851</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ALTA MESA HOLDINGS, LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended | |
|---|--------------------|--------------------|
| | March 31, | |
| | 2017 | 2016 |
| | (in thousands) | |
| OPERATING REVENUES AND OTHER | | |
| Oil | \$ 59,345 | \$ 31,244 |
| Natural gas | 12,685 | 4,691 |
| Natural gas liquids | 7,619 | 2,105 |
| Other revenues | 116 | 127 |
| Total operating revenues | <u>79,765</u> | <u>38,167</u> |
| Gain on sale of assets | — | 2,648 |
| Gain on derivative contracts | 30,242 | 10,815 |
| Total operating revenues and other | <u>110,007</u> | <u>51,630</u> |
| OPERATING EXPENSES | | |
| Lease and plant operating expense | 17,736 | 17,125 |
| Marketing and transportation expense | 6,043 | 1,415 |
| Production and ad valorem taxes | 3,068 | 2,395 |
| Workover expense | 1,383 | 1,397 |
| Exploration expense | 8,142 | 3,286 |
| Depreciation, depletion, and amortization expense | 24,804 | 21,493 |
| Impairment expense | 1,220 | 1,764 |
| Accretion expense | 572 | 539 |
| General and administrative expense | 9,748 | 10,183 |
| Total operating expenses | <u>72,716</u> | <u>59,597</u> |
| INCOME (LOSS) FROM OPERATIONS | <u>37,291</u> | <u>(7,967)</u> |
| OTHER INCOME (EXPENSE) | | |
| Interest expense | (12,340) | (16,395) |
| Interest income | 249 | 206 |
| Total other income (expense) | <u>(12,091)</u> | <u>(16,189)</u> |
| INCOME (LOSS) BEFORE STATE INCOME TAXES | <u>25,200</u> | <u>(24,156)</u> |
| Provision for state income taxes | 285 | 1 |
| NET INCOME (LOSS) | <u>\$ 24,915</u> | <u>\$ (24,157)</u> |

The accompanying notes are an integral part of these consolidated financial statements.

ALTA MESA HOLDINGS, LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended | |
|--|--------------------|-------------|
| | March 31, | |
| | 2017 | 2016 |
| | (in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | \$ 24,915 | \$ (24,157) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation, depletion, and amortization expense | 24,804 | 21,493 |
| Impairment expense | 1,220 | 1,764 |
| Accretion expense | 572 | 539 |
| Amortization of deferred financing costs | 962 | 934 |
| Amortization of debt discount | — | 127 |
| Dry hole expense | — | 212 |
| Expired leases | 3,333 | 1,166 |
| Gain on derivative contracts | (30,242) | (10,815) |
| Settlements of derivative contracts | (1,970) | 25,228 |
| Interest converted into debt | 298 | 298 |
| Interest on notes receivable due from affiliate | (200) | (188) |
| Gain on sale of assets | — | (2,648) |
| Changes in assets and liabilities: | | |
| Restricted cash | (156) | (141,935) |
| Accounts receivable | (5,374) | 2,890 |
| Other receivables | 7,494 | 8,448 |
| Receivables due from affiliate | 139 | (1,464) |
| Prepaid expenses and other non-current assets | (9,543) | 845 |
| Advances from related party | (29,791) | — |
| Settlement of asset retirement obligation | (2,394) | (191) |
| Accounts payable, accrued liabilities, and other liabilities | 11,837 | 15,669 |
| NET CASH USED IN OPERATING ACTIVITIES | (4,096) | (101,785) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Capital expenditures for property and equipment | (60,589) | (44,435) |
| NET CASH USED IN INVESTING ACTIVITIES | (60,589) | (44,435) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from long-term debt | 55,065 | 141,935 |
| Additions to deferred financing costs | (64) | (799) |
| Capital contributions | 7,875 | — |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 62,876 | 141,136 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (1,809) | (5,084) |
| CASH AND CASH EQUIVALENTS, beginning of period | 7,185 | 8,869 |
| CASH AND CASH EQUIVALENTS, end of period | \$ 5,376 | \$ 3,785 |

The accompanying notes are an integral part of these consolidated financial statements.

ALTA MESA HOLDINGS, LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

Alta Mesa Holdings, LP and its subsidiaries (“we,” “us,” “our,” the “Company,” and “Alta Mesa”) is an independent exploration and production company engaged primarily in the acquisition, exploration, development, and production of oil and natural gas properties. Our principal area of operation is in the eastern portion of the Anadarko Basin referred to as the STACK. The STACK is an acronym describing both its location – Sooner Trend Anadarko Basin Canadian and Kingfisher County – and the multiple, stacked productive formations present in the area. Our operations also include other oil and natural gas interests in Texas, Louisiana and Florida.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We have provided a discussion of significant accounting policies in Note 2 in our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Annual Report”). As of March 31, 2017, our significant accounting policies are consistent with those discussed in Note 2 in the 2016 Annual Report.

Principles of Consolidation and Reporting

The consolidated financial statements reflect our accounts after elimination of all significant intercompany transactions and balances. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual consolidated financial statements for the year ended December 31, 2016, which were filed with the Securities and Exchange Commission in our 2016 Annual Report.

The consolidated financial statements included herein as of March 31, 2017, and for the three months ended March 31, 2017 and 2016, are unaudited, and in the opinion of management, the information furnished reflects all material adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of consolidated financial position and of the results of operations for the interim periods presented. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain reclassifications of prior period consolidated financial statements have been made to conform to current reporting practices. The consolidated results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Reserve estimates significantly impact depreciation, depletion and amortization expense and potential impairments of oil and natural gas properties and are subject to change based on changes in oil and natural gas prices and trends and changes in estimated reserve quantities. We analyze estimates, including those related to oil and natural gas reserves, oil and natural gas revenues, the value of oil and natural gas properties, bad debts, asset retirement obligations, derivative contracts, state taxes, and contingencies and litigation. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The update provides guidance concerning the recognition, measurement and disclosure of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening

balance sheet. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”). ASU 2015-14 deferred the effective date of the new revenue standard by one year, making it effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has not yet selected a transition method and is currently assessing the impact on the consolidated financial statements. The Company is continuing to evaluate the provisions of this ASU as it relates to certain sales contracts and in particular as it relates to disclosure requirements.

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In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes ASC 840 "Leases" and creates a new topic, ASC 842 "Leases." The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The amendments are effective for interim and annual reporting periods beginning after December 15, 2018. The Company enters into lease agreements to support its operations. These agreements are for leases on assets such as office space, vehicles, field services and equipment. The Company continues to evaluate the impacts of the amendments to our financial statements and accounting practices for leases. We anticipate adoption of ASU 2016-02 effective January 1, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in how certain transactions are classified in the statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The adoption of this guidance will not impact the Company's financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires an entity to explain the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents on the statements of cash flows and to provide a reconciliation of the totals in that statement to the related captions in the balance sheet when the cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item on the balance sheet. This ASU is effective for annual and interim periods beginning after December 15, 2017, and is required to be adopted using a retrospective approach, with early adoption permitted. The adoption of this guidance will not impact the Company's financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires entities to use a screen test to determine when an integrated set of assets and activities is not a business or if the integrated set of assets and activities needs to be further evaluated against the framework. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, cash flows and results of operations.

3. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures and non-cash investing and financing activities are presented below:

| | Three Months Ended March 31, | |
|--|------------------------------|----------|
| | 2017 | 2016 |
| | (in thousands) | |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 1,162 | \$ 3,960 |
| Cash paid for state income taxes | — | 1 |
| Non-cash investing and financing activities: | | |
| Change in asset retirement obligations | 296 | 322 |
| Change in accruals or liabilities for capital expenditures | 21,111 | (3,340) |

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following **(unaudited)**:

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in thousands) | |
| OIL AND NATURAL GAS PROPERTIES | | |
| Unproved properties | \$ 111,035 | \$ 116,311 |
| Accumulated impairment of unproved properties | (70) | (65) |
| Unproved properties, net | 110,965 | 116,246 |
| Proved oil and natural gas properties | 1,694,486 | 1,611,249 |
| Accumulated depreciation, depletion, amortization and impairment | (1,040,679) | (1,015,333) |
| Proved oil and natural gas properties, net | 653,807 | 595,916 |
| TOTAL OIL AND NATURAL GAS PROPERTIES, net | 764,772 | 712,162 |
| OTHER PROPERTY AND EQUIPMENT | | |
| Land | 5,172 | 4,730 |
| Office furniture and equipment, vehicles | 19,706 | 19,446 |
| Accumulated depreciation | (15,118) | (14,445) |
| OTHER PROPERTY AND EQUIPMENT, net | 9,760 | 9,731 |
| TOTAL PROPERTY AND EQUIPMENT, net | \$ 774,532 | \$ 721,893 |

5. FAIR VALUE DISCLOSURES

The Company follows ASC 820, “Fair Value Measurements and Disclosures.” ASC 820 provides a hierarchy of fair value measurements, based on the inputs to the fair value estimation process. It requires disclosure of fair values classified according to defined “levels,” which are based on the reliability of the evidence used to determine fair value, with Level 1 being the most reliable and Level 3 the least reliable. Level 1 evidence consists of observable inputs, such as quoted prices in an active market. Level 2 inputs typically correlate the fair value of the asset or liability to a similar, but not identical item which is actively traded. Level 3 inputs include at least some unobservable inputs, such as valuation models developed using the best information available in the circumstances.

The fair value of cash, accounts receivable, other current assets, and current liabilities approximate book value due to their short-term nature. The estimate of fair value of long-term debt under our senior secured revolving credit facility is not considered to be materially different from carrying value due to market rates of interest. The fair value of the notes payable to our founder is not practicable to determine because the transactions cannot be assumed to have been consummated at arm’s length, the terms are not deemed to be market terms, there are no quoted values available for this instrument, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Our senior notes are carried at historical cost and we estimate the fair value of the senior notes for disclosure purposes. We have estimated the fair value of our \$500 million senior notes payable to be \$511.3 million at March 31, 2017. This estimation is based on the most recent trading values of the senior notes at or near the reporting dates, which is a Level 1 determination. See Note 8 for information on long-term debt.

We utilize the modified Black-Scholes and the Turnbull Wakeman option pricing models to estimate the fair values of oil, natural gas and natural gas liquids derivative contracts. Inputs to these models include observable inputs from the New York Mercantile Exchange (“NYMEX”) for futures contracts, and inputs derived from NYMEX observable inputs, such as implied volatility of oil, natural gas and natural gas liquids prices. We have classified the fair values of all our oil and natural gas derivative contracts as Level 2.

Oil and natural gas properties are subject to impairment testing and potential impairment write down. Oil and natural gas properties with a carrying amount of \$3.4 million were written down to their fair value of \$2.2 million, resulting in an impairment charge of \$1.2 million for the three months ended March 31, 2017. For the three months ended March 31, 2016, oil and natural gas properties with a carrying amount of \$3.3 million were written down to their fair value of \$1.5 million, resulting in an impairment charge of \$1.8 million. Significant Level 3 assumptions used in the calculation of estimated discounted cash flows in the impairment analysis included our estimate of future oil and

natural gas prices, production costs, development expenditures, estimated timing of production of proved reserves, appropriate risk-adjusted discount rates, and other relevant data.

New additions to asset retirement obligations result from estimations for new properties, and fair values for them are categorized as Level 3. Such estimations are based on present value techniques that utilize company-specific information for such inputs as cost and

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timing of plugging and abandonment of wells and facilities. We recorded \$0.3 million and \$0.3 million in additions to asset retirement obligations measured at fair value during the three months ended March 31, 2017 and 2016, respectively.

The following table presents information about our financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016, and indicates the fair value hierarchy of the valuation techniques we utilized to determine such fair value **(unaudited)**:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------------|----------------|----------------|----------------|--------------|
| | (in thousands) | | | |
| At March 31, 2017: | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$ 28,064 | — | \$ 28,064 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$ 20,735 | — | \$ 20,735 |
| At December 31, 2016: | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$ 15,773 | — | \$ 15,773 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$ 40,656 | — | \$ 40,656 |

The amounts above are presented on a gross basis. Presentation on our consolidated balance sheets utilizes netting of assets and liabilities with the same counterparty where master netting agreements are in place. For additional information on derivative contracts, see Note 6.

6. DERIVATIVE FINANCIAL INSTRUMENTS

We account for our derivative contracts under the provisions of ASC 815, “Derivatives and Hedging.” We have entered into forward-swap contracts and collar contracts to reduce our exposure to price risk in the spot market for oil, natural gas and natural gas liquids. From time to time, we also utilize financial basis swap contracts, which address the price differential between market-wide benchmark prices and other benchmark pricing referenced in certain of our oil, natural gas and natural gas liquids sales contracts. Substantially all of our hedging agreements are executed by affiliates of our lenders under the senior secured revolving credit facility described in Note 8, and are collateralized by the security interests of the respective affiliated lenders in certain of our assets under the senior secured revolving credit facility. The contracts settle monthly and are scheduled to coincide with oil production equivalent to barrels (Bbl) per month, gas production equivalent to volumes in millions of British thermal units (MMBtu) per month, and natural gas liquids production to volumes in gallons (Gal) per month. The contracts represent agreements between us and the counterparties to exchange cash based on a designated price, or in the case of financial basis hedging contracts, based on a designated price differential between various benchmark prices. Cash settlement occurs monthly. No derivative contracts have been entered into for trading purposes.

From time to time, we enter into interest rate swap agreements with financial institutions to mitigate the risk of loss due to changes in interest rates.

We have not designated any of our derivative contracts as fair value or cash flow hedges. Accordingly, we use mark-to-market accounting, recognizing changes in the fair value of derivative contracts in the consolidated statements of operations at each reporting date.

Derivative contracts are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets. This netting can cause derivative assets to be ultimately presented in a liability account on the consolidated balance sheets. Likewise, derivative liabilities could be presented in a derivative asset account.

The following table summarizes the fair value and classification of our derivative instruments, none of which have been designated as hedging instruments under ASC 815:

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Fair Values of Derivative Contracts (unaudited):

| March 31, 2017 | | | |
|--|---|---|--|
| <u>Balance sheet location</u> | <u>Gross Fair Value of Assets</u> | <u>Gross amounts offset against assets in the Balance Sheet</u> | <u>Net Fair Value of Assets presented in the Balance Sheet</u> |
| (in thousands) | | | |
| Derivative financial instruments, current assets | \$ 10,166 | \$ (6,270) | \$ 3,896 |
| Derivative financial instruments, long-term assets | 17,898 | (10,725) | 7,173 |
| Total | <u>\$ 28,064</u> | <u>\$ (16,995)</u> | <u>\$ 11,069</u> |

| <u>Balance sheet location</u> | <u>Gross Fair Value of Liabilities</u> | <u>Gross amounts offset against liabilities in the Balance Sheet</u> | <u>Net Fair Value of Liabilities presented in the Balance Sheet</u> |
|---|--|--|---|
| (in thousands) | | | |
| Derivative financial instruments, current liabilities | \$ 10,010 | \$ (6,270) | \$ 3,740 |
| Derivative financial instruments, long-term liabilities | 10,725 | (10,725) | — |
| Total | <u>\$ 20,735</u> | <u>\$ (16,995)</u> | <u>\$ 3,740</u> |

| December 31, 2016 | | | |
|--|---|---|--|
| <u>Balance sheet location</u> | <u>Gross Fair Value of Assets</u> | <u>Gross amounts offset against assets in the Balance Sheet</u> | <u>Net Fair Value of Assets presented in the Balance Sheet</u> |
| (in thousands) | | | |
| Derivative financial instruments, current assets | \$ 3,296 | \$ (3,213) | \$ 83 |
| Derivative financial instruments, long-term assets | 12,477 | (11,754) | 723 |
| Total | <u>\$ 15,773</u> | <u>\$ (14,967)</u> | <u>\$ 806</u> |

| <u>Balance sheet location</u> | <u>Gross Fair Value of Liabilities</u> | <u>Gross amounts offset against liabilities in the Balance Sheet</u> | <u>Net Fair Value of Liabilities presented in the Balance Sheet</u> |
|---|--|--|---|
| (in thousands) | | | |
| Derivative financial instruments, current liabilities | \$ 24,420 | \$ (3,213) | \$ 21,207 |
| Derivative financial instruments, long-term liabilities | 16,236 | (11,754) | 4,482 |
| Total | <u>\$ 40,656</u> | <u>\$ (14,967)</u> | <u>\$ 25,689</u> |

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The following table summarizes the effect of our derivative instruments in the consolidated statements of operations (unaudited):

| Derivatives not designated as hedging instruments under ASC 815 | Three Months Ended March 31, | |
|---|---------------------------------|------------------|
| | 2017 | 2016 |
| | (in thousands) | |
| <i>Gain (loss) on derivative contracts</i> | | |
| Oil commodity contracts | \$ 26,085 | \$ 8,146 |
| Natural gas commodity contracts | 3,899 | 2,814 |
| Natural gas liquids commodity contracts | 258 | (145) |
| Total gain on derivative contracts | <u>\$ 30,242</u> | <u>\$ 10,815</u> |

Although our counterparties provide no collateral, the master derivative agreements with each counterparty effectively allow us, so long as we are not a defaulting party, after a default or the occurrence of a termination event, to set-off an unpaid hedging agreement receivable against the interest of the counterparty in any outstanding balance under the senior secured revolving credit facility.

If a counterparty were to default in payment of an obligation under the master derivative agreements, we could be exposed to commodity price fluctuations, and the protection intended by the hedge could be lost. The value of our derivative financial instruments would be impacted.

We had the following open derivative contracts for crude oil at March 31, 2017 (unaudited):

OIL DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Bbls | Weighted Average | Range | |
|-----------------------------|-------------------|---------------------|----------|----------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | 1,710,500 | \$ 50.31 | \$ 57.25 | \$ 45.00 |
| Collar Contracts | | | | |
| Long Call Options | 137,500 | 85.00 | 85.00 | 85.00 |
| Short Call Options | 1,535,000 | 60.46 | 85.00 | 54.40 |
| Long Put Options | 1,122,500 | 48.35 | 50.00 | 47.00 |
| Short Put Options | 1,122,500 | 37.12 | 40.00 | 35.00 |
| 2018 | | | | |
| Price Swap Contracts | 547,500 | 57.22 | 57.25 | 57.20 |
| Collar Contracts | | | | |
| Long Call Options | 365,000 | 54.00 | 54.00 | 54.00 |
| Short Call Options | 2,190,000 | 60.87 | 62.00 | 60.50 |
| Long Put Options | 1,825,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 2,190,000 | 40.26 | 42.00 | 40.00 |
| 2019 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 1,241,000 | 62.90 | 63.00 | 62.75 |
| Long Put Options | 1,241,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 1,241,000 | 37.50 | 37.50 | 37.50 |

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We had the following open derivative contracts for natural gas at March 31, 2017 **(unaudited)**:

NATURAL GAS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in MMBtu | Weighted Average | Range | |
|-----------------------------|--------------------|---------------------|---------|---------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | 1,070,000 | \$ 3.40 | \$ 3.40 | \$ 3.40 |
| Collar Contracts | | | | |
| Short Call Options | 8,620,000 | 3.62 | 3.80 | 3.25 |
| Long Put Options | 7,700,000 | 3.11 | 3.30 | 3.00 |
| Long Call Options | 920,000 | 2.95 | 2.95 | 2.95 |
| Short Put Options | 8,620,000 | 2.57 | 2.70 | 2.50 |
| 2018 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 6,132,000 | 5.34 | 5.53 | 4.00 |
| Long Put Options | 5,475,000 | 4.50 | 4.50 | 4.50 |
| Short Put Options | 5,475,000 | 4.00 | 4.00 | 4.00 |

In those instances where contracts are identical as to time period, volume and strike price, and counterparty, but opposite as to direction (long and short), the volumes and average prices have been netted in the two tables above. Prices stated in the table above for oil may settle against either the NYMEX or Brent ICE indices or may reflect a mix of positions settling on various of these benchmarks.

We had the following open derivative contracts for natural gas liquids at March 31, 2017 **(unaudited)**:

NATURAL GAS LIQUIDS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Gal | Weighted Average | Range | |
|-----------------------------|------------------|---------------------|---------|---------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | | | | |
| Short Price Swaps | 4,237,800 | \$ 0.46 | \$ 0.47 | \$ 0.45 |

We had the following open financial basis swap contracts for natural gas March 31, 2017 **(unaudited)**:

BASIS SWAP DERIVATIVE CONTRACTS

| Volume in MMBtu (1) | Reference Price 1 | Reference Price 2 | Period | | Weighted Average Spread (\$ per MMBtu) |
|---------------------|-------------------------|-------------------|---------|-----------|--|
| 9,320,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Apr'17 | — Dec '17 | \$ (0.26) |
| 5,910,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Jan '18 | — Oct '18 | (0.27) |

(1)Represents short swaps that fix the basis differentials between Tex/OKL Panhandle Eastern Pipeline (“PEPL”) INSIDE FERC (“IFERC”) and NYMEX Henry Hub.

[Table of Contents](#)**7. ASSET RETIREMENT OBLIGATIONS**

A summary of the changes in asset retirement obligations is included in the table below **(unaudited)**:

| | Three Months Ended March 31, 2017 |
|--|--|
| | (in thousands) |
| Balance, beginning of year | \$ 61,504 |
| Liabilities incurred | 296 |
| Liabilities settled | (2,394) |
| Liabilities transferred in sales of properties | — |
| Revisions to estimates | 2,393 |
| Accretion expense | 572 |
| Balance, March 31, 2017 | <u>62,371</u> |
| Less: Current portion | 1,383 |
| Long-term portion | <u>\$ 60,988</u> |

8. LONG-TERM DEBT, NET AND NOTES PAYABLE TO FOUNDER

Long-term debt, net and notes payable to founder consists of the following **(unaudited)**:

| | March 31, 2017 | December 31, 2016 |
|--|---------------------------|------------------------------|
| | (in thousands) | |
| Senior secured revolving credit facility | \$ 95,687 | \$ 40,622 |
| 7.875% senior unsecured notes due 2024 | 500,000 | 500,000 |
| Unamortized deferred financing costs | (10,426) | (10,717) |
| Total long-term debt, net | <u>\$ 585,261</u> | <u>\$ 529,905</u> |
| Notes payable to founder | <u>\$ 27,255</u> | <u>\$ 26,957</u> |

Senior Secured Revolving Credit Facility. In November 2016, we entered into the Seventh Amended and Restated Credit Agreement (as amended, the “credit facility”) with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of banks. As of March 31, 2017, we had \$95.7 million outstanding with \$184.2 million of available borrowing capacity under the credit facility. The borrowing base is currently \$287.5 million and the principal amount is payable on the maturity date of November 10, 2020. The credit facility borrowing base is redetermined semi-annually in May and November of each year. The credit facility is secured by substantially all of our oil and natural gas properties and is based on our proved reserves and the value attributed to those reserves. We have a choice of borrowing in Eurodollars or at the “Reference Rate,” which is based on the prime rate of Wells Fargo Bank, National Association. The credit facility bears interest at the London Interbank Offered Rate (“LIBOR”) plus applicable margins ranging from 2.75% and 3.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing based utilized, and ranging from 3.00% to 4.00% if our leverage ratio exceeds 3.25 to 1.00. The reference rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank’s reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 1%, plus a margin ranging from 1.75% to 2.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing base utilized, and ranging from 2.00% to 3.00% if our leverage ratio exceeds 3.25 to 1.00. The weighted average and effective interest rate on outstanding borrowings was 4.48% as of March 31, 2017 and 4.00% as of December 31, 2016. The letters of credit outstanding as of March 31, 2017 and December 31, 2016 were approximately \$7.6 million.

The credit facility contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, sell assets, guaranty or make loans to others, make investments, enter into mergers, make certain payments and distributions, enter into or be party to hedge agreements, amend our organizational documents, incur liens and engage in certain other transactions without the prior consent of the lenders. The credit facility permits us to make distributions in any fiscal quarter so long as (i) the amount of distributions made in such fiscal quarter does not exceed our excess cash flow from the immediately preceding fiscal quarter, (ii) no event of default exists, before and after giving effect to such distribution, (iii) our pro forma leverage ratio is less than 3.00 to 1.00 and (iv) before and

after giving effect to such distribution the unused commitment amounts available under the credit facility are at least 20% of the commitments in effect.

The credit facility also requires us to maintain a current ratio (as defined in the credit facility), of consolidated current assets (including unused borrowing base committed capacity and with exclusions as described in the credit facility) to consolidated current liabilities of no less than 1.0 to 1.0 as of the last day of any fiscal quarter and leverage ratio of our consolidated debt (other than obligations under hedge agreements and founder notes) as of the end of such fiscal quarter to our consolidated earnings before interest,

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taxes, depreciation, depletion, amortization and exploration expenses (“EBITDAX”) over the four quarter period then ended (but annualized for the fiscal quarters ending December 31, 2016, March 31, 2017, and June 30, 2017) of not greater than 4.0 to 1.0.

As of March 31, 2017, we were in compliance with all financial covenants of the credit facility.

Senior Unsecured Notes. We have \$500 million in aggregate principal amount of 7.875% senior unsecured notes (“2024 Notes”) due December 15, 2024 which were issued at par by the Company and our wholly owned subsidiary Alta Mesa Finance Services Corp. (collectively, the “Issuers”) during the fourth quarter of 2016. Interest is payable semi-annually on June 15 and December 15 of each year, beginning June 15, 2017. At any time prior to December 15, 2019, we may, from time to time, redeem up to 35% of the aggregate principal amount of the 2024 Notes in an amount of cash not greater than the net cash proceeds from certain equity offerings at the redemption price of 107.875% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, if at least 65% of the aggregate principal amount of the 2024 Notes remains outstanding after such redemption and the redemption occurs within 120 days of the closing date of such equity offering. At any time prior to December 15, 2019, we may, on any one or more occasions, redeem all or part of the 2024 Notes for cash at a redemption price equal to 100% of their principal amount of the 2024 Notes redeemed plus an applicable make-whole premium and accrued and unpaid interest, if any, to the date of redemption. Upon the occurrence of certain kinds of change of control, each holder of the 2024 Notes may require us to repurchase all or a portion of the 2024 Notes for cash at a price equal to 101% of the aggregate principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to the date of repurchase. On and after December 15, 2019, we may redeem the 2024 Notes, in whole or in part, at redemption prices (expressed as percentages of principal amount) equal to 105.906% for the twelve-month period beginning on December 15, 2019, 103.938% for the twelve-month period beginning on December 15, 2020, 101.969% for the twelve-month period beginning on December 15, 2021 and 100.000% beginning on December 15, 2022, plus accrued and unpaid interest, if any, to the date of redemption.

The 2024 Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of our material subsidiaries, subject to certain customary release provisions. Accordingly, they will rank equal in right of payment to all of our existing and future senior indebtedness; senior in right of payment to all of our existing and future indebtedness that is expressly subordinated to the 2024 Notes or the respective guarantees; effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including amounts outstanding under our credit facility; and structurally subordinated to all existing and future indebtedness and obligations of any of our subsidiaries that do not guarantee the 2024 Notes.

The 2024 Notes contain certain covenants limiting the Issuers’ ability and the ability of the Restricted Subsidiaries (as defined in the indenture) to, under certain circumstances, prepay subordinated indebtedness, pay distributions, redeem stock or make certain restricted investments; incur indebtedness; create liens on the Issuers’ assets to secure debt; restrict dividends, distributions or other payments; enter into transactions with affiliates; designate subsidiaries as unrestricted subsidiaries; sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries; effect a consolidation or merger; and change our line of business.

Under the terms of the indenture for the 2024 Notes, if we experience certain specific change of control events, unless the Issuers have previously or concurrently exercised their right to redeem all of the senior notes under the optional redemption provision, such holder has the right to require us to purchase such holder’s senior notes at 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

The indenture governing the 2024 Notes includes covenants requiring us to maintain certain financial covenants including a current ratio and leverage ratio. As of March 31, 2017, we were in compliance with all financial covenants of the 2024 Notes.

Notes Payable to Founder. We have notes payable to our founder (“Founder Notes”) that bear simple interest at 10% with a balance of \$27.3 million and \$27.0 million at March 31, 2017 and December 31, 2016, respectively. The maturity date was extended on March 25, 2014 from December 31, 2018 to December 31, 2021. Interest and principal are payable at maturity. Our founder shall convert the notes into shares of common stock of our Class B partner, High Mesa, Inc. (“High Mesa”), upon certain conditions in the event of an initial public offering of High Mesa.

These Founder Notes are unsecured and subordinate to all debt. In connection with the March 25, 2014 recapitalization of our Class B partner described in Note 12, the Founder Notes were amended and restated to

subordinate them to the paid in kind (“PIK”) notes of our Class B partner. The Founder Notes were also subordinated to the rights of the holders of Class B units to receive distributions under our partnership agreement and subordinated to the rights of the holders of Series B preferred stock to receive payments.

Interest on the Founder Notes amounted to \$0.3 million for each of the three months ended March 31, 2017 and 2016. Such amounts have been added to the balance of the Founder Notes.

Deferred financing costs. As of March 31, 2017, we had \$12.8 million of deferred financing costs related to the senior secured revolving credit facility and senior notes, which are being amortized over the respective terms of the related debt instrument. Deferred financing costs of \$10.4 million related to the senior notes are netted with long-term debt on the consolidated balance sheet as of March 31, 2017. Deferred financing costs of \$2.4 million related to the credit facility are included in deferred financing costs, net on

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the consolidated balance sheets at March 31, 2017. Amortization of deferred financing costs recorded for the three months ended March 31, 2017 and 2016 was \$1.0 million and \$0.9 million, respectively. These costs are included in interest expense on the consolidated statements of operations.

The credit facility and the 2024 Notes contain customary events of default. If an event of default occurs and is continuing, the holders of such indebtedness may elect to declare all the funds borrowed to be immediately due and payable with accrued and unpaid interest. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following provides the details of accounts payable and accrued liabilities (**unaudited**):

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in thousands) | |
| Capital expenditures | \$ 29,019 | \$ 15,155 |
| Revenues and royalties payable | 14,491 | 12,187 |
| Operating expenses/taxes | 14,465 | 17,499 |
| Interest | 12,542 | 2,627 |
| Compensation | 5,277 | 5,302 |
| Derivative settlement payable | 571 | 1,126 |
| Other | 972 | 1,164 |
| Total accrued liabilities | 77,337 | 55,060 |
| Accounts payable | 37,859 | 29,174 |
| Accounts payable and accrued liabilities | <u>\$ 115,196</u> | <u>\$ 84,234</u> |

10. COMMITMENTS AND CONTINGENCIES

Contingencies

Environmental claims: Various landowners have sued us in lawsuits concerning several fields in which we have or historically had operations. The lawsuits seek injunctive relief and other relief, including unspecified amounts in both actual and punitive damages for alleged breaches of mineral leases and alleged failure to restore the plaintiffs' lands from alleged contamination and otherwise from our oil and natural gas operations. We are unable to express an opinion with respect to the likelihood of an unfavorable outcome of the various environmental claims or to estimate the amount or range of potential loss should the outcome be unfavorable. Therefore, we have not provided any material amounts for these claims in our consolidated financial statements at March 31, 2017.

Title/lease disputes: Title and lease disputes may arise in the normal course of our operations. These disputes are usually small but could result in an increase or decrease in reserves and/or other forms of settlement, such as cash, once a final resolution to the title dispute is made.

Litigation: On April 13, 2005, Henry Sarpy and several other plaintiffs (collectively, "Plaintiffs") filed a petition against Exxon, Extex, the Meridian Resource Company ("TMRC," our wholly-owned subsidiary), and the State of Louisiana for contamination of their land in the New Sarpy and/or Good Hope Field in St. Charles Parish. Plaintiffs claim they are owners of land upon which oil field waste pits containing dangerous and contaminating substances are located. Plaintiffs alleged that they discovered in May 2004 that their property is contaminated with oil field wastes greater than represented by Exxon. The property was originally owned by Exxon and was sold to TMRC. TMRC subsequently sold the property to Extex. We have been defending this ongoing case and investigating the scope of the Plaintiffs' alleged damage. On April 14, 2015, TMRC entered into a Memorandum of Understanding with Exxon to settle the claims in this ongoing matter. On July 10, 2015, the settlement and comprised agreements were finalized and signed by the Plaintiffs and Exxon. On July 28, 2015, the State of Louisiana issued a letter of no objection to the settlement. As of March 31, 2017, we have accrued approximately \$3.2 million (\$0.8 million in current liabilities and \$2.4 million in other long-term liabilities) as the outcome of the litigation was deemed probable and estimable. The settlement requires payment over the term of six years.

Other contingencies: We are subject to legal proceedings, claims and liabilities arising in the ordinary course of business for which the outcome cannot be reasonably estimated; however, in the opinion of management, such

litigation and claims will be resolved without material adverse effect on our financial position, results of operations or cash flows. Accruals for losses associated with litigation are made when losses are deemed probable and can be reasonably estimated.

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Performance appreciation rights: In the third quarter of 2014, we adopted the Alta Mesa Holdings, LP Amended and Restated Performance Appreciation Rights Plan (the “Plan”), effective September 24, 2014. The Plan is intended to provide incentive compensation to key employees and consultants who make significant contributions to the Company. Under the Plan, participants are granted performance appreciation rights (“PARs”) with a stipulated initial designated value (“SIDV”). The PARs vest over time (as specified in each grant, typically five years) and entitle the owner to receive a cash amount equal to the increase, if any, between the SIDV and the designated value of the PAR on the payment valuation date. The payment valuation date is the earlier of a liquidity event (as defined in the Plan, but generally can be construed in accordance with the meaning of the term “change in control event”) or as selected by the participant, but no earlier than five years from the end of the year of the grant. Both the initial designated value and the designated payment value of the PAR are determined by the Plan’s administrative committee, composed of members of our board of directors. In the case of a liquidity event, the designated value of all PARs is to be based on the net sale proceeds (as defined in the Plan) from the liquidity event. After any payment valuation date, regardless of payment or none, vested PARs expire. During the first three months of 2017, we granted 306,300 new PARs with a SIDV of \$40 and terminated 500 PARs with a SIDV of \$40, resulting in 881,100 PARs issued at a weighted average of \$37.90 as of March 31, 2017. We are unable to express an opinion with respect to the likelihood of a qualifying liquidity event which would result in any payment under the Plan or to estimate any amount which may become payable under the Plan. We consider the possibility of payment at a fixed determination date absent a positive liquidity event to be remote. Therefore, we have not provided any amount for this contingent liability in our consolidated financial statements at March 31, 2017 or December 31, 2016.

11. SIGNIFICANT RISKS AND UNCERTAINTIES

Our business makes us vulnerable to changes in wellhead prices of crude oil and natural gas. Historically, world-wide oil and natural gas prices and markets have been volatile, and may continue to be volatile in the future. In particular, the prices of oil and natural gas have been highly volatile and declined dramatically since the second half of 2014. Although oil and natural gas prices have recently begun to recover from lows experienced since the decline in the second half of 2014, forecasted prices for both oil and natural gas continue to remain depressed. The duration and magnitude of changes in oil and natural gas prices cannot be predicted. Continued depressed oil and natural gas prices, further price declines or any other unfavorable market conditions could have a material adverse effect on our financial condition and on the carrying value of our proved oil and natural gas reserves. Sustained low oil or natural gas prices may require us to write down the value of our oil and natural gas properties and/or revise our development plans, which may cause certain of our undeveloped well locations to no longer be deemed proved. This could cause a reduction in the borrowing base under our credit facility to the extent that we are not able to replace the reserves that we produce. Low prices may also reduce our cash available for distribution, acquisitions and for servicing our indebtedness. We mitigate some of this vulnerability by entering into oil, natural gas and natural gas liquids price derivative contracts. See Note 6.

12. PARTNERS’ CAPITAL

Management and Control: Our business and affairs are managed by Alta Mesa Holdings GP, LLC, our general partner (“General Partner”). With certain exceptions, the General Partner may not be removed except for the reasons of “cause,” which are defined in the partnership agreement. Our partnership agreement provides for two classes of limited partners. Class A partners include our founder and other parties. Our sole Class B partner is High Mesa. The Class B partner has certain approval rights, generally over capital plans and significant transactions in the areas of finance, acquisition, and divestiture.

In connection with the sale of Series E preferred stock by our Class B partner, on February 24, 2017, our General Partner, High Mesa and all of our Class A limited partners entered into a Fifth Amended and Restated Limited Partnership Agreement, and the owners of the General Partner entered into a Fourth Amended and Restated Limited Liability Company Agreement to provide for the Series E preferred stock in the distribution formula and certain other provisions of the amended agreements.

Contribution, Distribution and Income Allocation: All distributions under the partnership agreement shall first be made to holders of Class B units, until certain provisions are met. After such provisions are met, distributions shall then be made to holders of Class A and Class B units pursuant to the distribution formulas set forth in the partnership agreement.

The Class B partner may require the General Partner to make distributions; however, any distribution must be permitted under the terms of our credit facility and our senior notes.

Distribution of net cash flow from a Liquidity Event (as defined below) is distributed to the Class A and Class B partners according to a variable formula as defined in the partnership agreement. A “Liquidity Event” is defined as the first to occur, in one or a series of related transactions, of (i) a disposition of all or substantially of the assets of High Mesa and its subsidiaries to a person that is not an affiliate of High Mesa, (ii) a disposition of all the equity securities of High Mesa, or (iii) the consummation of a public offering of the common equity securities of High Mesa or any of its subsidiaries that hold all or substantially all of High Mesa’s assets on a consolidated basis, and if the public offering is of a subsidiary of High Mesa, the subsequent distribution of the public company equity securities or proceeds obtained in the public offering to the holders of equity securities of High Mesa. The Class B partner can, without consent of any other partners, request that the General Partner take action to cause us, or our assets, to be sold to one or more third parties.

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On December 31, 2016, High Mesa purchased from BCE-STACK Development LLC and contributed interest in 24 producing wells drilled under the joint development agreement to us. High Mesa's equity contribution was recorded at the fair value of the wells contributed of approximately \$65.7 million and included contributed cash of \$11.3 million, of which \$7.9 million was collected during the first quarter of 2017. There were no contributions during the first quarter of 2016.

13. SUBSIDIARY GUARANTORS

All of our material wholly-owned subsidiaries are guarantors under the terms of our senior notes and our credit facility. Our consolidated financial statements reflect the financial position of these subsidiary guarantors. The parent company, Alta Mesa Holdings, LP, has no independent operations, assets, or liabilities. The guarantees are full and unconditional (except for customary release provisions) and joint and several. Those subsidiaries which are not wholly owned and are not guarantors and are minor. There are no restrictions on dividends, distributions, loans, or other transfers of funds from the subsidiary guarantors to the parent company.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this report. In addition, such analysis should be read in conjunction with the consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 ("2016 Annual Report"). The following discussion and analysis contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, the volatility of oil and natural gas prices, production timing and volumes, estimates of proved reserves, operating costs and capital expenditures, economic and competitive conditions, regulatory changes and other uncertainties, as well as those factors discussed below in "Cautionary Statement Regarding Forward-Looking Statements," and in our 2016 Annual Report, particularly in the section titled "Risk Factors," all of which are difficult to predict. As a result of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

Overview

We have been engaged in the onshore oil and natural gas acquisition, exploitation, exploration and production in the United States since 1987. Currently, we are focusing on the development and acquisition of unconventional oil and natural gas reserves in the STACK. We have transitioned our focus from our diversified asset base composed of a portfolio of conventional assets to an oil and liquids-rich resource play in the STACK with an extensive inventory of drilling opportunities. The STACK is a prolific hydrocarbon system with high oil and liquids-rich natural gas content, multiple horizontal target horizons, extensive production history and historically high drilling success rates. We maintain operational control of the majority of our properties, either through directly operating them, or through operating arrangements with minority interest holders.

The amount of revenue we generate from our operations will fluctuate based on, among other things:

- the prices at which we will sell our production;
- the amount of oil, natural gas and natural gas liquids we produce; and
- the level of our operating and administrative costs.

In order to mitigate the impact of changes in oil, natural gas and natural gas liquids prices on our cash flows, we are a party to hedging and other price protection contracts, and we intend to enter into such transactions in the future to reduce the effect of price volatility on our cash flows.

Substantially all of our oil and natural gas activities are conducted jointly with others and, accordingly, amounts presented reflect our proportionate interest in such activities. Inflation has not had a material impact on our results of operations and is not expected to have a material impact on our consolidated results of operations in the future.

Outlook, Market Conditions and Commodity Prices

Our revenue, profitability and future growth depend on many factors, particularly the prices of oil, natural gas and natural gas liquids, which are beyond our control. The relatively low level of natural gas prices prompted our shift in emphasis to oil and natural gas liquids over the past several years. Accordingly, the success of our business is significantly affected by the price of oil due to our current focus on development of oil reserves. Oil prices are subject to significant changes. Beginning in the third quarter of 2014, the price for oil began a dramatic decline, and current prices for oil are significantly less than they have been over the last several years. Factors affecting the oil prices include worldwide economic conditions, including the European credit markets; geopolitical activities, including developments in the Middle East, South America, and elsewhere; worldwide supply conditions; weather conditions; actions taken by the Organization of Petroleum Exporting Countries; and the value of the U.S. dollar in international currency markets. Sustained low prices for oil, natural gas and natural gas liquids could have a material adverse effect on our financial condition, the carrying value of our oil and natural gas properties, our proved reserves and our ability to finance operations, including the amount of our borrowing base under our senior secured revolving credit facility.

During the last twelve month period ended March 31, 2017, NYMEX West Texas Intermediate ("NYMEX WTI") oil prices ranged from a high of \$53.46 per Bbl in February 2017 to a low of \$41.12 per Bbl in April 2016. During the first quarter of 2017, NYMEX WTI prices averaged approximately \$51.91 per Bbl compared to \$33.45 per Bbl for the same period of 2016. We received an average price of \$49.62 per Bbl for the first quarter of

2017 before the effects of hedging. NYMEX Henry Hub natural gas prices (“NYMEX HH”) have also been volatile and ranged from a high of \$3.93 per MMBtu in January 2017 to a low of \$1.90 in April 2016. We received an average price of \$2.94 per Mcf for natural gas in the first quarter of 2017 before the effects of hedging. As of May 2, 2017, NYMEX WTI was \$47.66 per Bbl and NYMEX Henry Hub was \$3.20. Commodity prices remain volatile and unpredictable but have improved during 2017 compared to the first quarter of 2016.

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We have increased our anticipated capital expenditures, including acquisitions, for 2017 to \$290 million, which is 28% over the \$226 million of capital expenditures, including acquisitions spent in 2016. Additionally, we anticipate that up to an additional \$101 million will be funded for 2017 drilling and completions activity in the STACK by BCE-STACK Development LLC (“BCE”) pursuant to our joint development agreement. We have allocated approximately 95% of our 2017 capital expenditure to develop the STACK. We anticipate operating up to eight drilling rigs by the end of 2017, which will result in drilling a total of approximately 150 gross wells in the STACK. Of the total anticipated gross wells to be drilled in 2017, we plan to drill approximately 42 gross wells as part of our joint development agreement with BCE.

Our derivative contracts are reported at fair value on our consolidated balance sheets and are sensitive to changes in the price of oil, natural gas and natural gas liquids. Changes in these derivative assets and liabilities are reported in our consolidated statements of operations as gain / loss on derivative contracts, which include both the non-cash increase and decrease in the fair value of derivative contracts, as well as the effect of cash settlements of derivative contracts during the period. In the first three months of 2017, we recognized a net gain on our derivative contracts of \$30.2 million, which includes \$2.0 million in cash settlements paid on derivative contracts. The objective of our hedging program is that, over time, the combination of settlement gains and losses from derivative contracts with ordinary oil, natural gas and natural gas liquids revenues will produce relative revenue stability. However, in the short term, both settlements and fair value changes in our derivative contracts can significantly impact our results of operations, and these gains and losses will continue to reflect changes in oil, natural gas and natural gas liquids prices.

As of March 31, 2017, we have hedged approximately 60% of our forecasted production of proved developed producing reserves through 2019 at weighted average annual floor prices ranging from \$3.14 per MMBtu to \$4.50 per MMBtu for natural gas and \$49.53 per Bbl to \$51.67 per Bbl for oil. If oil, natural gas and natural gas liquids prices decline for an extended period of time, we may be unable to replace expiring hedge contracts or enter new contracts for additional oil, natural gas and natural gas liquids production at favorable prices.

Depressed oil, natural gas and natural gas liquids prices have impacted our earnings by necessitating impairment write-downs in some of our oil and natural gas properties, either directly by decreasing the market values of the properties, or indirectly, by lowering rates of return on oil and natural gas development projects and increasing the chance of impairment write-downs. We recorded non-cash impairment expenses of \$1.2 million and \$1.8 million for the three months ended March 31, 2017 and 2016, respectively. In the first quarter of 2017 and 2016, write-downs were primarily due to downward revisions in proved reserves in some fields and the effects of decreased prices for oil, natural gas and natural gas liquids. In the first quarter of 2017, our impairments were primarily related to our non-core areas. Further declines in oil and/or natural gas prices may result in additional impairment expenses.

The primary factors affecting our production levels are capital availability, the effectiveness and efficiency of our production operations, the success of our drilling program and our inventory of drilling prospects. In addition, we face the challenge of natural production declines. We attempt to overcome this natural decline primarily through development of our existing undeveloped reserves, enhanced completions and well recompletions, and other enhanced recovery methods. Our future growth will depend on our ability to continue to add reserves in excess of production. Our ability to add reserves through drilling and other development techniques is dependent on our capital resources and can be limited by many factors, including our ability to timely obtain drilling permits and regulatory approvals. Any delays in drilling, completing or connecting our new wells to gathering lines will negatively affect our production, which will have an adverse effect on our revenues and, as a result, cash flow from operations.

Operations Update

STACK, Oklahoma. Our STACK properties consist largely of contiguous leased acreage primarily in Kingfisher County, Oklahoma, which is the eastern portion of the Anadarko Basin referred to as the STACK, an acronym describing both its location – Sooner Trend Anadarko Basin Canadian and Kingfisher County – and the multiple, stacked pay zones present in the area. This continuously growing position is characterized by multiple productive zones located at total vertical depths between 4,000 feet and 8,000 feet. The legacy operations within our acreage are primarily shallow-decline, long-lived oil fields developed on 80-acre vertical well spacing associated with waterfloods in the Oswego, Big Lime and Manning Limestones. We continue to maintain production in these historical field pay zones. More recently, our focus in the STACK has been to implement a multi-year, multi-rig program to develop the Mississippian-age Osage and Meramec formations underlying the waterflood zones, as well as the Pennsylvanian-age Oswego formation, using horizontal drilling and multi-stage hydraulic fracturing technology.

In the first quarter of 2017, we brought twenty-nine horizontal wells on production in the Osage and Meramec formations in the STACK. Sixteen of the wells we brought on production during the first quarter of 2017 were funded through our joint development agreement with BCE. We had thirty-three horizontal wells in progress as of the end

of the first quarter of 2017, thirteen of which were funded through our joint development agreement with BCE. Nine of the thirty-three horizontal wells in progress as of March 31, 2017, were on production subsequent to quarter end.

As of March 31, 2017, we had six drilling rigs operating in the STACK. We plan to continue targeting the Mississippian-age Osage, Meramec, and Manning formations and the Pennsylvanian-age Oswego formation with horizontal drilling. We will also participate in other horizontal wells as a non-operator, primarily targeting the Oswego Lime, Meramec and Osage.

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Production from our STACK assets in the first quarter of 2017 was an average of approximately 19,300 BOE/day net to our interest, 70% oil and natural gas liquids, as compared to an average of approximately 11,000 BOE/day, 77% oil and natural gas liquids, in the first quarter of 2016.

Weeks Island Area. The Weeks Island Area, located in Iberia and St. Mary Parish, Louisiana, contains our most significant conventional proved developed oil reserves and consists of the Weeks Island and Cote Blanche Island fields. The Weeks Island field, located in Iberia Parish, Louisiana, is a historically-prolific oil field with 55 potential pay zones that are structurally and stratigraphically trapped around a piercement salt dome, which we believe offer significant future opportunities for added production and reserves. The Cote Blanche Island field, located near the Weeks Island field in St. Mary Parish, is also a salt dome structure. The geology is similar to the Weeks Island field, and we anticipate that the same geologic interpretation methods and engineering development techniques could be utilized at the Cote Blanche field that were used at the Weeks Island field to increase reserves and production.

Production from the Weeks Island Area in the first quarter of 2017 was approximately 2,300 BOE/day, net to our interest, 96% oil, as compared to 4,100 BOE/day, 93% oil, for the first quarter of 2016.

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Results of Operations: Three Months Ended March 31, 2017 v. Three Months Ended March 31, 2016

| | Three Months Ended March 31, | | Increase | |
|---|---------------------------------|-------------|-------------|----------|
| | 2017 | 2016 | (Decrease) | % Change |
| Summary Operating Information: | | | | |
| Net Production: | | | | |
| Oil (MBbls) | 1,196 | 1,024 | 172 | 17% |
| Natural gas (MMcf) | 4,318 | 2,712 | 1,606 | 59% |
| Natural gas liquids (MBbls) | 304 | 192 | 112 | 58% |
| Total oil equivalent (MBOE) | 2,219 | 1,667 | 552 | 35% |
| Average daily oil production (MBOE per day) | 24.7 | 18.3 | 6.4 | 35% |
| Average Sales Price: | | | | |
| Oil (per Bbl) including settlements of derivative contracts | \$ 48.28 | \$ 53.21 | \$ (4.93) | (9)% |
| Oil (per Bbl) excluding settlements of derivative contracts | 49.62 | 30.51 | 19.11 | 63% |
| Natural gas (per Mcf) including settlements of derivative contracts | 2.91 | 2.44 | 0.47 | 19% |
| Natural gas (per Mcf) excluding settlements of derivative contracts | 2.94 | 1.73 | 1.21 | 70% |
| Natural gas liquids (per Bbl) including settlements of derivative contracts | 24.32 | 11.26 | 13.06 | 116% |
| Natural gas liquids (per Bbl) excluding settlements of derivative contracts | 25.08 | 10.99 | 14.09 | 128% |
| Combined (per BOE) including settlements of derivative contracts | 35.00 | 37.94 | (2.94) | (8)% |
| Combined (per BOE) excluding settlements of derivative contracts | 35.89 | 22.81 | 13.08 | 57% |
| Hedging Activities: | | | | |
| Settlements of derivatives (paid) received, oil | \$ (1,599) | \$ 23,237 | \$ (24,836) | (107)% |
| Settlements of derivatives (paid) received, natural gas | (138) | 1,940 | (2,078) | (107)% |
| Settlements of derivatives (paid) received, natural gas liquids | (233) | 52 | (285) | (548)% |
| Summary Financial Information | | | | |
| <i>Operating Revenues and Other</i> | | | | |
| Oil | \$ 59,345 | \$ 31,244 | \$ 28,101 | 90% |
| Natural gas | 12,685 | 4,691 | 7,994 | 170% |
| Natural gas liquids | 7,619 | 2,105 | 5,514 | 262% |
| Other revenues | 116 | 127 | (11) | (9)% |
| Gain on sale of assets | — | 2,648 | (2,648) | (100)% |
| Gain on derivative contracts | 30,242 | 10,815 | 19,427 | 180% |
| Total Operating Revenues and Other | 110,007 | 51,630 | 58,377 | 113% |
| <i>Expenses</i> | | | | |
| Lease and plant operating expense | 17,736 | 17,125 | 611 | 4% |
| Marketing and transportation expense | 6,043 | 1,415 | 4,628 | 327% |
| Production and ad valorem taxes | 3,068 | 2,395 | 673 | 28% |
| Workover expense | 1,383 | 1,397 | (14) | (1)% |
| Exploration expense | 8,142 | 3,286 | 4,856 | 148% |
| Depreciation, depletion, and amortization expense | 24,804 | 21,493 | 3,311 | 15% |
| Impairment expense | 1,220 | 1,764 | (544) | (31)% |
| Accretion expense | 572 | 539 | 33 | 6% |
| General and administrative expense | 9,748 | 10,183 | (435) | (4)% |
| Interest expense, net | 12,091 | 16,189 | (4,098) | (25)% |
| Provision for state income taxes | 285 | 1 | 284 | N/A |
| Net Income (Loss) | \$ 24,915 | \$ (24,157) | \$ 49,072 | 203% |
| Average Unit Costs per BOE: | | | | |
| Lease and plant operating expense | \$ 7.99 | \$ 10.27 | \$ (2.28) | (22)% |

| | | | | |
|--|-------|-------|--------|-------|
| Marketing and transportation expense | 2.72 | 0.85 | 1.87 | 220% |
| Production and ad valorem tax expense | 1.38 | 1.44 | (0.06) | (4)% |
| Workover expense | 0.62 | 0.84 | (0.22) | (26)% |
| Exploration expense | 3.67 | 1.97 | 1.70 | 86% |
| Depreciation, depletion and amortization expense | 11.18 | 12.89 | (1.71) | (13)% |
| General and administrative expense | 4.39 | 6.11 | (1.72) | (28)% |

Revenues

Oil revenues in the three months ended March 31, 2017 increased \$28.1 million, or 90%, to \$59.3 million from \$31.2 million in the corresponding period in 2016. The increase in revenue was primarily attributable to an increase in average price as well as an increase in production during the first quarter of 2017. The average price of oil exclusive of derivative contract settlements increased \$19.11 per Bbl or 63% in the first quarter of 2017 compared to the first quarter of 2016, resulting in an increase in oil revenues of approximately \$22.8 million. When including the effects of derivative contract settlements, the overall price decreased 9% from \$53.21 per Bbl in the first quarter of 2016 to \$48.28 per Bbl in the first quarter of 2017. Production increased 172 MBbls, resulting in an increase of \$5.3 million in oil revenues. The oil production volume increase is primarily due to new production from wells coming online in the STACK of 338 MBbls, partially offset by a decrease in production in the Weeks Island Area of 153 MBbls due to natural decline in production.

Natural gas revenues in the three months ended March 31, 2017 increased \$8.0 million, or 170%, to \$12.7 million from \$4.7 million in the same period of 2016. The increase in natural gas revenue was primarily attributable to an increase in average price as well as an increase in production during the first quarter of 2017. The average price of natural gas exclusive of derivative contract settlements increased \$1.21 per Mcf in the first quarter of 2017, resulting in an increase in natural gas revenues of approximately \$5.2 million. When including the effects of derivative contract settlements, the overall price increased 19% from \$2.44 per Mcf in the first quarter of 2016 to \$2.91 per Mcf in the first quarter of 2017. Production increased 1.6 Bcf resulting in an increase of \$2.8 million in natural gas revenues. The natural gas volume increase is primarily due to new production from wells coming online in the STACK as natural gas is produced in association with oil.

Natural gas liquids revenues increased \$5.5 million, or 262%, during the first quarter of 2017 to \$7.6 million from \$2.1 million in the same period in 2016. The increase in natural gas liquids revenue was attributable to an increase in higher average price as well as an increase in processed volumes during the first quarter of 2017. The average price of natural gas liquids exclusive of derivative contract settlements increased \$14.09 per Bbl or 128% in the first quarter of 2017 compared to the first quarter of 2016, resulting in an increase in natural gas liquids revenues of \$4.3 million. The overall price including derivative contract settlements increased 116% from \$11.26 per Bbl in the first quarter of 2016 to \$24.32 per Bbl in the first quarter of 2017. Production increased 112 MBbls from 192 MBbls to 304 MBbls, resulting in an increase of \$1.2 million in natural gas liquids revenues. The natural gas liquids volume is predominately in the STACK where natural gas liquid processed volumes increased 106 MBbls.

Gain on sale of assets was a gain of \$2.6 million in the first quarter of 2016, primarily related to the sale of non-core assets in Southeast Louisiana.

Gain on derivative contracts was a gain of \$30.2 million in the first quarter of 2017 as compared to a gain of \$10.8 million during the same period in 2016. The fluctuation from period to period is due to the volatility of oil, natural gas and natural gas liquids prices and changes in our outstanding hedge contracts during these periods.

Expenses

Lease and plant operating expense increased \$0.6 million or 4% in the first quarter of 2017 as compared to the first quarter of 2016, to \$17.7 million from \$17.1 million. In general, there was an increase in compression, repairs and maintenance and salt water disposal costs of \$2.0 million partially offset by a decrease in field services and rental equipment of \$1.4 million. On a per unit basis, lease and plant operating expense was \$7.99 per BOE and \$10.27 per BOE in the first quarters of 2017 and 2016, respectively. The lease and plant operating expense on a per unit basis was lower in the first quarter of 2017 as compared to the first quarter of 2016 primarily due to an increase in production volumes while lease and plant operating expense remained relatively flat quarter over quarter.

Marketing and transportation expense increased \$4.6 million to \$6.0 million in the first quarter of 2017 as compared to \$1.4 million in the first quarter of 2016. The increase is primarily due to increased throughput for our properties in the STACK at the Kingfisher Midstream, LLC ("KFM") processing facility commissioned during the second quarter of 2016. In addition, the increase is due to a higher marketing and transportation fee charged for utilizing a more efficient facility at the KFM plant. On a per unit basis, marketing and transportation expense was \$2.72 per BOE and \$0.85 per BOE in the first quarters of 2017 and 2016, respectively.

Production and ad valorem taxes increased \$0.7 million, or 28%, to \$3.1 million in the first quarter of 2017, as compared to \$2.4 million in the first quarter of 2016. The increase is primarily due to an increase in production taxes

as a result of the increase in oil and natural gas revenues. Production taxes increased from \$2.1 million for the first quarter of 2016 to \$2.7 million for the first quarter of 2017.

Workover expense was \$1.4 million for each of the first quarters of 2017 and 2016. This expense varies depending on activities in the field and is attributable to many different properties.

Exploration expense includes dry hole costs, the costs of our geology department, costs of geological and geophysical data, expired leases, plug and abandonment expenditures, and delay rentals. Exploration expense increased from \$3.3 million in the first

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quarter of 2016 to \$8.1 million in the first quarter of 2017, primarily due to an increase in expired leasehold and settlements of our asset retirement obligation in excess of our estimate of \$4.3 million, and an increase in geologic and geophysical (“G&G”) seismic expense of \$0.7 million partially offset by a decrease in dry hole of \$0.2 million.

Depreciation, depletion and amortization expense increased from \$21.5 million in the first quarter of 2016 to \$24.8 million in the first quarter of 2017. On a per unit basis, this expense decreased from \$12.89 per BOE in the first quarter of 2016 to \$11.18 per BOE in the first quarter of 2017. Depreciation, depletion, and amortization is a function of capitalized costs of proved properties, proved reserves and production by field. In addition, the impairment of proved properties in 2015 and the first half of 2016 lowered the depletable base and rate in the first quarter of 2017. Furthermore, an increase in proved reserves contributed to the lower depletion rate in the first quarter of 2017.

Impairment expense decreased from \$1.8 million in the first quarter of 2016 to \$1.2 million in the first quarter of 2017. This expense varies with the results of exploratory and development drilling, as well as with well performance, declines in commodity price and other factors that may render some fields uneconomic, resulting in impairment. Impairment expense in the first quarter of 2017 and 2016 were write-downs in non-core areas.

Accretion expense is related to our obligation for retirement of oil and natural gas wells and facilities. We record these liabilities when we place the assets in service, using discounted present values of the estimated future obligation. We then record accretion of the liabilities as they approach maturity. Accretion expense was \$0.6 million for the first quarter of 2017 and \$0.5 million for the first quarter of 2016.

General and administrative expense decreased \$0.5 million in the first quarter of 2017 to \$9.7 million from \$10.2 million in the first quarter of 2016. The decrease is primarily due to lower legal fees of \$1.5 million, partially offset by an increase in information system and engineering consulting fees of \$1.1 million. On a per unit basis, general and administrative expenses were \$4.39 per BOE and \$6.11 per BOE in the first quarters of 2017 and 2016, respectively. General and administrative expenses on a per unit basis was lower in the first quarter of 2017 as compared to the first quarter of 2016 primarily due to an increase in production volumes while general and administrative expense remained relatively flat quarter over quarter.

Interest expense, net decreased from \$16.2 million in the first quarter of 2016 to \$12.1 million in the first quarter of 2017. Interest on our senior secured revolving credit facility decreased \$0.4 million due to a lower outstanding balance and interest on our senior secured term loan decreased \$2.7 million as we retired our \$125 million secured term loan facility during the fourth quarter of 2016. In addition, interest on our senior unsecured notes decreased \$1.1 million due to the refinancing of our \$450 million aggregate principal amount of 9.625% senior unsecured notes due 2018 by issuing \$500 million aggregate principal amount of 7.875% senior unsecured notes due 2024.

Liquidity and Capital Resources

Our principal requirements for capital are to fund our day-to-day operations, exploration and development activities, and to satisfy our contractual obligations, primarily for the payment of debt interest and any amounts owed during the period related to our hedging positions.

Our 2017 capital budget is primarily focused on the development of our STACK play. Currently, we plan to spend approximately \$290 million in 2017, which includes acquisitions, of which over 95% is allocated to develop our STACK properties. Additionally, we anticipate that up to an additional \$101 million will be funded for 2017 drilling and completions activity in the STACK by BCE pursuant to our joint development agreement. We have expended approximately \$60.6 million of our capital budget through March 31, 2017. Our future drilling plans, plans of our drilling operators and capital budgets are subject to change based upon various factors, some of which are beyond our control, including drilling results, oil, natural gas and natural gas liquids prices, the availability and cost of capital, drilling and production costs, availability of drilling services and equipment, actions of our operators, gathering system and pipeline transportation constraints and regulatory approvals. A deferral of planned capital expenditures, particularly with respect to drilling and completing new wells, could result in a reduction in anticipated production, revenues and cash flows. Additionally, if we curtail our drilling program, we may lose a portion of our acreage through lease expirations. However, because a large percentage of our acreage is held by production, we have the ability to materially increase or decrease our drilling and recompletion budget in response to market conditions with decreased risk of losing significant acreage. In addition, we may be required to reclassify some portion of our reserves currently booked as proved undeveloped reserves to no longer be proved reserves if such a deferral of

planned capital expenditures means we will be unable to develop such reserves within five years of their initial booking.

We expect to fund our 2017 capital budget predominantly with cash flows from operations, drilling and completion capital funded through our joint development agreement with BCE, and borrowings under our senior secured revolving credit facility. If necessary, we may also access capital through proceeds from potential asset dispositions and the future issuances of debt and/or equity securities, subject to the distribution of proceeds therefrom as set forth in our partnership agreement. We strive to maintain financial flexibility and may access capital markets as necessary to facilitate drilling on our large undeveloped acreage position and permit us to

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selectively expand our acreage position. In the event our cash flows are materially less than anticipated and other sources of capital we historically have utilized are not available on acceptable terms, we may curtail our capital spending.

As we execute our business strategy, we will continually monitor the capital resources available to meet future financial obligations and planned capital expenditures. We believe our cash flows provided by operating activities, cash on hand and availability under our senior secured revolving credit facility will provide us with the financial flexibility and wherewithal to meet our cash requirements, including normal operating needs, and to pursue our currently planned 2017 development drilling activities. However, future cash flows are subject to a number of variables, including the level of oil, natural gas and natural gas liquids production and prices, and significant additional capital expenditures will be required to more fully develop our properties and acquire additional properties. We cannot make assurances that operational and other needed capital will be available on acceptable terms, or at all.

Senior Unsecured Notes

We have \$500 million in aggregate principal amount of 7.875% senior unsecured notes (the “2024 Notes”) due December 15, 2024 that was issued at par during the fourth quarter of 2016. Interest is payable semi-annually on June 15 and December 15 of each year, beginning June 15, 2017. At any time prior to December 15, 2019, we may, from time to time, redeem up to 35% of the aggregate principal amount of the 2024 Notes in an amount of cash not greater than the net cash proceeds from certain equity offerings at the redemption price of 107.875% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, if at least 65% of the aggregate principal amount of the 2024 Notes remains outstanding after such redemption and the redemption occurs within 120 days of the closing date of such equity offering. At any time prior to December 15, 2019, we may, on any one or more occasions, redeem all or part of the 2024 Notes for cash at a redemption price equal to 100% of their principal amount of the 2024 Notes redeemed plus an applicable make-whole premium and accrued and unpaid interest, if any, to the date of redemption. Upon the occurrence of certain kinds of change of control, each holder of the 2024 Notes may require us to repurchase all or a portion of the 2024 Notes for cash at a price equal to 101% of the aggregate principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to the date of repurchase. On and after December 15, 2019, we may redeem the 2024 Notes, in whole or in part, at redemption prices (expressed as percentages of principal amount) equal to 105.906% for the twelve-month period beginning on December 15, 2019, 103.938% for the twelve-month period beginning on December 15, 2020, 101.969% for the twelve-month period beginning on December 15, 2021 and 100.000% beginning on December 15, 2022, plus accrued and unpaid interest, if any, to the date of redemption.

The 2024 Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of our material subsidiaries, subject to certain customary release provisions. Accordingly, they will rank equal in right of payment to all of our existing and future senior indebtedness; senior in right of payment to all of our existing and future indebtedness that is expressly subordinated to the 2024 Notes or the respective guarantees; effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including amounts outstanding under our credit facility; and structurally subordinated to all existing and future indebtedness and obligations of any of our subsidiaries that do not guarantee the 2024 Notes.

The 2024 Notes contain certain covenants limiting the Issuers’ ability and the ability of the Restricted Subsidiaries (as defined in the indenture) to, under certain circumstances, prepay subordinated indebtedness, pay distributions, redeem stock or make certain restricted investments; incur indebtedness; create liens on the Issuers’ assets to secure debt; restrict dividends, distributions or other payments; enter into transactions with affiliates; designate subsidiaries as unrestricted subsidiaries; sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries; effect a consolidation or merger; and change our line of business.

The indenture contains customary events of default, including:

- default in any payment of interest on the 2024 Notes when due, continued for 30 days;
- default in the payment of principal of or premium, if any, on the 2024 Notes when due;
- failure by the Issuers or any Subsidiary Guarantor to comply with its obligations under the Indenture;
- default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Issuers or restricted subsidiaries;

- certain events of bankruptcy, insolvency or reorganization of the Issuers or restricted subsidiaries; and
- failure by the Issuers or certain subsidiaries that would constitute a payment of final judgment aggregating in excess of \$20.0 million.

The indenture governing the 2024 Notes includes covenants requiring us to maintain certain financial covenants including a current ratio and leverage ratio. At March 31, 2017, we were in compliance with the covenants.

Senior Secured Revolving Credit Facility

We have a \$750 million senior secured revolving credit facility currently subject to a \$287.5 million borrowing base limit with Wells Fargo Bank, National Association as the administrative agent. Our senior secured revolving credit facility does not permit us to borrow funds if at the time of such borrowing, after giving pro forma effect to the application of funds from the borrowing, we have in deposit accounts available cash in excess of \$25 million. Our senior secured revolving credit facility also does not permit us to borrow funds if at the time of such borrowing we are not in pro forma compliance with our financial covenants.

As of March 31, 2017, we have borrowed \$95.7 million under the senior secured revolving credit facility and have \$7.6 million of outstanding letters of credit reimbursement obligations.

Principal amounts borrowed are payable on the maturity date with such borrowings bearing interest, payable quarterly. We have a choice of borrowing in Eurodollars or at the base rate. Eurodollar loans bear interest at a rate per annum equal to the rate appearing on the Reuters Reference LIBOR01 page as the London Interbank Offered Rate (“LIBOR”), for deposits in dollars at 11:00 a.m. (London, England time) for one, three, or six months plus an applicable margin ranging from 275 to 375 basis points if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing base utilized, and ranging from 300 to 400 basis points if our leverage ratio exceeds 3.25 to 1.00. Base rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank’s reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 1%, plus an applicable margin ranging from 175 to 275 basis points if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing base utilized, and ranging from 200 to 300 basis points if our leverage ratio exceeds 3.25 to 1.00. The next scheduled redetermination of our borrowing base is on May 1, 2017. Our borrowing base may be reduced in connection with the next redetermination of our borrowing base. The amounts outstanding under our senior secured revolving credit facility are secured by first priority liens on substantially all of our oil and natural gas properties and associated assets and all of the stock of our material operating subsidiaries that are guarantors of our senior secured revolving credit facility. If an event of default occurs under our senior secured revolving credit facility, the administrative agent will have the right to proceed against the pledged capital stock and take control of substantially all of our and our material operating subsidiaries that are guarantors’ assets.

Our senior secured revolving credit facility contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, sell assets, guaranty or make loans to others, make investments, enter into mergers, make certain payments and distributions, enter into or be party to hedge agreements, amend our organizational documents, incur liens and engage in certain other transactions without the prior consent of the lenders. Our senior secured revolving credit facility permits us to make distributions in any fiscal quarter so long as the amount of distributions made in such fiscal quarter does not exceed our excess cash flow from the immediately preceding fiscal quarter, no event of default exists, before and after giving effect to such distribution, our pro forma leverage ratio is less than 3.00 to 1.00 and before and after giving effect to such distribution the unused commitment amounts available under our senior secured revolving credit facility is at least 20% of the commitments in effect.

Our senior secured revolving credit facility also requires us to maintain the following two financial ratios:

- a current ratio, tested quarterly, of our consolidated current assets to our consolidated current liabilities of not less than 1.0 to 1.0 as of the end of each fiscal quarter; and
- a leverage ratio, tested quarterly, commencing with the fiscal quarter ended December 31, 2016, of our consolidated debt (other than obligations under hedge agreements) as of the end of such fiscal quarter to our consolidated EBITDAX over the four quarter period then ended (but annualized for the fiscal quarters ending December 31, 2016, March 31, 2017, and June 30, 2017) of not greater than 4.0 to 1.0.

The terms of the credit facility also restrict our ability to make distributions and investments. As of March 31, 2017, the covenants of the Company’s senior secured revolving credit facility prohibit it from making any distributions. At March 31, 2017, we were in compliance with the covenants.

Cash flow used in operating activities

Operating activities used cash of \$4.1 million during the three months ended March 31, 2017 as compared to cash used by operating activities of \$101.8 million during the comparable period in 2016, an increase of \$97.7 million. The increase in operating cash flows was attributable to various factors. Cash-based items of net income (loss), including revenues (exclusive of unrealized commodity gains or losses), operating expenses and taxes,

general and administrative expenses, and the cash portion of our interest expense, resulted in a net increase of approximately \$9.9 million in the first three months of 2017. Changes in restricted cash,

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working capital and other assets and liabilities resulted in an increase of \$87.8 million in the first three months of 2017 as compared to the corresponding period in 2016.

Cash flow used in investing activities

Investing activities used cash for capital expenditures for property and equipment of \$60.6 million during the three months ended March 31, 2017 as compared to \$44.4 million during the comparable period of 2016.

Cash flow provided by financing activities

Financing activities provided cash of \$62.9 million during the three months ended March 31, 2017 as compared to \$141.1 million during the comparable period in 2016. During the first three months of 2017, we drew down \$55.1 million on our credit facility and we paid \$0.1 million of deferred financing costs related to our credit facility and senior notes. In addition, we received \$7.9 million in capital contributions from our Class B limited partner. In the first quarter of 2016, we drew down \$141.9 million on our credit facility and deposited the cash in a controlled account pursuant to the Thirteenth Amendment of our credit facility and we paid \$0.8 million of deferred financing costs related to our credit facility.

Cautionary Statement Regarding Forward-Looking Statements

The information in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this report, the words “could”, “should”, “will”, “play”, “believe”, “anticipate”, “intend”, “estimate”, “expect”, “project” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in our 2016 Annual Report and Part II, Item 1A of this report. These forward-looking statements are based on management’s current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements may include statements about our:

- business strategy;
- reserves quantities and the present value of our reserves;
- exploration and drilling prospects, inventories, projects and programs;
- our horizontal drilling, completion and production technology;
- ability to replace the reserves we produce through drilling and property acquisitions;
- financial strategy, liquidity and capital required for our development program;
- future oil, and natural gas prices;
- timing and amount of future production of oil and natural gas;
- hedging strategy and results;
- drilling and completion of wells, including statements about future horizontal drilling plans;
- competition and government regulation;
- ability to obtain permits and governmental approvals;
- changes in the Oklahoma forced pooling system;
- pending legal and environmental matters;
- future drilling plans;
- marketing of oil, natural gas and natural gas liquids;
- leasehold or business acquisitions;
- costs of developing our properties;
- liquidity and access to capital;

- ability to hire, train or retain qualified personnel;

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- general economic conditions;
- future operating results, including initial production values and liquid yields in our type curve areas
- the costs, terms and availability of gathering, processing, fractionation and other midstream services; and
- plans, objectives, expectations and intentions contained in this report that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the exploration for and development, production, gathering and sale of oil, natural gas and natural gas liquids. These risks include, but are not limited to, commodity price volatility, low prices for oil, natural gas and/or natural gas liquids, global economic conditions, inflation, increased operating costs, lack of availability of drilling and production equipment, supplies, services and qualified personnel, uncertainties related to new technologies, geographical concentration of our operations, environmental risks, weather risks, security 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, reductions in cash flow, lack of access to capital, our ability to satisfy future cash obligations, restrictions in our debt agreements, the timing of development expenditures, managing our growth and integration of acquisitions, failure to realize expected value creation from property acquisitions, title defects, limited control over non-operated properties, and the other risks described under “Item 1A. Risk Factors” in our 2016 Annual Report and in this report.

Reserve engineering is a process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reservoir engineers. Specifically, future prices received for production and costs may vary, perhaps significantly, from the prices and costs assumed for purposes of these estimates. In addition, the results of drilling, testing and production activities may justify revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil and natural gas that are ultimately recovered.

Should one or more of the risks or uncertainties described in the 2016 Annual Report or this report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements.

All forward-looking statements, expressed or implied, included in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim 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 Quarterly Report on Form 10-Q.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

For information regarding our exposure to certain market risks, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Management Activities—Commodity Derivative Instruments” and “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” in our 2016 Annual Report. There have been no material changes to the disclosure regarding market risks other than as noted below. See Part I, Item 1, Notes 5 and 6 to our consolidated financial statements for a description of our outstanding derivative contracts at the most recent reporting date.

The fair value of our commodity derivative contracts at March 31, 2017 was a net asset of \$7.3 million. A 10% increase or decrease in oil, natural gas and natural gas liquids prices with all other factors held constant would result in a decrease or increase, respectively, in the estimated fair value (generally correlated to our estimated future net cash flows from such instruments) of our commodity derivative contracts of approximately \$25.3 million (decrease in value) or \$24.0 million (increase in value), respectively, as of March 31, 2017.

We are subject to interest rate risk on our variable interest rate borrowings. Although in the past we have used interest rate swaps to mitigate the effect of fluctuating interest rates on interest expense, we currently have no open interest rate derivative contracts. A 1% increase in interest rates would increase annual interest expense on our variable rate debt by approximately \$1.0 million, based on the balance outstanding as of March 31, 2017.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Exchange Act, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2017 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the three months ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. Legal Proceedings

See Part I, Item 1, Note 10 to our consolidated financial statements entitled "Commitments and Contingencies," which is incorporated in this item by reference.

ITEM 1A. Risk Factors

We are subject to certain risks and hazards due to the nature of the business activities we conduct. For a discussion of these risks, see "Item 1A. Risk Factors" in the 2016 Annual Report. There have been no material changes with respect to the risk factors disclosed in the 2016 Annual Report during the quarter ended March 31, 2017.

ITEM 6. Exhibits

- 3.1* Fifth Amended and Restated Limited Partnership Agreement of Alta Mesa Holdings, LP, dated as of February 24, 2017.
- 3.2* Fourth Amended and Restated Limited Liability Company Agreement of Alta Mesa Holdings GP, LLC, dated as of February 24, 2017.
- 31.1* Certification of the Company's Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
- 31.2* Certification of the Company's Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 7241).
- 32.1* Certification of the Company's Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
- 32.2* Certification of the Company's Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350).
- 101* Interactive data files.

* filed herewith.

SIGNATURES

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.

ALTA MESA HOLDINGS, LP
(Registrant)

May 11, 2017

By: **ALTA MESA HOLDINGS GP, LLC**, its
general partner

May 11, 2017

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle
President and Chief Executive Officer

By: /s/ Michael A. McCabe
Michael A. McCabe
Vice President and Chief Financial Officer

**FIFTH AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
ALTA MESA HOLDINGS, LP
(a Texas limited partnership)**

February 24, 2017

THE PARTNERSHIP INTERESTS REFERENCED HEREIN HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. WITHOUT REGISTRATION, THESE SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT ON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR THE SUBMISSION TO THE GENERAL PARTNER OF OTHER EVIDENCE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY TRANSFER WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER. ADDITIONALLY, ANY SALE OR OTHER TRANSFER OF PARTNERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS THAT ARE SET FORTH IN THESE REGULATIONS.

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**FIFTH AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT
OF
ALTA MESA HOLDINGS, LP**

This Fifth Amended and Restated Limited Partnership Agreement (as amended from time to time in accordance with its terms, this “*Agreement*”) of Alta Mesa Holdings, LP, a Texas limited partnership (the “*Partnership*”) is entered into effective as of February 24, 2017 (the “*Effective Date*”) by and among Alta Mesa Holdings GP, LLC, a Texas limited liability company, as general partner (the “*General Partner*”), High Mesa Inc. (f/k/a Alta Mesa Investment Holdings Inc.), a Delaware corporation, as holder of Class B Units (“*AMIH*” or the “*Class B Limited Partner*”), and the parties set forth on Schedule I as Class A Limited Partners (each, a “*Class A Limited Partner*”, and collectively, the “*Class A Limited Partners*”, and together with the Class B Limited Partner, the “*Limited Partners*”) of this Agreement. Capitalized terms used herein and not defined herein have the meaning ascribed to such terms in the Stockholders Agreement (as defined below).

RECITALS

WHEREAS, the Partnership was formed as a limited partnership under the Texas Revised Limited Partnership Act pursuant to the filing of a Certificate of Limited Partnership of Alta Mesa Holdings, LP (the “*Certificate*”) filed with the Secretary of State of Texas on September 26, 2005 and the Agreement of Limited Partnership of Alta Mesa Holdings, LP, dated September 26, 2005, by and among the General Partner and the limited partners party thereto, which was amended and restated as the First Amended and Restated Agreement of Limited Partnership of Alta Mesa Holdings, LP, dated September 1, 2006, by and among the General Partner, the Class B Limited Partner and the Class A Limited Partners party thereto, as amended (the “*Initial Agreement*”);

WHEREAS, the Initial Agreement was amended and restated on March 25, 2014, as amended (the “*Second Agreement*”);

WHEREAS, immediately prior to the execution of the Second Agreement the Class A Limited Partners contributed to AMIH Predecessor Class A Units representing 49.955% of the total outstanding Predecessor Class A Units, in the aggregate (the “*Class A Contribution*”);

WHEREAS, contemporaneously with the execution of the Second Agreement (i) the Partnership issued Class B Units to the Class B Limited Partner on the terms set forth therein (the “*Class B Contribution*”) and (ii) the Predecessor Class A Units contributed to AMIH by the Class A Limited Partners was terminated and extinguished by the Partnership;

WHEREAS, the Second Agreement was amended and restated on August 12, 2015, as amended (the “*Third Agreement*”);

WHEREAS, the Third Agreement was amended and restated on August 31, 2016, as amended (the “*Fourth Agreement*”); and

WHEREAS, the Partners desire to provide for the governance of the Partnership and to set forth in detail their respective rights and duties relating to Partnership and to amend and restate in its entirety the Fourth Agreement as set forth herein.

ARTICLE I DEFINITIONS

In addition to the terms in the Stockholders Agreement, the following terms used in this Agreement shall have the following meaning.

“*Affiliate*” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with that Person. For purposes of this definition, “*control*” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“*Agreement*” has the meaning ascribed to such term in the Preamble of this Agreement.

“*AMIH*” has the meaning ascribed to such term in the Preamble of this Agreement.

“*Bayou City Holder*” has the meaning ascribed to such term in the Stockholders Agreement.

“*Book Value*” means with respect to any Partnership asset, the asset’s adjusted basis for federal income tax purposes, except that the Book Values of all Partnership assets shall be adjusted to equal their respective fair market values, in accordance with the rules set forth in Section 1.704-1 (b)(2)(iv)(l) of the Treasury Regulations, except as otherwise provided herein, immediately prior to: (a) the date of the acquisition of any additional Unit by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (b) the date of the actual distribution of more than a de minimis amount of Partnership property (other than a pro rata distribution) to a Partner; or (c) the date of the actual liquidation of the Partnership within the meaning of Section 1,704-1 (b)(2)(ii)(g) of the Treasury Regulations; *provided* that adjustments pursuant to clauses (a) and (b) above shall be made only if the General Partner determines in its sole discretion that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners. The Book Value of any Partnership asset distributed to any Partner shall be adjusted immediately prior to such distribution to equal its fair market value, The Book Value of any Partnership asset shall be adjusted from time to time by the depreciation, amortization and cost recovery deductions calculated in the manner provided in the definition of Net Income and Net Loss and by Simulated Depletion, as applicable.

“*Breaching Class A Limited Partner*” has the meaning ascribed to such term in Section 3.7.

“Budget Act” has the meaning ascribed to such term in Section 11.7.

“Capital Account” has the meaning ascribed to such term in Section 7.1.

“**Capital Contribution**” means any cash or cash equivalents that a Limited Partner contributes to the Partnership.

“**Certificate**” has the meaning ascribed to such term in the Recitals.

“**Certificates of Designations**” means, collectively, the Series B Certificate of Designations, the Series C Certificate of Designations, the Series D Certificate of Designations and the Series E Certificate of Designations.

“**Class A Contribution**” has the meaning ascribed to such term in the Recitals.

“**Class A Limited Partner**” has the meaning ascribed to such term in the Preamble of this Agreement.

“**Class A Percentage Interest**” means, with respect to any holder or group of holders of Class A Units as of any determination time, a fraction (expressed as a percentage), the numerator of which equals the number of outstanding Class A Units held of record by such holder or group of holders as of any determination time and the denominator of which equals the total number of outstanding Class A Units held by all holders of Class A Units as of any determination time.

“**Class A Unit**” has the meaning ascribed to such term in Section 3.3.

“**Class B Contribution**” has the meaning ascribed to such term in the Recitals.

“**Class B Limited Partner**” has the meaning ascribed to such term in the Preamble of this Agreement.

“**Class B Unit**” has the meaning ascribed to such term in Section 3.3.

“**Deceased Executive**” has the meaning ascribed to such term in Section 3.9(a).

“**Distributable Cash**” means all cash, revenues and funds received by the Partnership from the Partnership’s operations, less the sum of the following to the extent paid or set aside by the Partnership: (i) all principal and interest payments on indebtedness of the Partnership and all other sums paid to lenders; (ii) all cash expenditures incurred incident to the normal operations of the Partnership’s business; (iii) such cash reserves as the General Partner deems reasonably necessary to the proper operation of the Partnership’s business; and (iv) any tax distribution made pursuant to Section 4.2.

“**Drag-Along Proceeds**” has the meaning ascribed to such term in Section 1(c).

“**Effective Date**” has the meaning ascribed to such term in the Preamble of this Agreement.

“Equity Security” shall mean (i) any shares of capital stock, (ii) any rights, options, warrants or similar securities to subscribe for, purchase or otherwise acquire any shares of capital stock, and (iii) debt or other evidences of indebtedness, capital stock or other securities directly or indirectly convertible into or exercisable or exchangeable for any shares of capital stock. For purposes of this Agreement, when either the term “Equity Securities” or the term “capital stock”

is used with respect to any Person that is not a corporation, including PubCo, such term shall have the meaning that, with respect to such Person, including PubCo (which may or may not be a corporation), achieves an identical effect to the meaning of such term when it is used with respect to the Class B Limited Partner, a corporation.

“**Fourth Agreement**” has the meaning ascribed to such term in the Recitals.

“**General Partner**” has the meaning ascribed to such term in the Preamble of this Agreement.

“**General Partner Company Agreement**” means the Fourth Amended and Restated Limited Liability Company Agreement of the General Partner, dated as of the date hereof.

“**GP Units**” has the meaning ascribed to such term in Section 3.3.

“**Highbridge Holder**” has the meaning ascribed to such term in the Stockholders Agreement.

“**Immediate Family**” means, with respect to any individual, (i) that individual’s spouse, parents and lineal descendants (including by adoption) and any trust the sole beneficiaries of which are that individual or any of that individual’s spouse, parents or lineal descendants (including by adoption), and (ii) that individual’s former spouse.

“**Indemnified Expenses**” has the meaning ascribed to such term in Section 8.7(b).

“**Indemnified Parties**” has the meaning ascribed to such term in Section 8.7(b).

“**Indirect Permitted Transferee**” means, subject to Section 3.9, with respect to any Class A Limited Partner, (a) Michael E. Ellis or Harlan H. Chappelle, (b) a member of the Immediate Family of an individual that directly or indirectly owns Equity Securities in such Class A Limited Partner; provided, that, either Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of the Units held by such Class A Limited Partner pursuant to a voting agreement that is delivered to the Partnership, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after the applicable Transfer, and (c) any owner or Affiliate of such Class A Limited Partner; provided, that, either Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of the Units held by such Class A Limited Partner pursuant to a voting agreement that is delivered to the Partnership, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after the applicable Transfer.

“**Indirect Transfer**” means, with respect to any Class A Limited Partner, any single or series of related transactions that result in a Person (or Persons acting in

concert), other than an Indirect Permitted Transferee of the Class A Limited Partner in question, who did not directly or indirectly own Equity Securities in such Class A Limited Partner prior to the consummation of such single or series of related transactions acquiring or owning, directly or indirectly, any Equity Securities in such Class A Limited Partner.

“Initial Agreement” has the meaning ascribed to such term in the Recitals.

“**IPO**” has the meaning set forth in the definition of “Liquidity Event.”

“**Limited Partner**” has the meaning ascribed to such term in the Preamble of this Agreement.

“**Liquidity Event**” means the first to occur, in one or a series of related transactions, of (i) a disposition of all or substantially all of the assets of the Class B Limited Partner and its Subsidiaries to a Person that is not an Affiliate of the Class B Limited Partner, whether by virtue of an asset sale or a transfer of Equity Securities (whether through a sale, merger consolidation, share exchange or otherwise), except to the extent described in clause (ii) of this definition, (ii) a disposition of all of the Equity Securities of the Class B Limited Partner, held directly or indirectly, by the holders thereof (through a sale, merger, consolidation, share exchange or otherwise), (iii) the consummation of a firm underwritten initial public offering registered under the Securities Act of any class of Equity Securities of the Class B Limited Partner (or any successor thereto) or any of its Subsidiaries that hold all or substantially all of the Class B Limited Partner’s assets on a consolidated basis (an “**IPO**”) that is not a Qualified IPO and, (iv) a Qualified IPO, and (a) in the case of (i), the distribution by the Class B Limited Partner to the holders of Equity Securities of the Class B Limited Partner of all or substantially all of the proceeds received by the Class B Limited Partner and its Subsidiaries pursuant to such transaction, and (b), in the case of (iii) or (iv), if the IPO or Qualified IPO is of a Subsidiary of the Class B Limited Partner or a holding company parent of the Class B Limited Partner (the “**PubCo**”), then either (x) the distribution by the Class B Limited Partner (or its holding company parent) to the holders of Equity Securities of the Class B Limited Partner the residual traded securities of PubCo or (y) if PubCo is not owned directly by the stockholders of the Class B Limited Partner, the distribution to the stockholders of the Class B Limited Partner of the maximum amount of cash proceeds, if any, of such IPO or Qualified IPO, as the case may be, that the managing underwriters advising PubCo, in their reasonable discretion, conclude in writing can be distributed to the stockholders of the Class B Limited Partner without adversely affecting the price per share of the Equity Securities being sold in connection with such IPO or Qualified IPO, as the case may be.

“**Mezzanine Termination Event**” means an event that shall be deemed to occur upon the final payment in full of both all (a) accrued and unpaid interest under the Notes (as defined in the Note Purchase Agreement) and (b) Note Obligations (as defined in the Note Purchase Agreement), which shall include all Note Obligations constituting outstanding principal under the Notes.

“**Net Income and Net Loss**” means for each fiscal year or other period, the taxable income or loss of the Partnership, as the case may be; determined in accordance with the accounting method used by the Partnership for federal income tax purposes with the following adjustments: (a) all items of income, gain, loss, deduction or expense specially allocated pursuant to Section 5.2 of this Agreement shall not be taken into account in computing such Net Income or Net Loss; (b) any income of the Partnership that is exempt from federal income taxation, and not otherwise taken into account in computing Net Income and Net Loss shall be added

to such taxable income or loss; (c) if the Book Value of any asset differs from its adjusted tax basis for federal income tax purposes any gain or loss resulting from a disposition of such asset shall be calculated with reference to such Book Value; (d) upon an adjustment to the Book Value of any asset pursuant to the definition of Book Value, the amount of the adjustment shall be included as gain or loss in computing Net Income or Net Loss; (e) if the Book Value of any asset differs from its adjusted tax basis for federal

income tax purposes the amount of depreciation, amortization or cost recovery deductions with respect to such asset for purposes of determining Net Income and Net Loss shall be an amount which bears the same ratio to such Book Value as the federal income tax depreciation, amortization or other cost recovery deductions bears to such adjusted tax basis (provided, that if the federal income tax depreciation, amortization or other cost recovery deduction is zero, the General Partner may use any reasonable method for purposes of determining depreciation, amortization or other cost recovery deductions in calculating Net Income and Net Loss); and (f) except for items in (a) above, any expenditures of the Partnership not deductible in computing taxable income or loss, not properly capitalizable and not otherwise taken into account in computing Net Income and Net Loss pursuant to this definition, shall be treated as deductible items. Simulated Depletion, Simulated Gain and Simulated Loss shall not be taken into account in computing Net Income and Net Loss.

“**Note Purchase Agreement**” has the meaning set forth in the Certificates of Designations.

“**Participation Event**” has the meaning ascribed to such term in Section 1(b).

“**Partner**” means any of the Limited Partners or the General Partner, individually.

“**Partners**” means the Limited Partners and the General Partner, together.

“**Partnership**” has the meaning ascribed to such term in the Preamble of this Agreement.

“**Passing Holder**” or “**Passing Holders**” has the meaning ascribed to such term in Section 3.9(b).

“**Passing Interest**” has the meaning ascribed to such term in Section 3.9(a).

“**Passing Interest Notice**” has the meaning ascribed to such term in Section 3.9(b).

“**Permitted Transfer**” means (1) a Transfer pursuant to and in accordance with Sections 3.5 and 3.6; (2) a Transfer pursuant to and in accordance with Section 3.9, (3) a Transfer to be made in connection with an IPO or Qualified IPO; or (4) a Transfer at any time of all or any portion of Class A Limited Partner’s Units to: (a) if such Class A Limited Partner is an individual, any members of such Class A Limited Partner’s Immediate Family; provided, that, Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of such Immediate Family Member’s Units pursuant to a voting agreement that is delivered to the Partnership, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after such Transfer; (b) if such Class A Limited Partner is a trust, the beneficiary or beneficiaries thereof; (c) if such Class A Limited Partner is an individual, the guardian or legal representative of a Class A Limited Partner as to whose estate a guardian or legal representative

is appointed and to the executor or administrator of the estate of a deceased Class A Limited Partner; (d) another Class A Limited Partner, and (e) if such Class A Limited Partner is an entity, any owner or Affiliate of such Class A Limited Partner; provided, that, if such transferee is an owner or Affiliate of such Class A Limited Partner, Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of such Class A Limited Partner's Units pursuant to a voting agreement that is delivered

to the Partnership, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after such Transfer.

“Personal Representative” has the meaning ascribed to such term in Section 3.9(b).

“PIK Dividends” means, collectively, the PIK Dividends (as defined in the Series B Certificate of Designations), the PIK Dividends (as defined in the Series C Certificate of Designations) and the Sub-Series E-1 PIK Dividends (as defined in the Series E Certificate of Designations).

“Predecessor Class A Units” means the Class A Units of the Partnership issued under the Second Agreement and contributed to AMIH concurrently with the execution of the Second Agreement.

“Preferred Distribution Amount” means the amount equal to the sum of the amounts necessary to satisfy Distribution level 1, Distribution level 2 and Distribution level 3(a) described in Annex A-1 Section 4(a) only (Asset Sale Scenario) of Exhibit C of the Certificates of Designations.

“PubCo” has the meaning set forth in the definition of “Liquidity Event.”

“Representatives” has the meaning ascribed to such term in Section 11.2.

“Qualified IPO” means an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8 (or any successor form)) of the common equity of the Class B Limited Partner or any of its direct or indirect shareholders (or a corporate successor of any of the foregoing) that constitutes a Qualified IPO as defined in the Certificates of Designations.

“Second Agreement” has the meaning ascribed to such term in the Recitals.

“Series B Certificate of Designations” means the Third Amended and Restated Certificate of Designations of Series B Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“Series C Certificate of Designations” means the Second Amended and Restated Certificate of Designations of Series C Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“Series D Certificate of Designations” means the Amended and Restated Certificate of Designations of Series D Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Series E Certificate of Designations**” means the Certificate of Designations of Series E Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Simulated Basis**” shall mean the Book Value of any oil and gas property (as defined in Section 614 of the Code) as adjusted from time to time for Simulated Depletion.

“**Simulated Depletion**” shall mean, with respect to each oil and gas property, a depletion allowance computed in accordance with federal income tax principles and in the manner specified in Treasury Regulation Section 1.704-1 (b)(2)(iv)(k)(2). For purposes of computing Simulated Depletion with respect to any property, the Simulated Basis of such property shall be deemed to be the Book Value of such property, and in no event shall such allowance, in the aggregate, exceed such Simulated Basis.

“**Simulated Gain**” shall mean the excess of the amount realized from the sale or other disposition of an oil or gas property over the Book Value of such property. If the Book Value of any property the sale of which would result in Simulated Gain is adjusted as provided in this Agreement, the amount of such adjustment shall be taken into account as gain from the disposition of such property for purposes of computing Simulated Gain.

“**Simulated Loss**” shall mean the excess of the Book Value of an oil or gas property over the amount realized from the sale or other disposition of such property. If the Book Value of any property the sale of which would result in Simulated Loss is adjusted as provided in this Agreement, the amount of such adjustment shall be taken into account as loss from the disposition of such property for purposes of computing Simulated Loss.

“**Stockholders Agreement**” shall mean that certain Third Amended and Restated Stockholders Agreement dated on or about the date hereof by and among AMIH, HPS Investment Partners, LLC, Bayou City Energy Management LLC and the stockholders listed on Exhibit A thereto, as may be amended, restated or otherwise modified from time to time.

“**Subject Holder**” has the meaning ascribed to such term in Section 3.9(b).

“**Subsidiary**” of a Person shall mean any other Person of which more than fifty percent (50%) of the outstanding Equity Securities having ordinary voting power under ordinary circumstances to elect a majority of the board of directors or similar governing body of such other Person (irrespective of whether at such time Equity Securities of any other classes of such other Person shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly controlled by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person. Unless otherwise indicated

herein, each reference to the term “Subsidiary” shall mean a Subsidiary of the Class B Limited Partner.

“*Surviving Party*” has the meaning ascribed to such term in Section 3.9(c)

“*Tax Matters Partner*” has the meaning ascribed to such term in Section 11.7.

“*TBOC*” means the Texas Business Organizations Code as in effect on the date hereof and as it may be amended hereafter from time to time.

“*Third Agreement*” has the meaning ascribed to such term in the Recitals.

“*Treasury Regulations*” means the income tax regulations, including temporary regulations, promulgated under the Code, as amended from time to time.

“*Units*” means the Class A Units and Class B Units, collectively, representing ownership interest of a Partner in the Partnership, and includes any and all rights, benefits and privileges to which such Partner is entitled in his capacity as a Partner of the Partnership as provided in this Agreement, the TBOC, the Certificate or otherwise, together with all obligations, duties and liabilities imposed on such Partner in his capacity as a Partner of the Partnership as provided in this Agreement, the TBOC, the Certificate or otherwise and any “*Unit*” shall refer to any one of the foregoing.

“*Voting Agreement*” has the meaning ascribed to such term in Section 3.9(c).

ARTICLE II ORGANIZATION

2.1 Formation. The Partnership was formed as a limited partnership under the TBOC by the filing of the Certificate with the Office of the Secretary of State of Texas on the applicable date referred to in the Recitals to this Agreement. The parties hereto agree to continue the Partnership. The rights, obligations and liabilities of the Limited Partners shall be determined pursuant to the TBOC and this Agreement and shall be subject to the terms, provisions and conditions set forth therein and herein. To the extent that the rights, obligations or liabilities of any Limited Partner are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the TBOC, control. The purpose of the Partnership is to engage in any lawful act or activity for which limited liability companies may be formed under the TBOC.

2.2 Filing. The General Partner shall accomplish all filing, recording, publishing and other acts necessary or appropriate for compliance with all requirements for operation of the Partnership as a limited partnership under this Agreement and the TBOC and under all other laws of the State of Texas and such other jurisdictions in which the Partnership determines that it may conduct business.

2.3 Name. The name of the Partnership is “Alta Mesa Holdings, LP” as such name may be modified from time to time by the General Partner as it may deem advisable.

2.4 Office and Agent. The Partnership shall continuously maintain an office and registered agent in the State of Texas as required by the TBOC. The Texas office and registered agent for the Partnership shall be the name and address set forth in the Certificate or such other Texas office and/or registered agent as the General Partner may designate from time to time. The Partnership also may have

such other offices as the General Partner from time to time may determine or as the business of the Partnership may require.

2.5 Addresses for Notices. The addresses of the Limited Partners are set forth on Schedule I and otherwise as set forth in the Partnership's records as maintained by the General Partner. The administrative address of the Partnership is Attn: Michael A. McCabe, 15021 Katy

Freeway, Suite 400, Houston, TX 77094. Any Limited Partner may change its address by prior written notice to the General Partner at the administrative address of the Partnership, in which case the General Partner shall update the schedules hereto accordingly. The General Partner may change its address by prior written notice to the Limited Partners at their respective addresses for notices. Any notice issued in connection with this Agreement shall be in writing and shall be sent to the Partnership, the General Partner, or the Limited Partners, as the case may be, at their respective addresses provided for in this Section 2.5.

2.6 Foreign Qualification. Prior to the Partnership's conducting business in any jurisdiction other than Texas, the General Partner shall cause the Partnership to comply, to the extent those matters are reasonably within the control of the General Partner, with all requirements necessary to qualify the Partnership as a foreign limited partnership (or a partnership in which the Limited Partners have limited liability) in that jurisdiction. At the request of the General Partner, each Partner shall execute, acknowledge, swear to, and deliver all certificates and other instruments conforming with this Agreement that are necessary or appropriate to form, qualify, continue, and terminate the Partnership as a limited partnership under the law of the State of Texas and to qualify, continue, and terminate the Partnership as a foreign limited partnership (or a partnership in which the Limited Partners have limited liability) in all other jurisdictions in which the Partnership may conduct business, and to this end the General Partner may use the power of attorney described in Section 8.8.

ARTICLE III

LIMITED PARTNERS; UNITS; TRANSFER RESTRICTIONS

3.1 Limited Partners. As of the Effective Date, the Persons listed on Schedule I shall be the only Limited Partners of the Partnership.

3.2 Management by the Limited Partners.

(a) The Limited Partners, in their capacity as Limited Partners, shall not have any power or authority to manage the business or affairs of the Partnership or to bind the Partnership or to enter into agreements on behalf of the Partnership, whether by voting or otherwise. To the fullest extent permitted by applicable law, no Limited Partner, in its capacity as a Limited Partner, shall have any duty, fiduciary or otherwise to the Partnership or any other Limited Partner in connection with the business and affairs of the Partnership or any consent or approval given or withheld pursuant to this Agreement.

(b) In exercising its rights under this Agreement, AMIH in its capacity as the Class B Limited Partner shall act in accordance with the Stockholders Agreement.

(c) The Limited Partners, as such, shall have no vote on any matters except if and to the extent voting is required by the applicable provisions of the TBOC and such voting rights cannot be extinguished by agreement of the Partners.

3.3 Units. The Units in the Partnership shall be divided into non-economic general partner interests owned by the General Partner (the “*GP Units*”) and two classes of non-voting economic units referred to as “*Class A Units*” and “*Class B Units*” with the relative rights and obligations specified in this Agreement. The Class A Units are held by the General Partner and

each of the Class A Limited Partners listed on Schedule I. Immediately following the Class A Contribution, the Predecessor Class A Units associated therewith were terminated and extinguished. The Class B Limited Partner owns 100% of the Class B Units.

3.4 Admission of Limited Partners. Any assignee of Units pursuant to a Transfer in accordance with the terms of this Agreement shall be admitted to the Partnership as a Limited Partner, upon consent of the General Partner and receipt by the General Partner of counterpart signature pages to documents in form and substance satisfactory to the General Partner to evidence such assignee's agreement to be bound by the terms and provisions of this Agreement and the Stockholders Agreement. To the extent any such assignee is a natural person, the assignee's spouse shall also execute such documents as are required by the Partnership. Upon the admission of any assignee as a new Limited Partner in accordance with the terms of this Agreement, the General Partner shall update Schedule I accordingly.

3.5 Limitations on Transfers. No Class A Limited Partner shall Transfer any of its Class A Units unless pursuant to a Permitted Transfer, or with the prior written consent of the Class B Limited Partner and the General Partner. Except as otherwise provided in the previous sentence, any Transfer of Class A Units shall be subject to the limitations and conditions on Transfer contained in the Stockholders Agreement as though such Class A Units were "Shares" under the Stockholders Agreement.

3.6 Liquidity Event.

(a) Drag Along.

(i) If the Class A Limited Partners receive a Liquidity Event Notice (in their capacities as Stockholders) that involves the direct sale of Class B Units, the Class B Limited Partner shall also provide the General Partner the same such Liquidity Event Notice provided to the Class A Limited Partners, and each Class A Limited Partner and the General Partner shall cooperate with the Class B Limited Partner in good faith in connection therewith. Each Class A Limited Partner and the General Partner shall, and shall cause its Affiliates to, take all actions, including those set forth in Section 13(d) of the Stockholders Agreement, if applicable, reasonably necessary or appropriate to (i) cooperate with the Class B Limited Partner in working toward the consummation of a Liquidity Event and (ii) execute and perform such sale, conveyance, transfer, assignment or any other documents of any kind as are or become necessary to effect a Liquidity Event. Each Class A Limited Partner and the General Partner shall, and shall cause its Affiliates to, collaborate with the other Partners in good faith in order to optimize the tax structure of the Liquidity Event for all Partners.

(ii) The value of any GP Units Transferred in connection with the Liquidity Event described in Section 3.6(a)(i) shall be deemed to be zero. The General Partner shall not have any right to receive, be transferred or be entitled to any interest in any proceeds or consideration that would be transferred to or received by the General Partner from the sale or transfer of the General Partner's GP Units in connection with such Liquidity Event. Notwithstanding the foregoing,

the General Partner shall be entitled to proceeds and consideration pursuant to the Liquidity Event with respect to its Class A Units.

(b) Mandatory Contribution. If the Class A Limited Partners receive a Liquidity Event Notice in respect of an IPO or Qualified IPO (a “**Participation Event**”), then (i) all Class A Limited Partners shall contribute all of their outstanding Class A Units, and (ii) the members of the General Partner shall contribute the General Partner, to the Class B Limited Partner in connection therewith at the instruction of the Class B Limited Partner pursuant to a Contribution Agreement that is in the form attached hereto as Exhibit B.

(c) Special Rule for Distributions. No Limited Partner shall have any right to receive, be transferred or be entitled to any interest in any proceeds or consideration that would be directly transferred to or received by such Limited Partner from the sale or transfer of such Limited Partner’s Units in connection with a Liquidity Event conducted pursuant to Section 3.6(a)(i) (the “**Drag-Along Proceeds**”). The General Partner shall cause the Drag-Along Proceeds to be applied by the Partnership solely pursuant to Section 4.1(b).

3.7 Indirect Transfer. No Indirect Transfer in respect of a Class A Limited Partner shall occur, and no Class A Limited Partner shall cause or permit such an Indirect Transfer to occur in respect of such Class A Limited Partner, without the prior written consent of the Class B Limited Partner. If, any such Indirect Transfer occurs with respect to any Class A Limited Partner in violation of this Section 3.7 and such Indirect Transfer has not, to the reasonable satisfaction of the Class B Limited Partner been cured or reversed or has not otherwise ceased to exist within ten (10) days following the earlier to occur of (i) the applicable Class A Limited Partner becoming aware of the occurrence of such Indirect Transfer or (ii) notice of such Indirect Transfer being provided to such Class A Limited Partner by the Partnership or the Class B Limited Partner, then such Class A Limited Partner shall, effective as of the occurrence of such Indirect Transfer, constitute a “**Breaching Class A Limited Partner**” for purposes of this Agreement. In consideration for the benefits provided to each Class A Limited Partner through its ownership of the Class A Units owned by it and its rights under this Agreement, the receipt and sufficiency of which are each hereby irrevocably acknowledged, each Class A Limited Partner agrees that if such Class A Limited Partner in the future constitutes a Breaching Class A Limited Partner, then from and after the occurrence of the Indirect Transfer that causes such Class A Limited Partner to constitute a Breaching Class A Limited Partner, it shall have irrevocably surrendered its Class A Units to the non-Breaching Class A Limited Partners pro rata in proportion to the Class A Units held by such non-Breaching Class A Limited Partners. For purposes of clarity, in the event an “Indirect Transfer” occurs pursuant to the Stockholders Agreement with respect to a Class A Limited Partner and such event would constitute an Indirect Transfer hereunder and notice of such event is provided to such Class A Limited Partner pursuant to the Stockholders Agreement, such notice shall also constitute notice of an Indirect Transfer for purposes of this Section 3.7.

3.8 Certificates.

(a) Entitlement to Certificates. The Partnership shall provide each owner of a Unit in the Partnership a certificate in such form as is approved by the Partnership and conforms with applicable law, certifying the Unit owned by it. Further, for purposes of providing for Transfer of, perfecting a lien or encumbrance in, and other relevant matters related to, a Unit, the

Unit will be deemed to be a “security” subject to the rules set forth in Chapters 8 and 9 of the Texas Uniform Commercial Code and any similar Uniform Commercial Code provision adopted by any other relevant jurisdiction.

(b) Restrictive Legend. In the absence of a more restrictive legend, all certificates evidencing Units will be stamped or typed in a conspicuous place with the following legend:

THE PARTNERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. WITHOUT REGISTRATION, THESE SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT ON DELIVERY TO THE PARTNERSHIP OF AN OPINION OF COUNSEL SATISFACTORY TO THE GENERAL PARTNER THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR THE SUBMISSION TO THE GENERAL PARTNER OF OTHER EVIDENCE SATISFACTORY TO THE GENERAL PARTNER TO THE EFFECT THAT ANY TRANSFER WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER. ADDITIONALLY, ANY SALE OR OTHER TRANSFER OF PARTNERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS THAT ARE SET FORTH IN THE PARTNERSHIP’S LIMITED PARTNERSHIP AGREEMENT (AS MAY BE AMENDED AND/OR RESTATED FROM TIME TO TIME).

Such legend will also be placed on all certificates that are hereafter issued to any Partner.

(c) Lost, Stolen or Destroyed Certificates. The Partnership may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Partnership alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Partnership may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or its legal representative, to advertise the same in such manner as it will require and/or to give the Partnership a bond in such sum as it may

direct as indemnity against any claim that may be made against the Partnership with respect to the certificate alleged to have been lost, stolen or destroyed.

(d) Transfer of Partnership Interest. Upon surrender to the Partnership or its transfer agent, if any, of a certificate representing Units duly endorsed or accompanied by proper evidence of succession, assignation or Transfer in accordance with this Agreement and of the payment of all taxes applicable to the Transfer of such Units, the Partnership will be obligated to

issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, *provided, however*, that the Partnership will not be so obligated unless such Transfer was made in compliance with the provisions of this Agreement and any applicable state and federal laws.

(e) Registered Holders. The Partnership will be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated Units and will not be bound to recognize any equitable or other claim to or interest in such Units on the part of any Person other than such registered owner, whether or not it will have express or other notice thereof, except as otherwise provided by law.

3.9 Death of Certain Individuals .

(a) Upon the death of either Michael E. Ellis or Harlan H. Chappelle (such executive, the “***Deceased Executive***”), all or any portion of the Units held directly or indirectly by such Deceased Executive (including, for purposes of clarity, the Units of any Class A Limited Partner over or with respect to which such Deceased Executive possessed or held (including, pursuant to the definition of Permitted Transfer, any Class A Limited Partner over which such Deceased Executive was required to possess or hold), directly or indirectly, voting control of the Units held by such Class A Limited Partner, whether under a Voting Agreement or otherwise) (such Units or any interest therein being referred to herein as the “***Passing Interest***”) shall be subject to the provisions of this Section 3.9.

(b) Upon such Deceased Executive’s death, the Partnership shall give prompt written notice to the Class B Limited Partner, the Highbridge Holders and the Bayou City Holders of such event (the “***Passing Interest Notice***”), which such notice shall contain the names and addresses for purposes of notice of (i) if all or any portion of the Passing Interest that is directly held by such Deceased Executive’s personal representative (the personal representative of the Deceased Executive’s estate, the “***Personal Representative***”) and (ii) if all or any portion of the Passing Interest is directly held by any Class A Limited Partner (any such Class A Limited Partner, a “***Subject Holder***” and together with each other Subject Holder, if any, and the Personal Representative, if any, collectively referred to herein as the “***Passing Holders***” and individually referred to herein as a “***Passing Holder***”).

(c) If, following the delivery of any Passing Interest Notice, either Michael E. Ellis or Harlan H. Chappelle, as applicable (the “***Surviving Party***”), survives such Deceased Executive, then, within thirty (30) days after delivery of such Passing Interest Notice, each Passing Holder shall transfer voting control of the Passing Interest to the Surviving Party, and the Passing Interest may be transferred or retained, as applicable, to, or by such Persons who would have otherwise held such Passing Interest had such Passing Interest not been subject to the provisions of this Section 3.9, and such Persons may hold such portion of such Passing Interest subject to the terms and conditions hereof, including entering into a Voting Agreement. If the Transfer of such portion of such Passing Interest is in connection with an Indirect Transfer, after giving effect to such Indirect Transfer (but prior to giving effect

to any future Indirect Transfer or Transfer), the holders of such portion of such Passing Interest will be considered for all purposes hereunder an Indirect Permitted Transferee with respect to such Passing Interest. If the Transfer of such portion of such Passing Interest is in connection with a direct Transfer, subject to compliance with Section

3.4, after giving effect to such direct Transfer (but prior to giving effect to any future Indirect Transfer or Transfer), such Transfer will be considered a Permitted Transfer for all purposes hereunder and the holders of such portion of such Passing Interest will be considered for all purposes hereunder a Permitted Transferee with respect to such Passing Interest. A “*Voting Agreement*” is an agreement between the Passing Holder and the Surviving Party, whereby voting control of the Passing Interest is held by such Surviving Party. The Surviving Party will provide a copy of the Voting Agreement to the Company, the Highbridge Holders and the Bayou City Holders within forty-five (45) days of the end of such thirty (30)-day period. If Harlan H. Chappelle or Michael E. Ellis is a party to a Voting Agreement and such individual dies, then the provisions of this Section 3.9 shall apply with respect to the Units held by the Passing Holder and its successors, assigns and transferees.

(d) Notwithstanding the foregoing Section 3.9(c), if following the delivery of any Passing Interest Notice, neither Michael E. Ellis nor Harlan H. Chappelle is still living, then, each Passing Holder shall be subject to, and upon the request of the Highbridge Holders or the Bayou City Holders, shall enter into, a voting agreement substantially in the form of the voting agreement attached as an exhibit to the Stockholders Agreement with conforming changes.

ARTICLE IV DISTRIBUTIONS

4.1 Distributions.

(a) Each distribution made by the Partnership, regardless of the source, shall be made in accordance with this Section 4.1 and applicable law.

(b) Current distributions of Distributable Cash and distributions upon the liquidation, sale, merger, consolidation, dissolution or winding up of the Partnership shall be made by the General Partner in accordance with this Section 4.1(b). The General Partner shall have sole discretion to determine the timing of any distribution and the aggregate amounts available for such distribution and, subject to the proviso at the end of this Section 4.1(b), such distributions shall be made:

(i) First, unless a Mezzanine Termination Event has occurred as of the time of such distribution, 100% of any such distribution shall be paid to the holders of the Class B Units, but if the Mezzanine Termination Event would occur in connection with the payment of such distribution, then only the amount necessary to cause the Mezzanine Termination Event to occur will be paid to the holders of the Class B Units pursuant to this Section 4.1(b)(i) and the remaining amount of such distribution shall be paid in accordance with the following provisions of this Section 4.1(b);

(ii) Second, 100% of any such distribution shall be paid to the holders of the Class B Units until such time as the holders of the Class B Units have received an amount equal to the Preferred

Distribution Amount, and if any amount of such distribution remains to be paid by the Partnership after the holders of the Class B Units have received an amount equal to such Preferred Distribution

Amount, then such remaining amount of such distribution shall be paid in accordance with the following provisions of this Section 4.1(b);

(iii) Third, if all holders of the Class B Units have received all distributions to which they are entitled at such time pursuant to the foregoing provisions of this Section 4.1(b), then 75% of any such distribution shall be paid to the holders of the Class B Units and 25% of any such distribution shall be paid to the holders of the Class A Units (and among such holders of the Class A Units, pro rata based on their relative Class A Percentage Interests as of the date of such distribution);

provided, however, that if a Participation Event has occurred as of the time of such distribution, 100% of any such distribution shall be paid to the holders of Class B Units.

4.2 Tax Distributions. If the Partnership has sufficient cash, as determined by the General Partner, the General Partner shall make tax distributions to the Partners. The General Partner may declare any tax distributions to be made in cash to each Partner to satisfy all of such Partner's estimated tax liability with respect to any taxable income of the Partnership allocated to such Partner pursuant to Article V. Tax distributions, if made, shall be made at such times as are determined by the General Partner, but no less frequently than annually, and, if annually, by April 15 following each taxable year of the Partnership. The General Partner shall determine the amount distributed to a Partner based upon the estimated amount of income or loss allocated to such Partner pursuant to Article V and the applicable tax rate. If, in the discretion of the General Partner, there is insufficient cash available to provide all Partners with cash equal to the full amount of their estimated tax liability as described above, as determined by the General Partner, then tax distributions shall be made to the Partners pro rata in proportion to their respective liability. Any distribution made to a Partner pursuant to this Section 4.2 shall be treated as an advance of the next succeeding distribution or distributions which would otherwise have been made to such Partner pursuant to Section 4.1(b) or 10.2(b). If any portion of the tax advances made to any Partner pursuant to this Section 4.2 is not offset and repaid with distributions to such Partner pursuant to Sections 4.1 and 10.2(d), such Partner shall not be required to repay such advance to the Partnership, *provided, however*, to the extent such Partner was allocated items of loss, deduction or credit by the Partnership after the date hereof in excess of the amount of allocations of income or gain that, in each case, were not previously taken into account in determining the amount of any tax advance pursuant to this Section 4.2, the Partner shall be required to repay such outstanding advance to the extent such items of available loss, deduction or credit (treated as applied before any other available loss, deduction or credit of such Partner that is not attributable to its interest in the Partnership) resulted in a reduction in its cash tax liability including as a refund of taxes (or the cash tax liability or refund of a direct or indirect equity holder of such Partner).

4.3 Restriction on Distributions. Notwithstanding anything to the contrary contained in this Agreement, unless the General Partner has first obtained the Unanimous Consent of the Board pursuant to the General Partner Company Agreement, the Partnership shall not make any distribution of cash or property to any holder of Class A Units under Section 4.1 unless, at the time of such distribution, no PIK Dividends are accrued and unpaid at such time. This Section 4.3 shall not apply to tax distributions described in Section 4.2.

ARTICLE V PROFIT AND LOSS ALLOCATION

5.1 Allocation Rules.

(a) Net Loss. After taking into account the special allocations in Section 5.2, and the allocations provided in Section 5.1(c) for the fiscal year or other period, Net Loss (and items thereof) shall be allocated in a manner such that the Capital Account of each Partner, immediately after giving effect to such allocation, is, as nearly, as possible, equal (proportionately) to the amount of the distributions that would be made to such Partner pursuant to Section 4.1(b), if (i) the Partnership were dissolved and terminated; (ii) its affairs were wound up and each Partnership asset was sold for cash equal to its Book Value; (iii) all Partnership liabilities were satisfied (limited with respect to each nonrecourse liability to the Book Value of the assets securing such liability); and (iv) the net assets of the Partnership were distributed in accordance with Section 4.1(b) to the Partners immediately after giving effect to such allocation.

(b) Net Income and Simulated Gain. After taking into account the special allocations in Section 5.2 and the allocations provided in Section 5.1(c) for the fiscal year or other period, Net Income (and items thereof) and Simulated Gain shall be allocated in a manner such that the Capital Account of each Partner, immediately after giving effect to such allocation, is, as nearly as possible, equal (proportionately) to the amount of the distributions that would be made to such Partner pursuant to Section 4.1(b), if (A) the Partnership were dissolved and terminated; (B) its affairs were wound up and each Partnership asset was sold for cash equal to its Book Value; (C) all Partnership liabilities were satisfied (limited with respect to each nonrecourse liability to the Book Value of the assets securing such liability); and (D) the net assets of the Partnership were distributed in accordance with Section 4.1(b) to the Partners immediately after giving effect to such allocation.

(c) Allocation of Simulated Basis, Simulated Depletion and Simulated Loss. The Simulated Basis in each oil and gas property owned by the Partnership on the date of this Agreement and any Simulated Depletion or Simulated Loss calculated with respect thereto shall be allocated among the Partners based on their respective shares of the Partnership's capital (within the meaning of Code Section 613A(c)(7)(D) and the Treasury Regulations promulgated thereunder) as of the time such oil and gas property is acquired by the Partnership, and shall be reallocated among the Limited Partners based on their respective shares of the Partnership's capital, as determined immediately following the occurrence of an event giving rise to any adjustment to the Book Value of the Partnership's oil and gas properties pursuant to the terms of this Agreement.

(d) Allocation in the fiscal year of the Class A Contribution and Class B Contribution. For the fiscal year of the Partnership in which both the Class A Contribution and the Class B Contribution are consummated, the Partnership shall

determine the Partners' distributive share of Partnership items by using the interim closing method described in Treasury Regulation Section 1.706-4(c).

5.2 Special and Regulatory Allocations.

(a) Minimum Gain Chargeback. Notwithstanding any other provision of this ARTICLE V, if there is a net decrease in partnership minimum gain (as defined in Treasury Regulations Section 1.704-2(b)(2) and (d)) during any fiscal year of the Partnership, the Partners shall be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to the portion of such Partner's share of the net decrease in partnership minimum gain, determined in accordance with Treasury Regulations Section 1.704-2(f) and (g). This Section 5.2(a) is intended to comply with the minimum gain chargeback requirement in such section of the Treasury Regulations and shall be interpreted consistently therewith.

(b) Partner Minimum Gain Chargeback. Notwithstanding any other provision of this ARTICLE V, if there is a net decrease in Partner nonrecourse debt minimum gain attributable to a Partner nonrecourse debt (as defined in Treasury Regulations Section 1.704-2(i)) during any fiscal year, each Partner shall be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to the portion of such Partner's share of the net decrease in Partner nonrecourse debt minimum gain attributable to such Partner's nonrecourse debt, determined in accordance with Treasury Regulations Section 1.704-2(i). This Section 5.2(b) is intended to comply with the minimum gain chargeback requirement in such section of the Treasury Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1 (b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the deficit, if any, in such Partner's Capital Account (as determined under Treasury Regulations Section 1.704-1 and after crediting such Capital Account for any amounts that such Partner is obligated to restore or is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-2) as quickly as possible; provided that an allocation pursuant to this Section 5.2(c) shall be made only if and to the extent that such Partner would have such Capital Account deficit after all other allocations provided for in Sections 5.1 and 5.2 have been tentatively made as if this Section 5.2(c) were not in this Agreement. This Section 5.2(c) is intended to comply with the qualified income offset provisions in Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(d) Gross Income Allocation. In the event any Partner has a deficit balance in such Partner's Capital Account (as determined after crediting such Capital Account for any amounts that such Partner is obligated to restore or is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-2), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate such deficit (as so determined) of such Partner's Capital Account as quickly as possible; provided that an allocation pursuant to this Section 5.2(d) shall be made only if and to the extent that such

Partner would have such Capital Account deficit (as so determined) after all other allocations provided for in Sections 5.1 and 5.2 (other than Section 5.2(c)) have been tentatively made as if this Section 5.2(d) were not in this Agreement.

(e) Loss Allocation Limitation. No allocation of Net Loss (or items thereof) or Simulated Loss shall be made to any Partner to the extent that such allocation would create or increase a deficit in such Partner's Capital Account (as determined after debiting such Capital Account for the items described in Treasury Regulations Section 1.704-1 (b)(2)(ii)(d)(4),(5) and (6) and crediting such Capital Account for any amounts that such Partner is obligated to restore or is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-2).

5.3 Tax Allocation.

(a) General Rules. Except as otherwise provided in Section 5.3(c) and 5.3(d), for each fiscal year, items of Partnership income, gain, loss, deduction and expense shall be allocated, for federal, state and local income tax purposes, among the Partners in the same manner as the Net Income (and items thereof) or Net Loss (and items thereof) of which such items are components were allocated pursuant to Section 5.1.

(b) Section 613A(c)(7)(D) of the Code. The deduction for depletion with respect to each separate oil and gas property (as defined in Section 614 of the Code) shall in accordance with Section 613A(c)(7)(D) of the Code be computed separately by the Partners rather than the Partnership. For such purpose, except as provided in Section 5.3(c), the adjusted tax basis of each such property shall be allocated among the Partners in the same manner in which the Simulated Basis of such property is allocated. Each Partner shall separately keep records of its share of the adjusted tax basis in each separate oil and gas property, adjust such share of the adjusted tax basis for any cost or percentage depletion allowable with respect to such property and use such adjusted tax basis in the computation of its cost depletion or in the computation of its gain or loss on the disposition of such property by the Partnership.

(c) Section 704(c) of the Code. Income, gains, losses and deductions with respect to any property (other than cash) contributed or deemed contributed to the capital of the Partnership shall, solely for income tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its fair market value at the time of the contribution or deemed contribution in accordance with Section 704(c) of the Code and the Treasury Regulations promulgated thereunder. Such allocations shall be made in such manner and utilizing such permissible tax elections at the discretion of the General Partner in its capacity as the Tax Matters Partner. If there is a revaluation of Partnership property pursuant to the definition of Book Value (including upon execution of this Agreement), subsequent allocations of income, gains, losses or deductions with respect to such property shall be allocated among the Partners so as to take account of any variation between the adjusted tax basis of such property to the Partnership for federal income tax purposes and its fair market value in accordance with Section 704(c) of the Code and the Treasury Regulations promulgated thereunder. Such allocations shall be made in such manner and utilizing such permissible tax elections at the discretion of the General Partner in its capacity as the Tax Matters Partner.

(d) Allocation with respect to the Founder Notes. For the avoidance of doubt and notwithstanding anything to the contrary stated herein, any gross income recognized by the Partnership in connection with the subordination of the Founder Notes shall not be offset by any loss of the Partnership and shall be treated as an item of gross income of a taxable period prior to

the date of the Second Agreement, and as such the Class A Limited Partners and the Class B Limited Partner hereby agree that such item of gross income shall be allocated in its entirety to the Class A Limited Partners and not to the Class B Limited Partner. The Class A Limited Partners hereby agree to indemnify the Class B Limited Partner for any tax cost arising out of or relating to the subordination of the Founder Notes.

(e) Capital Accounts Not Affected. Allocations pursuant to this Section 5.3 are solely for federal, state and local tax purposes and shall not affect, or in any way be taken into account, in computing any Partner's Capital Account or allocable share of Net Income (or items thereof) or Net Loss (or items thereof).

5.4 Withholding. Notwithstanding any other provision of this Agreement, the General Partner is authorized to take any action that it determines to be necessary or appropriate to cause the Partnership to comply with any foreign or United States federal, state or local withholding or deduction requirement with respect to any allocation, payment or distribution by the Partnership to any Partner or other Person. All amounts so withheld, and, in the manner determined by the General Partner in its discretion, amounts withheld with respect to any allocation, payment or distribution by any Person to the Partnership, shall be treated as distributions to the applicable Partners under the applicable provisions of this Agreement. If any such withholding requirement with respect to any Partner exceeds the amount distributable to such Partner under the applicable provision of this Agreement, or if any such withholding requirement was not satisfied with respect to any amount previously allocated or distributed to such Partner, such Partner and any successor or assignee with respect to such Partner's Units hereby indemnifies and agrees to hold harmless the General Partner and the Partnership for such excess amount or such withholding requirement, as the case may be.

ARTICLE VI CAPITAL CONTRIBUTIONS

6.1 Class A Contribution. Immediately prior to the execution and delivery of the Second Agreement, the Class A Limited Partners made the Class A Contribution and the Predecessor Class A Units associated therewith were extinguished and terminated.

6.2 Class B Contribution. AMIH made the Class B Contribution in connection with the execution and delivery of the Second Agreement.

6.3 Subsequent Capital Contributions. Notwithstanding anything to the contrary contained herein, no Class A Limited Partner shall be permitted or required to make any Capital Contribution to the Partnership without the consent of the General Partner. The Class B Limited Partner shall have the right to make capital contributions to the Partnership from time to time in such amounts and at such times as determined by the General Partner.

ARTICLE VII

CAPITAL ACCOUNTS

7.1 Capital Account. There shall be established and maintained for each Partner a separate capital account (“*Capital Account*”), which as of the Effective Date shall reflect the amounts described in ARTICLE VI and is attached hereto as Schedule I. There shall be added to

the Capital Account of each Partner (i) such Partner's Capital Contributions and (ii) such Partner's distributive share of Net Income and any item in the nature of income or gain that is specially allocated to the Partner pursuant to Section 5.2. There shall be subtracted from the Capital Account of each Partner (x) the amount of any money, and the fair market value of any other property, distributed to such Partner and (y) such Partner's distributive share of Net Losses and any item in the nature of loss or expense that is specially allocated to such Partner pursuant to Section 5.2. The foregoing provision and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b) and shall be interpreted and applied in a manner consistent with such Treasury Regulations.

7.2 Transfer of Units. A transferee of any Unit shall succeed to the Capital Account of the transferor Partner to the extent it relates to the Transferred Units.

ARTICLE VIII MANAGEMENT; INDEMNIFICATION

8.1 Management of Partnership Affairs. Except as is otherwise provided for in this Agreement or by non-waivable provisions of applicable law, the General Partner shall have full, complete, and exclusive authority to manage and control the business, affairs, and properties of the Partnership, to make all decisions regarding the same, and to perform any and all other acts or activities customary or incident to the management of the Partnership's business. Except as is otherwise provided for in this Agreement or the TBOC, the Limited Partners shall not participate in the control of the business affairs of the Partnership, transact any business on behalf of the Partnership, or have any power or authority to bind or obligate the Partnership.

8.2 GP Units. The General Partner's interest in the Partnership shall be represented by Class A Units and GP Units. GP Units shall constitute a non-economic interest in the Partnership and shall not receive distributions pursuant to Section 4.1(b). The General Partner may not Transfer GP Units except pursuant to a Liquidity Event described in Section 3.6(a)(i), or Class A Units except pursuant to the provisions of Section 3.5, in each case either directly or indirectly, by assignment, merger, consolidation or otherwise.

8.3 Officers. The General Partner may from time to time designate officers of the Partnership to carry out the day-to-day business of the Partnership. Any officer may be removed as such at any time by the General Partner, either with or without cause, in the discretion of the General Partner, provided that such removal shall be without prejudice to the contract rights, if any, of the Person so removed. Designation of an officer shall not of itself create contract rights.

8.4 Expenses in Connection with Organization of the Partnership. The Partnership shall be responsible for all out-of-pocket fees, costs and expenses

actually incurred by the General Partner and its Affiliates and paid to third parties in connection with: (a) maintaining the continued organization and existence of the Partnership; (b) the qualification of the Partnership to do business in any state in which the General Partner determines that such qualification is advisable; (c) the legal (including tax advice) and accounting fees and disbursements of the Partnership; and (d) other out-of-pocket expenses of a similar nature incurred by the General Partner or its Affiliates and paid to third parties in connection with such activities.

8.5 Reimbursement of Expenses. The General Partner shall be entitled to reimbursement by the Partnership from time-to-time for all out-of-pocket expenses which are incurred by the General Partner and paid to third parties in connection with the business and affairs of the Partnership.

8.6 Nature of Relationship. Except as is otherwise provided in this Agreement, the General Partner shall perform its duties with respect to the Partnership in good faith and in the best interests of the Partnership and shall devote such time and effort to the Partnership business and operations as is reasonably necessary to manage the affairs of the Partnership prudently. The General Partner is liable for acts, errors, or omissions in performing its duties with respect to the Partnership only if such performance is conducted in bad faith or with gross negligence. **THE GENERAL PARTNER IS NOT LIABLE FOR ACTS, ERRORS, OR OMISSIONS IN PERFORMING ITS DUTIES IN ANY CAPACITY WITH RESPECT TO THE PARTNERSHIP FOR ANY OTHER REASON, INCLUDING THE GENERAL PARTNER'S SOLE, PARTIAL, OR CONCURRENT NEGLIGENCE.**

8.7 Indemnification.

(a) To the fullest extent permitted by applicable law, neither the General Partner, the Limited Partners, their respective affiliates, nor their respective partners, employees, officers, directors, members, managers or agents will be liable to the Partnership, whether for breach of contract, breach of duties (including fiduciary duties) or otherwise, for (a) any act or omission taken or suffered by such persons in connection with the conduct of the affairs of the Partnership, unless such act or omission resulted from fraud, bad faith, willful misconduct or gross negligence by such persons; (b) any action or omission taken or suffered by any other Limited Partner; (c) good faith reliance on the provisions of the Agreement; (d) any change in federal, state or local or foreign income tax laws, or in interpretations thereof, as they apply to the Partnership or the Partners, whether such change occurs through legislative, judicial or administrative action; or (e) any act or omission suffered or taken by such persons on behalf of the Partnership or in furtherance of the interests of the Partnership in good faith in reliance upon and in accordance with the advice of legal counsel or accountants provided such legal counsel or accountant was selected with reasonable care.

(b) To the fullest extent permitted by applicable law, the Partnership will indemnify and hold harmless the General Partner and the Limited Partners, and may, in the sole judgment of the General Partner, affiliates of the General Partner and the Limited Partners, and their respective partners, members, officers, directors, managers, employees, agents, owners and stockholders (collectively, the "***Indemnified Parties***") from and against any and all claims, liabilities, damages, losses, costs and expenses of any nature whatsoever, known or unknown, liquidated or unliquidated, that are incurred by any Indemnified Party and arise out of or in connection with the affairs of the Partnership or in connection with the Partnership's business or the performance by such Indemnified Party of any of the Partnership's responsibilities under the Agreement (the "***Indemnified***

Expenses"); *provided, however,* an Indemnified Party will not be entitled to indemnification if and to the extent that there is a final adjudication, in an underlying action or proceeding in which the Indemnified Expenses were incurred, that the Indemnified Party's conduct constituted fraud, bad faith, willful misconduct or gross negligence. Notwithstanding the foregoing and subject to applicable law, Partners will not be individually

obligated with respect to such indemnification beyond their respective unreturned capital contributions to the Partnership. The Partnership may, in the judgment of the General Partner, pay or reimburse the Indemnified Expenses reasonably incurred by an Indemnified Party that may be subject to a right of indemnification as such expenses are incurred in advance of any final disposition.

8.8 Power of Attorney. Each Limited Partner hereby appoints the General Partner as such Partner's true and lawful attorney-in-fact for the purpose of executing, swearing to, acknowledging, and delivering all certificates, documents, and other instruments as may be necessary, appropriate, or advisable in the judgment of the General Partner in furtherance of the business of the Partnership or complying with applicable law. Such power shall be irrevocable and is coupled with an interest. Upon request by the General Partner, any Partner shall confirm its grant of such power of attorney or any use thereof by the General Partner or shall execute, swear to, acknowledge and deliver any such certificate, document, or other instrument.

8.9 Other Activities. Neither this Agreement nor the relationship created hereby shall preclude or limit, in any respect, the right of the Partners to engage, directly or indirectly, through participation, investment, or otherwise, in any opportunity or business of any type, including those that may be the same as or similar to the Partnership or its business, those that compete with the Partnership, and those in which the Partnership has invested. The Partners shall not have any obligation to offer to the Partnership or any other Partner the right to participate in any such activity. Neither the Partnership nor any Partner shall have any right, by virtue of this Agreement or the relationship created by this Agreement, with respect to any such activity.

ARTICLE IX WITHDRAWAL, REMOVAL, BANKRUPTCY, ETC.

9.1 Voluntary Withdrawal. The General Partner does not have the right to withdraw from the Partnership as a general partner. The General Partner agrees that it will not voluntarily withdraw from the Partnership as a general partner within the meaning of Section 153.155 of the TBOC, and any such voluntary withdrawal shall be a violation of this Agreement. If the General Partner voluntarily withdraws from the Partnership in violation of this covenant, the withdrawal will not be effective until the ninetieth (90th) day following notice of the withdrawal to all other Partners or such later date as the notice may specify.

9.2 Consequence of Wrongful Withdrawal. If a General Partner wrongfully withdraws from the Partnership, including but not limited to in violation of Section 9.1, the Partnership may (i) recover damages from the withdrawing General Partner, including, without limitation, the reasonable cost of obtaining replacement of the services that the General Partner is obligated to perform, (ii) pursue any other remedies available under applicable law, and/or (iii) effect the recovery of damages by offsetting those damages against the amount otherwise distributable to that General Partner.

9.3 No Conversion of Interest. Simultaneously with an event of withdrawal (as defined under Section 153.155 of the TBOC) with respect to the General Partner, the former General Partner's GP Units shall not automatically convert into that of a Limited Partner having a right to receive distributions from the Partnership. Following an event of withdrawal with respect

to the General Partner, the Class B Limited Partner shall select a new General Partner in accordance with Section 9.5. The new General Partner shall be admitted to the Partnership as a General Partner effective immediately prior to the existing General Partner ceasing to be a General Partner. For the avoidance of doubt, upon an event of withdrawal with respect to the General Partner, the General Partner shall continue to hold its Class A Units.

9.4 Removal of the General Partner. The General Partner may be removed from the Partnership by the Class B Limited Partner acting with the Unanimous Consent of its Board.

9.5 New General Partner. Any action for removal is conditioned on a new General Partner, selected by the Class B Limited Partner, being admitted to the Partnership immediately prior to the effective date of such removal. In connection with such admission, the new General Partner shall (i) make or agree to make such Capital Contributions as all of the Limited Partners specify in exchange for GP Units and (ii) execute a written instrument pursuant to which it agrees to be bound by this Agreement, specifies its address for notice, and makes such representations, warranties, and covenants as the Limited Partners specify. The new General Partner so selected shall be admitted to the Partnership as a General Partner on such terms, and the removal of the former General Partner is effective only immediately subsequent to that admission.

ARTICLE X DISSOLUTION; LIQUIDATION

10.1 Events Giving Rise to Dissolution.

(a) The Partnership shall dissolve upon the first to occur of any of the following events or occurrence, and upon no other event or occurrence:

(i) any event that makes it unlawful for the business of the Partnership to be carried on by the General Partner; or

(ii) at the election of the General Partner; or

(iii) at any time there are no Limited Partners of the Partnership unless the Partnership is continued in accordance with the TBOC; or

(iv) the entry of a decree of judicial dissolution under Subchapter B of Section 11 of the TBOC.

(b) To the extent permitted by the TBOC and the law, each Limited Partner irrevocably waives any right it may have to maintain any action for dissolution of the Partnership.

10.2 Liquidation. Upon dissolution of the Partnership, the General Partner shall serve as the liquidator and the assets of the Partnership shall be liquidated and the proceeds thereof shall be applied in the following order:

(a) to the satisfaction (whether by payment or the making of reasonable provision for payment) of the Partnership's liabilities to creditors in the order of priority required

by law, including the creation of a reasonable reserve for reasonably foreseeable contingent liabilities to be distributed when and as the General Partner determines; and

(b) thereafter to the Partners in accordance with the terms of Section 4.1(b), which is intended to be consistent with a liquidation in accordance with relative Capital Account balances.

ARTICLE XI MISCELLANEOUS PROVISIONS

11.1 Amendments. This Agreement or the Certificate may be amended, modified, supplemented, or restated at any time at the election of the General Partner and any such amendment, modification, supplement or restatement shall be binding upon the Limited Partners without further action or consent of the Limited Partners; *provided, however*, that (i) any such amendment, modification, supplement, restatement or waiver that by its explicit terms would alter or change the rights, obligations, powers or preferences specific to any series of Units in a disproportionate and adverse manner (financially or otherwise) compared to the rights, obligations, powers and preferences specific to other series of Units shall require the prior written consent of Limited Partners holding a majority of the series of Units so disproportionately and adversely affected, (ii) any such amendment, modification, supplement, restatement or waiver that by its explicit terms would alter or change the rights, obligations, powers or preferences of any Limited Partner in its capacity as a holder of a specific series of Units in a disproportionate and adverse manner compared to other Limited Partners in their capacities as holders of the same series of Units shall require the prior written consent of such Limited Partner so disproportionately and adversely affected.

11.2 Confidentiality. Each Limited Partner agrees that, except as required by law or consented to in writing by the Partnership, it will, and will cause its directors, officers, employees, representatives and/or agents (collectively, “*Representatives*”) to, keep strictly confidential all information concerning the Partnership or its business, properties or plans; *provided, however*, that the foregoing shall not apply to (a) any Limited Partner in such Limited Partner’s capacity as an officer or director of the Partnership, (b) any information that is or becomes generally available to the public (other than as a result of a disclosure directly or indirectly by such Limited Partner or its Representatives in violation hereof), (c) any disclosure of information to the investors, limited partners or potential investors of any Limited Partner as such Limited Partner may reasonably deem necessary or appropriate, (d) any information the disclosure of which is required by law, provided that the Limited Partner promptly notifies the Partnership of, and takes reasonable steps to minimize the extent of, any such required disclosure or (e) any disclosure of information to lenders or prospective or permitted assignees of any Limited Partner, provided that any such lender or prospective or permitted assignee has agreed in writing to be bound by, or is already bound by, confidentiality obligations reasonably comparable in the aggregate to the provisions contained in this Section 11.2.

11.3 Incorporated Documents. The Stockholders Agreement and the Certificates of Designations are incorporated by reference herein and made a part hereof. Each of the Stockholders Agreement and the Certificates of Designations is on file with the Partnership at its principal executive office and will be provided to the Limited Partners upon their written request.

The Stockholders Agreement shall continue to be incorporated into this agreement notwithstanding the termination of such agreement pursuant to Section 32 thereof. The Certificates of Designations shall continue to be incorporated into this Agreement notwithstanding the partial or complete conversion of all of the preferred stock established thereby.

11.4 Notices.

(a) Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or required to be given hereunder shall be in writing and shall be deemed to be duly given if personally delivered or mailed by certified mail, return receipt requested, or nationally recognized overnight delivery service with proof of receipt maintained, at the following addresses (or any other address that any such party may designate by written notice to the other parties):

(i) if to the Partnership, at its administrative address pursuant to Section 2.5; and

(ii) if to a Person who is a Limited Partner, to the address given for such Limited Partner on Schedule I hereto.

(b) Any such notice shall, if delivered personally, be deemed received upon delivery; shall, if delivered by certified mail, be deemed received upon the earlier of actual receipt thereof or five Business Days after the date of deposit in the United States mail, as the case may be; and shall, if delivered by nationally recognized overnight delivery service, be deemed received upon the first Business Day after the date of deposit with the delivery service.

(c) Whenever any notice is required to be given by applicable law, the Certificate or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

11.5 Entire Agreement. This Agreement, the Exhibit and Schedule thereto, the Certificates of Designations and the Stockholders Agreement embody the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede all prior agreements or understandings (whether written or oral), with respect to the subject matter hereof. This Agreement amends and restates the Fourth Agreement in its entirety.

11.6 Further Assurances. In connection with this Agreement, the Partnership and each Limited Partner shall execute and deliver all such future instruments and take such other and further action as may be reasonably necessary or appropriate to carry out the provisions of this Agreement and the intention of the parties as expressed herein.

11.7 Tax Matters. The General Partner shall be designated the tax matters partner under Section 6231 of the Code (the "***Tax Matters Partner***"). The Tax Matters Partner is authorized to take such actions and to execute and file

all statements and forms on behalf of the Partnership which may be permitted or required by the applicable provisions of the Code or Treasury Regulations issued thereunder. The Tax Matters Partner is authorized to make any election permissible under law (including the election under Section 754 of the Code) that is in its sole and

reasonable determination in the best interests of the Partnership and the Tax Matters Partner shall solely determine the manner in which, in the event of a transfer of all or part of a Partner's Units, the shares of Net Income and Net Losses are allocated between the transferor and the transferee, provided that such manner is not inconsistent with the applicable provisions of the Code and the Treasury Regulations. The Tax Matters Partner shall have full and exclusive power and authority on behalf of the Partnership to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. The Tax Matters Partner shall keep the Limited Partners informed as to the status of any audit of the Partnership's tax affairs, and shall take such action as may be necessary to cause any Limited Partner so requesting to become a "*notice partner*" within the meaning of Section 6223 of the Code. Prior to the effective date of the partnership audit rules included in the Bipartisan Budget Act of 2015, H.R. 1314, Public Law Number 114-74 (the "*Budget Act*"), the Partners shall amend this Agreement, as necessary, to comply with the requirements of the Budget Act.

11.8 Governing Law; Severability; Jurisdiction .

(a) Governing Law. This Agreement and any claim, controversy or dispute arising under or related in any way to this Agreement, the transactions leading to this Agreement or contemplated hereby, and/or the interpretation and enforcement of the rights and duties of the parties hereunder or related in any way to the foregoing, shall be governed by and construed in accordance with the internal, substantive laws of the State of Texas applicable to agreements entered into and to be performed solely within such state without giving effect to the principles of conflict of laws thereof.

(b) CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ANY PROCEEDING ARISING UNDER OR RELATED IN ANY WAY TO THIS AGREEMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER OR RELATED IN ANY WAY TO THE FOREGOING MAY ONLY BE INSTITUTED IN THE STATE OR FEDERAL COURTS OF THE STATE OF DELAWARE AND EACH PARTY WAIVES ANY OBJECTION WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING, AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH PROCEEDING. SERVICE OF PROCESS WITH RESPECT THERETO MAY BE MADE UPON A PARTY HERETO BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS AS PROVIDED IN SECTION 11.4.

(c) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE

COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO

REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.8(c).

(d) In the event of a direct conflict between the provisions of this Agreement and (i) any provision of the Certificate or (ii) any mandatory, non-waivable provision of the TBOC, such provision of the Certificate or the TBOC shall control. If any provision of the TBOC provides that it may be varied or superseded in the agreement of a limited partnership (or otherwise by agreement of the partners or General Partners of a limited partnership), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter.

(e) If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

11.9 Binding Effect. Subject to the restrictions on Transfer set forth in this Agreement, this Agreement shall be binding upon and shall inure to the benefit of the Partnership and each Limited Partner and their respective heirs, permitted successors, permitted assigns, permitted distributees and legal representatives; and by their signatures hereto, the Partnership and each Limited Partner intends to and does hereby become bound. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any Person other than the parties hereto and their respective permitted successors and assigns any legal or equitable right, remedy or claim under, in or in respect of this Agreement or any provision herein contained. The rights under this Agreement may be assigned by a Limited Partner to a transferee of all or a portion of such Limited Partner's Units transferred in accordance with this Agreement (and shall be assigned to the extent this Agreement requires such assignment), but only to the extent of such Units so transferred; it being understood that the assignment of any rights under this Agreement shall not constitute admission to the Partnership as a Limited Partner unless and until such transferee is duly admitted as a Limited Partner in accordance with this Agreement.

11.10 Severability. If any provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not invalidate the entire Agreement. Instead, such provision shall be deemed to be modified to the extent necessary to render it valid and enforceable and if no such modification

shall render it valid and enforceable then the Agreement shall be construed as if not containing such provision.

11.11 Time of the Essence. Time is of the essence with respect to this Agreement.

11.12 No Third Party Beneficiaries. Except for the provisions of Section 3.9, which may be enforced solely by any Highbridge Holder or any Bayou City Holder, nothing herein expressed or implied is intended to confer upon any person, other than the parties hereto or their respective permitted assigns, successors, heirs and legal representatives, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

11.13 Counterparts. This Agreement may be executed in counterparts and all such counterparts shall be construed together to form a single document.

11.14 Spousal Joinder. If a Class A Limited Partner is an individual, such Class A Limited Partner acknowledges, on his own behalf and on behalf of his spouse, (i) that they are fully aware of, understand and fully consent and agree to the provisions of this Agreement and its binding effect upon any community property or similar marital property interests in the Units that they may now or hereafter own and (ii) that they agree that the termination of their marital relationship with such Limited Partner for any reason shall not have the effect of removing any Units otherwise subject to this Agreement from the coverage hereof. The spouse of each Class A Limited Partner, by executing or acknowledging the Spousal Joinder in form attached as Exhibit A hereto, represents to all other parties that he or she has read this Agreement, understands the effect of the same on his or her interest, if any, in the Units and agrees to be bound by the terms of this Agreement. If any Limited Partner becomes married subsequent to the Effective Date of this Agreement, he or she shall, as soon as practical after such marriage, obtain the acknowledgement of his/her spouse to this Agreement. In addition, each Class A Limited Partner and his spouse, as applicable, acknowledges that (A) the Partnership has recommended to each of them that they obtain individual, independent legal advice concerning the terms of this Agreement and the advisability of entering into this Agreement prior to executing it and (B) they have either done so or voluntarily elected not to do so.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the undersigned has caused this counterpart signature page to the Fifth Amended and Restated Limited Partnership Agreement of Alta Mesa Holdings, LP to be duly executed as of the date first above written.

ALTA MESA HOLDINGS GP, LLC
a Texas limited liability company

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
President and Chief Executive Officer

Signatures Continued on Next Page.

CLASS B LIMITED PARTNER:

HIGH MESA INC.,
a Delaware corporation

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
President and Chief Executive Officer

Signatures Continued on Next Page.

CLASS A LIMITED PARTNERS:

ALTA MESA RESOURCES, LP,
a Texas limited partnership

By: Alta Mesa Resources GP, LLC,
a Texas limited liability company,
its sole General Partner

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
Chief Executive Officer

Signatures Continue on Next Page.

**GALVESTON BAY RESOURCES
HOLDINGS, LP,**
a Texas limited partnership

By: Galveston Bay Resources Holdings GP, LLC,
a Texas limited liability company,
its sole General Partner

By: /s/ Harlan H. Chappelle

Harlan H. Chappelle,
Chief Executive Officer

Signatures Continue on Next Page.

PETRO ACQUISITIONS HOLDINGS, LP,
a Texas limited partnership

By: Petro Acquisitions Holdings GP, LLC,
a Texas limited liability company,
its sole General Partner

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
Chief Executive Officer

Signatures Continue on Next Page.

**PETRO OPERATING COMPANY
HOLDINGS, INC.,**
a Florida corporation

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
President

Signatures Continue on Next Page.

/s/ HARLAN H. CHAPPELLE

HARLAN H. CHAPPELLE

Signatures Continue on Next Page.

/s/ DALE HAYES

DALE HAYES

Signatures Continue on Next Page.

AM EQUITY HOLDINGS, LP,
a Texas limited partnership

By: Alta Mesa Resources, LP,
a Texas limited partnership,
its sole General Partner

By: Alta Mesa Resources GP, LLC,
a Texas limited liability company,
its sole General Partner

By: /s/ Harlan H. Chappelle

Harlan H. Chappelle,
Chief Executive Officer

**FOURTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT**

OF

ALTA MESA HOLDINGS GP, LLC

(A Texas Limited Liability Company)

February 24, 2017

THE MEMBERSHIP INTERESTS REFERENCED HEREIN HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. WITHOUT REGISTRATION, THESE SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT ON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR THE SUBMISSION TO THE COMPANY OF OTHER EVIDENCE SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY TRANSFER WILL NOT BE IN VIOLATION OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER. ADDITIONALLY, ANY SALE OR OTHER TRANSFER OF MEMBERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS THAT ARE SET FORTH IN THIS AGREEMENT.

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**FOURTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT**

OF

ALTA MESA HOLDINGS GP, LLC

(A Texas Limited Liability Company)

This Fourth Amended And Restated Limited Liability Company Agreement (this “*Agreement*”) of Alta Mesa Holdings GP, LLC, a Texas limited liability company (the “*Company*”), is entered into by and between ALTA MESA RESOURCES, LP, a Texas limited partnership (the “*Class A Member*”), and HIGH MESA INC. (f/k/a ALTA MESA INVESTMENT HOLDINGS INC.), a Delaware corporation (the “*Class B Member*” and together with the Class A Member, the “*Members*”), as of February 24, 2017 (the “*Effective Date*”).

RECITALS

WHEREAS, the Company was formed as a manager-managed limited liability company under the laws of the State of Texas by filing articles of organization (as amended from time to time, the “*Articles of Organization*”) with the Texas Secretary of State on September 26, 2005; and

WHEREAS, prior to the Effective Date, the Company has been governed by the Third Amended and Restated Limited Liability Company Agreement of the Company dated August 31, 2016, as amended (the “*Predecessor Agreement*”); and

WHEREAS, the Members now desire to amend and restate the Predecessor Agreement pursuant to Section 9.1 of thereof on the term set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Predecessor Agreement is hereby amended and restated to read as follows:

**ARTICLE I.
DEFINITIONS**

1.1 **Definitions.** Capitalized terms used herein and not defined have the meaning ascribed to such terms in the Stockholders Agreement. Additionally, the following terms used in this Agreement shall have the following meaning:

“*Affiliate*” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with that Person. For purposes of this definition, “*control*” means the possession, directly or indirectly, of the power to direct or cause

the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“AMIH Unanimous Consent” means, as of any determination date, if no Conversion Event has occurred, ‘Unanimous Consent’ as such term is defined in the Certificates of Designations and in respect of the matters set forth in Section 6(c) of each thereof, or, if a Conversion Event has occurred, ‘Unanimous Consent’ as such term is defined in the Stockholders Agreement and in respect of the matters set forth in Section 10 thereof.

“Agreement” has the meaning ascribed to it in the Preamble.

“Applicable Laws” means any applicable law, statute, ordinance, rule, regulation, decision, order or determination of any governmental authority.

“Articles of Organization” has the meaning ascribed to it in the Recitals.

“Bayou City Holder” has the meaning ascribed to such term in the Stockholders Agreement.

“Breaching Class A Member” has the meaning ascribed to it in Section 3.7.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in New York or Texas are authorized or required by law or executive order to close.

“Board” has the meaning ascribed to it in Section 6.1.

“Capital Contributions” means any contribution to the capital of the Company in cash or property by the Members whenever made.

“Certificates of Designations” means, collectively, the Series B Certificate of Designations, the Series C Certificate of Designations, the Series D Certificate of Designations and the Series E Certificate of Designations.

“Class A Member” has the meaning ascribed to it in the Preamble.

“Class A Units” has the meaning ascribed to it in Section 3.1(a).

“Class B Member” has the meaning ascribed to it in the Preamble.

“Class B Units” has the meaning ascribed to it in Section 3.1(a).

“Class B Appointee” has the meaning ascribed to it in Section 6.2.

“Code” means the Internal Revenue Code of 1986, as amended.

“Company” has the meaning ascribed to it in the Preamble.

“Company Tax Matters Member” has the meaning ascribed to it in Section 9.7(a).

“**Conversion Event**” shall mean the conversion of all of the outstanding shares of preferred stock of the Class B Member held by each Highbridge Holder, Bayou City Holder or Management Holder, as applicable, into shares of common stock of the Class B Member.

“**Deceased Executive**” has the meaning ascribed to it in Section 3.8(a).

“**Effective Date**” has the meaning ascribed to it in the Preamble.

“**Equity Securities**” shall mean (i) any shares of capital stock or membership interests, (ii) any rights, options, warrants or similar securities to subscribe for, purchase or otherwise acquire any shares of capital stock or membership interests, and (iii) debt or other evidences of indebtedness, capital stock or other securities directly or indirectly convertible into or exercisable or exchangeable for any shares of capital stock or membership interests. For purposes of this Agreement, when either the term “Equity Securities” or the term “capital stock” is used with respect to any Person that is not a corporation, including PubCo, such term shall have the meaning that, with respect to such Person, including PubCo (which may or may not be a corporation), achieves an identical effect to the meaning of such term when it is used with respect to the Class B Member, a corporation.

“**Highbridge Holder**” has the meaning ascribed to such term in the Stockholders Agreement.

“**Immediate Family**” means, with respect to any individual, (i) that individual’s spouse, parents and lineal descendants (including by adoption) and any trust the sole beneficiaries of which are that individual or any of that individual’s spouse, parents or lineal descendants (including by adoption), and (ii) that individual’s former spouse.

“**Indirect Permitted Transferee**” means, subject to Section 3.8, with respect to any Class A Member or any owner of a Class A Member, (a) Michael E. Ellis or Harlan H. Chappelle, (b) a member of the Immediate Family of an individual that directly or indirectly owns Equity Securities in such Class A Member; provided, that, either Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of the Units held by such Class A Member pursuant to a voting agreement that is delivered to the Company, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after the applicable Transfer, and (c) any owner or Affiliate of such Class A Member; provided, that, either Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of the Units held by such Class A Member pursuant to a voting agreement that is delivered to the Company, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after the applicable Transfer.

“**Indirect Transfer**” means, with respect to any Class A Member, any single or series of related transactions that result in a Person (or Persons acting in concert), other than an Indirect Permitted Transferee of the Class A Member in question, who did not directly or indirectly own Equity Securities in such Class A Member prior

to the consummation of such single or series of related transactions acquiring or owning, directly or indirectly, any Equity Securities in such Class A Member.

“**IPO**” has the meaning set forth in the definition of “Liquidity Event.”

“**Liquidity Event**” means the first to occur, in one or a series of related transactions, of (i) a disposition of all or substantially all of the assets of the Class B Member and its Subsidiaries to a Person that is not an Affiliate of the Class B Member, whether by virtue of an asset sale or a transfer of Equity Securities (whether through a sale, merger consolidation, share exchange or otherwise), except to the extent described in clause (ii) of this definition, (ii) a disposition of all of the Equity Securities of the Class B Member, held directly or indirectly, by the holders thereof (through a sale, merger, consolidation, share exchange or otherwise), (iii) the consummation of a firm underwritten initial public offering registered under the Securities Act of any class of Equity Securities of the Class B Member (or any successor thereto) or any of its Subsidiaries that hold all or substantially all of the Company’s assets on a consolidated basis (an “**IPO**”) that is not a Qualified IPO and, (iv) a Qualified IPO, and (a) in the case of (i), the distribution by the Class B Member to the holders of Equity Securities of the Class B Member of all or substantially all of the proceeds received by the Class B Member and its Subsidiaries pursuant to such transaction, and (b), in the case of (iii) or (iv), if the IPO or Qualified IPO is of a Subsidiary of the Class B Member or a holding company parent of the Class B Member (the “**PubCo**”), then either (x) the distribution by the Class B Member (or its holding company parent) to the holders of Equity Securities of the Class B Member the residual traded securities of PubCo or (y) if PubCo is not owned directly by the stockholders of the Class B Member, the distribution to the stockholders of the Class B Member of the maximum amount of cash proceeds, if any, of such IPO or Qualified IPO, as the case may be, that the managing underwriters advising PubCo, in their reasonable discretion, conclude in writing can be distributed to the stockholders of the Class B Member without adversely affecting the price per share of the Equity Securities being sold in connection with such IPO or Qualified IPO, as the case may be.

“**Majority Board Consent**” means, as of any determination date, the affirmative vote of the Managers then constituting more than fifty percent (50%) of the Board based on the number of Managers at a duly called and convened meeting of the Board or the affirmative written consent in lieu of a meeting executed by the Managers then constituting more than fifty percent (50%) of the Board based on the number of Managers.

“**Managers**” has the meaning ascribed to it in Section 6.2.

“**Members**” has the meaning ascribed to it in the Preamble.

“**Original Membership Interests**” has the meaning ascribed to it in Section 5.1.

“**Partnership**” means Alta Mesa Holdings, LP, a Texas limited partnership.

“**Partnership Agreement**” means the Fifth Amended and Restated Limited Partnership Agreement of the Partnership by and among the Company, the Class B Member, and the limited partners named therein dated the Effective Date, as amended, restated or modified from time to time.

“Partnership Tax Matters Member” has the meaning ascribed to it in Section 9.7(b).

“Passing Holder” and **“Passing Holders”** has the meaning set forth in Section 3.8(b).

“Passing Interest” has the meaning set forth in Section 3.8(a).

“Passing Interest Notice” has the meaning set forth in Section 3.8(b).

“Permitted Transfer” means (1) a Transfer pursuant to and in accordance with Section 3.6, (2) a direct Transfer pursuant to and in accordance with Section 3.8, (3) a Transfer to be made in connection with an IPO or Qualified IPO; or (4) a Transfer at any time of all or any portion of a Class A Member’s Units to: (a) if such Class A Member is an individual, any members of such Class A Member’s Immediate Family; provided, that, Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of such Immediate Family Member’s Units pursuant to a voting agreement that is delivered to the Company, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after such Transfer; (b) if such Class A Member is a trust, the beneficiary or beneficiaries thereof; (c) if such Class A Member is an individual, the guardian or legal representative of a Class A Member as to whose estate a guardian or legal representative is appointed and to the executor or administrator of the estate of a deceased Stockholder; (d) another Class A Member; (e) if such Class A Member is an entity, any owner or Affiliate of such Class A Member; provided, that, if such transferee is an owner or Affiliate of such Class A Member, Michael E. Ellis or Harlan H. Chappelle, as applicable, for so long as such individual is living, must retain, directly or indirectly, voting control of such Class A Member’s Units pursuant to a voting agreement that is delivered to the Company, the Highbridge Holders and the Bayou City Holders within five (5) Business Days after such Transfer.

“Permitted Transferee” means any Person to whom a Class A Member Transfers its Units in a Permitted Transfer.

“Person” shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization, other entity or government or any agency or political subdivision thereof.

“Personal Representative” has the meaning set forth in Section 3.8(b).

“PIK Dividends” means, collectively, the PIK Dividends (as defined in the Series B Certificate of Designations), the PIK Dividends (as defined in the Series C Certificate of Designations) and the Sub-Series E-1 PIK Dividends (as defined in the Series E Certificate of Designations).

“Predecessor Agreement” has the meaning ascribed to it in the Recitals.

“Preferred Manager” has the meaning set forth in Section 6.2.

“PubCo” has the meaning set forth in the definition of “Liquidity Event”.

“Qualified IPO” means an underwritten primary public offering (other than a public offering pursuant to a registration statement on Form S-8 (or any successor form)) of the common

equity of the Class B Member or any of its direct or indirect shareholders (or a corporate successor of any of the foregoing) that constitutes a Qualified IPO as defined in the Certificates of Designations.

“**Representatives**” has the meaning set forth in Section 9.2.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Series B Certificate of Designations**” means the Third Amended and Restated Certificate of Designations of Series B Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Series C Certificate of Designations**” means the Second Amended and Restated Certificate of Designations of Series C Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Series D Certificate of Designations**” means the Amended and Restated Certificate of Designations of Series D Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Series E Certificate of Designations**” means the Certificate of Designations of Series E Convertible Preferred Stock of the Class B Limited Partner filed with the Delaware Secretary of State on or about the date hereof, as amended, restated or modified from time to time.

“**Stockholders Agreement**” means the Third Amended and Restated Stockholders Agreement by and among the Class B Member and the equityholders of the Class B Member dated the date hereof, as amended, restated or modified from time to time.

“**Subject Holder**” has the meaning set forth in Section 3.8(b).

“**Subsidiary**” of a Person shall mean any other Person of which more than fifty percent (50%) of the outstanding Equity Securities having ordinary voting power under ordinary circumstances to elect a majority of the board of directors or similar governing body of such other Person (irrespective of whether at such time Equity Securities of any other classes of such other Person shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly controlled by such Person, by such Person and one or more Subsidiaries of such Person or by one or more Subsidiaries of such Person. Unless otherwise indicated herein, each reference to the term “Subsidiary” shall mean a Subsidiary of the Company. For the avoidance of doubt, the Partnership and all of its Subsidiaries shall constitute Subsidiaries of the Company for purposes of this Agreement.

“**Surviving Party**” has the meaning set forth in Section 3.8(c).

“**TBOC**” means the Texas Business Organization Code, as the same may be amended from time to time.

“**Transfer**” means, with respect to any Units, any assignment, sale, transfer, conveyance, pledge, grant of an option or other disposition or act of alienation of such or of any interest therein, whether voluntary or involuntary or by operation of law.

“**Unanimous Consent**” means, as of any determination date, the affirmative vote or written consent of all of the Managers then constituting the entire Board at a duly called and convened meeting of the Board or affirmative written consent in lieu of a meeting executed by all of the Managers then constituting the entire Board. For purposes of clarity, except as otherwise provided in Section 6.2, a Unanimous Consent requires the consent (whether at a meeting or as part of a unanimous written consent) of each Preferred Manager then entitled to serve on the Board and cannot be obtained during any period that a Preferred Manager then entitled to serve on the Board is not then serving on the Board.

“**Units**” means the Class A Units and Class B Units, collectively, representing the ownership interest of a Member in the Company, and includes any and all rights, benefits and privileges to which such Member is entitled in his capacity as a Member of the Company as provided in this Agreement, the TBOC or otherwise, together with all obligations, duties and liabilities imposed on such Member in his capacity as a Member of the Company as provided in this Agreement, the TBOC or otherwise and any “**Unit**” shall refer to any one of the foregoing.

“**Valid Board**” has the meaning set forth in Section 6.5.

“**Voting Agreement**” has the meaning set forth in Section 3.8(c).

1.2 Other Definitional Provisions. All terms used in this Agreement which are not defined in this Article I have the meanings contained elsewhere in this Agreement. Defined terms used herein in the singular shall include the plural and vice versa.

ARTICLE II. FORMATION

2.1 Name and Formation. The name of the Company is “Alta Mesa Holdings GP, LLC”. The Company was formed as a limited liability company on September 26, 2005.

2.2 Principal Place of Business. The principal office and place of business of the Company are set forth on Exhibit A. The Company may locate its place of business and principal office at any other place or places as the Class B Member or officers of the Company may from time to time deem necessary or advisable.

2.3 Registered Office and Agent. The registered office and registered agent of the Company shall be the registered office and registered agent named in the Articles of Organization and set forth on Exhibit A. The Company may change

the registered office and registered agent as the Members may from time to time deem necessary or advisable.

2.4 Duration. The period of duration of the Company is perpetual from the date its Articles of Organization were filed with the Secretary of State of Texas, unless the Company is earlier dissolved in accordance with either the provisions of this Agreement or the TBOC.

2.5 Purposes and Powers.

(a) The purposes for which the Company is organized is to acquire and own a partnership interest in the Partnership and to serve as the general partner thereof, and to transact any or all lawful business incidental or related thereto for which limited liability companies may be organized under the TBOC.

(b) The Company shall have any and all powers which are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the TBOC.

ARTICLE III.

MEMBER MATTERS; CAPITALIZATION; Transfer Restrictions

3.1 Members and Rights of Membership Interests.

(a) The membership interests in the Company shall be represented by Class A membership interests (the “*Class A Units*”) and Class B membership interests (the “*Class B Units*”), each with the rights, interests and obligations set forth herein. The Class A Member shall be the owner of all of the Class A Units and shall have and may exercise in accordance with this Agreement all of the rights and powers, and shall have all of the obligations, of the Class A Units. The Class B Member shall be the owner of all of the Class B Units, and shall have and may exercise in accordance with this Agreement all of the rights and powers, and shall have all of the obligations, of the Class B Units.

(b) The Class A Units shall have 100% of the economic interests in the Company and each item of income, gain, loss, deduction and credit of the Company shall be allocated and distributed to the Class A Member in the manner and at the times provided for in this Agreement.

(c) The Class B Units shall have no economic interest in the Company and shall not be entitled to receive any allocation or distribution of any item of income, gain, loss, deduction and credit of the Company.

(d) Except as provided in Section 6.4, any action requiring approval of the Members shall require the approval of the Class A Member.

3.2 Liability of the Members. The Members shall not be liable for the debts, liabilities or obligations of the Company in excess of their respective Capital Contributions.

3.3 Annual and Special Meetings. Annual and special meetings of the Members for the transaction of such business as may properly come before the meeting shall be held at such place, time and date as shall be agreed by the Members from time to time.

3.4 Actions Without a Meeting. Notwithstanding any provision contained in this ARTICLE III, all actions of the Members provided for herein may be taken by written consent without a meeting. Any such action which may be taken by the Members without a meeting shall be effective only if the written consent or consents are in writing, set forth the action so taken, and are signed by the number of Members constituting not less than the minimum amount of Members that would be necessary to take such action at a meeting at which the Members entitled to vote on the action were present and voted.

3.5 Limitations on Transfers. The Class A Member shall not Transfer any of its Class A Units without the prior written consent of the Class B Member.

3.6 Liquidity Event.

(a) Drag Along. If the Class B Member issues a “Liquidity Event Notice” (as such term is defined in the Stockholders Agreement) that involves the direct sale of Class B Units, the Class A Member shall cooperate with the Class B Member in good faith in connection therewith. Each Class A Member shall, and shall cause its Affiliates to, take all actions, including those set forth in Section 13(d) of the Stockholders Agreement, if applicable, reasonably necessary or appropriate to (i) cooperate with the Class B Member in working toward the consummation of a Liquidity Event and (ii) execute and perform such sale, conveyance, transfer, assignment or any other documents of any kind as are or become necessary to effect a Liquidity Event. The Class B Member shall, and shall cause its Affiliates to, collaborate with the Class A Member in good faith in order to optimize the tax structure of the Liquidity Event for all Members.

(b) Mandatory Contribution. If the Class A Member receives a “Liquidity Event Notice” in respect of an IPO or a Qualified IPO, the Class A Member shall contribute all of its outstanding Class A Units to the Class B Member in connection therewith at the instruction of the Class B Member, pursuant to a Contribution Agreement that is in the form attached hereto as Exhibit B.

3.7 Indirect Transfer. No Indirect Transfer in respect of a Class A Member shall occur, and no Class A Member shall cause or permit such an Indirect Transfer to occur in respect of such Class A Member, without the prior written consent of the Class B Member. If, any such Indirect Transfer occurs with respect to any Class A Member in violation of this Section 3.7 and such Indirect Transfer has not, to the reasonable satisfaction of the Class B Member been cured or reversed or has not otherwise ceased to exist within ten (10) days following the earlier to occur of (i) the applicable Class A Member becoming aware of the occurrence of such Indirect Transfer or (ii) notice of such Indirect Transfer being provided to such Class A Member by the Company or the Class B Member, then such Class A Member shall, effective as of the occurrence of such Indirect Transfer, constitute a **“Breaching Class A Member”** for purposes of this Agreement. In consideration for the benefits provided to each Class A Member through its ownership of the Class A Units owned by it and its rights under this Agreement, the receipt and sufficiency of which are each hereby irrevocably acknowledged, each Class A Member agrees

that if such Class A Member in the future constitutes a Breaching Class A Member, then from and after the occurrence of the Indirect Transfer that causes such Class A Member to constitute a Breaching Class A Member, it shall have irrevocably surrendered its Class A Units pro rata to

limited partners holding “Class A Units” (as defined in the Partnership Agreement) of the Partnership. For purposes of clarity, in the event an “Indirect Transfer” occurs pursuant to the Stockholders Agreement and such event would constitute an Indirect Transfer hereunder and notice of such event is provided to the Class A Member or its Affiliates pursuant to the Stockholders Agreement, such notice shall also constitute notice of an Indirect Transfer for purposes of this Section 3.7.

3.8 Death of Certain Individuals.

(a) Upon the death of Michael E. Ellis or Harlan H. Chappelle (the “**Deceased Executive**”), all or any portion of the Units held directly or indirectly by such Deceased Executive (including, for purposes of clarity, the Units of any Class A Member over or with respect to which such Deceased Executive possessed or held (including, pursuant to the definition of Permitted Transfer, any Class A Member over which such Deceased Executive was required to possess or hold), directly or indirectly, voting control of the Units held by such Class A Member, whether under a Voting Agreement or otherwise) (such Units being referred to herein as the “**Passing Interest**”) shall be subject to the provisions of this Section 3.8.

(b) Upon such Deceased Executive’s death, the Company shall give prompt written notice to the Class B Member, the Highbridge Holders and the Bayou City Holders of such event (the “**Passing Interest Notice**”), which such notice shall contain the names and addresses for purposes of notice of (i) if all or any portion of the Passing Interest that is directly held by such Deceased Executive’s personal representative (the personal representative of the Deceased Executive’s estate, the “**Personal Representative**”) and (ii) if all or any portion of the Passing Interest is directly held by any Class A Member (any such Class A Member, a “**Subject Holder**” and together with each other Subject Holder, if any, and the Personal Representative, if any, collectively referred to herein as the “**Passing Holders**” and individually referred to herein as a “**Passing Holder**”).

(c) If, following the delivery of any Passing Interest Notice, either Michael E. Ellis or Harlan H. Chappelle, as applicable (the “**Surviving Party**”), survives such Deceased Executive, then, within thirty (30) days after delivery of such Passing Interest Notice, each Passing Holder shall transfer voting control of the Passing Interest to the Surviving Party, and the Passing Interest may be transferred or retained, as applicable, to, or by such Persons who would have otherwise held such Passing Interest had such Passing Interest not been subject to the provisions of this Section 3.8, and such Persons may hold such portion of such Passing Interest subject to the terms and conditions hereof, including entering into a Voting Agreement. If the Transfer of such portion of such Passing Interest is in connection with an Indirect Transfer, after giving effect to such Indirect Transfer (but prior to giving effect to any future Indirect Transfer or Transfer), the holders of such portion of such Passing Interest will be considered for all purposes hereunder an Indirect Permitted Transferee with respect to such Passing Interest. If the Transfer of such portion of such Passing Interest is in connection with a direct Transfer after giving effect to such direct Transfer (but prior to giving

effect to any future Indirect Transfer or Transfer), such Transfer will be considered a Permitted Transfer for all

purposes hereunder and the holders of such portion of such Passing Interest will be considered for all purposes hereunder a Permitted Transferee with respect to such Passing Interest. A “*Voting Agreement*” is an agreement between the Passing Holder and the Surviving Party, whereby voting control of the Passing Interest is held by the Surviving Party. The Surviving Party will provide a copy of the Voting Agreement to the Company, the Highbridge Holders and Bayou City Holders within forty-five (45) days of the end of such thirty (30)-day period. If the Surviving Party is a party to a Voting Agreement and such individual dies, then the provisions of this Section 3.8 shall apply with respect to the Units held by the Passing Holder and its successors, assigns and transferees.

(d) Notwithstanding the foregoing Section 3.8(c), if following the delivery of any Passing Interest Notice, neither Michael E. Ellis nor Harlan H. Chappelle is still living, then, each Passing Holder shall be subject to, and upon the request of the Highbridge Holders or the Bayou City Holders, shall enter into, a voting agreement substantially in the form of the voting agreement attached as an exhibit to the Stockholders Agreement with conforming changes.

3.9 Certificates.

(a) The Company shall provide each owner of membership interests in the Company a certificate in such form as is approved by the Company and conforms with applicable law, certifying the membership interests owned by it. Further, for purposes of providing for transfer of, perfecting a lien or encumbrance in, and other relevant matters related to a membership interest, a membership interest will be deemed to be a “security” subject to the rules set forth in Chapters 8 and 9 of the Texas Uniform Commercial Code and any similar Uniform Commercial Code provision adopted by any other relevant jurisdiction.

(b) In the absence of a more restrictive legend, all certificates evidencing membership interests will be stamped or typed in a conspicuous place with the following legend:

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. WITHOUT REGISTRATION, THESE SECURITIES MAY NOT BE SOLD, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED AT ANY TIME WHATSOEVER, EXCEPT ON DELIVERY TO THE COMPANY OF AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED FOR THE TRANSFER, OR THE SUBMISSION TO THE COMPANY OF OTHER EVIDENCE SATISFACTORY TO THE COMPANY TO THE EFFECT THAT ANY

TRANSFER WILL NOT BE IN VIOLATION OF THE
SECURITIES ACT OF 1933, AS AMENDED,

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AND APPLICABLE STATE SECURITIES LAWS OR ANY RULE OR REGULATIONS PROMULGATED THEREUNDER.

ANY SALE, TRANSFER, ASSIGNMENT, PLEDGE, ENCUMBRANCE OR DISPOSITION OF THE MEMBERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE OR ANY INTEREST THEREIN IS SUBJECT TO THE TERMS AND PROVISIONS OF THE COMPANY'S LIMITED LIABILITY COMPANY AGREEMENT (AS MAY BE AMENDED AND/OR RESTATED FROM TIME TO TIME).

(c) The Company may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Company alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the Person claiming the certificate to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Company may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or its legal representative, to advertise the same in such manner as it will require and/or to give the Company a bond in such sum as it may direct as indemnity against any claim that may be made against the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

(d) Upon surrender to the Company or its transfer agent, if any, of a certificate representing membership interests duly endorsed or accompanied by proper evidence of succession, assignation or transfer in accordance with this Agreement and of the payment of all taxes applicable to the transfer of said membership interest, the Company will be obligated to issue a new certificate to the Person entitled thereto, cancel the old certificate and record the transaction upon its books, *provided, however*, that the Company will not be so obligated unless such transfer was made in compliance with the provisions of this Agreement and any applicable state and federal laws.

(e) The Company will be entitled to recognize the exclusive right of a Person registered on its books as the owner of the indicated membership interests and will not be bound to recognize any equitable or other claim to or interest in such membership interests on the part of any Person other than such registered owner, whether or not it will have express or other notice thereof, except as otherwise provided by law.

ARTICLE IV. DISTRIBUTIONS

4.1 Distributions. Subject to Section 4.2 and the other provisions of this Agreement, the Company shall make distributions to the Class A Member at such times as determined by the Class A Member.

4.2 Limitation Upon Distribution.

(a) No distribution shall be declared and paid unless, if after the distribution is made, the value of assets of the Company would exceed the liabilities of the Company, except liabilities to the Class A Member on account of its Capital Contributions.

(b) Notwithstanding anything to the contrary contained in this Agreement, without first obtaining the Unanimous Consent of the Board, the Company shall not cause or permit the Partnership to make any distribution of cash or property to any holder of Class A Units (as defined in the Partnership Agreement) unless, at the time of such distribution, no PIK Dividends are accrued and unpaid at such time. Notwithstanding the foregoing, to the extent a tax distribution is made from the Partnership to the Company pursuant to Section 4.2 of the Partnership Agreement, the Company shall distribute the same to the Class A Member promptly upon receipt of such distribution.

ARTICLE V. CAPITAL CONTRIBUTIONS AND CAPITAL ACCOUNTS.

5.1 Class A Member Contribution. The Class A Member made an initial contribution to the capital of the Company in the amount of \$10,000.00 in cash in exchange for a 100% membership interest in the Company (the “**Original Membership Interests**”). In connection with the execution of the Amended and Restated Limited Liability Company Agreement of the Company dated March 25, 2014, the Company and the Class A Member agreed to cancel and retire the Original Membership Interests and in consideration for such cancellation and retirement the Company issued 100% of the Class A Units to the Class A Member.

5.2 Subsequent Capital Contributions. Notwithstanding anything to the contrary contained herein, no Member shall be permitted or required to make any capital contribution to the Company without the consent of the Class B Member.

ARTICLE VI. MANAGEMENT BY BOARD

6.1 General. The management of the Company is reserved to a board of managers (the “**Board**”). The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board, which shall make all decisions and take all actions for the Company in its individual capacity and in its capacity as general partner of the Partnership. Notwithstanding any provision contained in this Article VI, all actions of the Managers provided for herein may be taken by written consent without a meeting, or any meeting thereof may be held by means of a conference telephone. Any such action that may be taken by the Managers without a meeting shall be effective only if the written consent or consents are in writing, set forth the action so taken, and are signed by the number of Managers constituting not less than the minimum amount of Managers that would be necessary to take such action at a meeting at which the Managers entitled to vote on the action were present and voted.

6.2 Composition. The Board shall be comprised of eight managers (each a “**Manager**” and collectively the “**Managers**”) (or nine Managers if the Highbridge Holders are entitled to appoint two Highbridge Nominees as described in Section 6(a) of the Stockholders

Agreement), each of which shall be appointed by the Class B Member (each, a “***Class B Appointee***”). Each of the Class A Member and the Class B Member shall at all times cause (a) the authorized and actual number of Managers serving on the Board to be the same as the authorized and actual number of directors serving on the board of directors of the Class B Member and (b) the composition of the Board to be the same as the composition of the board of directors of the Class B Member, including each Series DE Preferred Director and each Series BC Preferred Director (each as defined in the Certificates of Designations), to the extent then applicable, or each Highbridge Nominee and Bayou City Nominee (each as defined in the Stockholders Agreement), to the extent then applicable (any such Manager, the “***Preferred Manager***”). In the event the Highbridge Holders or the Bayou City Holders fail to nominate a director to the board of directors of the Class B Member or fill any vacancy in such directorship, in each case to which they are entitled, and any such vacancy lasts for more than thirty (30) days, then, until such time as the Highbridge Holders or the Bayou City Holders, as applicable, elect a director to the board of directors of the Class B Member, the Board shall act in accordance with the provisions of Section 6.4; provided, that the affirmative vote of the Preferred Manager to which such vacancy relates shall not be required for a Unanimous Consent until such time as such vacancy is filled.

6.3 Class B Appointees. No Class B Appointee may be removed from the Board or as a Manager (with or without cause) except at the written direction of the Class B Member subject to Section 6.2, which Class B Member will thereupon be entitled to appoint an alternative Manager to fill the vacancy in accordance with Section 6.2. Solely for purposes of achieving and maintaining compliance with Section 6.2, the Class B Member shall appoint or change or replace a Class B Appointee to or on the Board, respectively, and shall provide twenty-four (24) hours’ prior written notice to the Board and the Class A Member of such appointment, change or replacement, as applicable. Any vacancy in the Board, if created by the death, disability, removal, resignation or retirement of a Class B Appointee, may be filled only by the Class B Member in accordance with Section 6.2 and this Section 6.3.

6.4 Mandatory Unanimous Consent Matters. Notwithstanding anything to the contrary in this Agreement, Articles of Organization or any other agreement or arrangement, subject to Section 6.2, for so long as any Class B Unit is outstanding, without Unanimous Consent, the Company shall not (directly or indirectly, through any Subsidiary or otherwise) and the Board shall not (directly or through committees) cause or permit the Company (directly or indirectly, through any Subsidiary or otherwise) to, in its individual capacity or in its capacity as general partner of the Partnership, take, or cause or permit any of its officers or Subsidiaries to take, any action that would require AMIH Unanimous Consent if the Class B Member or any of its Subsidiaries were to take the same or similar action.

6.5 Valid Board. At all times that the Board is in compliance with Section 6.2, the Board shall be deemed a “***Valid Board***” as of such determination time for purposes of this Agreement. Any action authorized by any Board, whether by Unanimous Consent or otherwise, other than a Valid Board shall be void *ab initio* and shall have no force or effect.

6.6 Officers.

(a) Subject to Sections 6.4 and 6.5, the Board may appoint such officers of the Company as it deems necessary. Each officer shall be appointed for such term and shall exercise such powers, perform such duties and have such authority as determined from time to time by the Board. The Board may appoint a Chief Executive Officer, President, one or more Vice Presidents, a Secretary, Treasurer, Chief Financial Officer and any other officers or assistant officers as it deems appropriate. Any two or more offices may be held by the same person.

(b) Except as modified by the Board by written resolution, officers will have such powers and duties generally pertaining to their offices and such powers and duties as conferred by this Agreement.

(i) Chief Executive Officer. The Chief Executive Officer shall preside at all meetings of the Members and exercise and perform such other powers and duties as may from time to time be assigned to the Chief Executive Officer by the Board or by this Agreement.

(ii) President. The President of the Company, subject to the control of the Board, shall have the responsibility for the general direction of the affairs of the Company, and general supervision over its other officers, responsibility for the general direction of the operational affairs of the Company, and general overall responsibility for the day-to-day operations of the Company. The President may sign in the name of the Company (1) all contracts or other instruments authorized by the Board and (2) all contracts or instruments in the usual and regular course of business of the Company, except in cases where the signing thereof shall be expressly delegated by the Board or by this Agreement to another officer or agent of the Company or when the Board shall have expressly provided that the President shall not have such authority. In addition, the President shall perform all duties incident to the office of President and such other duties as from time to time may be assigned to him or her by the Board or as prescribed by this Agreement.

(iii) Vice Presidents. At the request of the President, or in his or her absence or disability, the Vice Presidents, in the order of their election, shall perform the duties of the President, and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the President. The Vice Presidents shall perform such duties and exercise such powers as may from time to time be assigned to them by the Board or the President.

(iv) Secretary. The Secretary shall keep the minutes of all meetings of the Members and shall have general charge of such books and records of the Company as the Board may direct, and in general shall perform all duties and exercise all powers incident to the office of Secretary and such other duties and powers as the Board

or the President may from time to time assign to or confer on the Secretary.

(v) Treasurer. The Treasurer shall have control of and shall be responsible for all matters pertaining to the accounts and finances of the Company and shall direct the manner of certifying the same, including the manner of keeping all vouchers for payments by the Company and all other documents relating to such payments; all operating and financial statements of the Company and its various committees; the books of account of the Company, their arrangements and classification; the accounting and auditing practices of the Company; all matters relating to taxation; the care and custody of all monies, funds and securities of the Company; and the collection of all accounts and the maintenance of full and accurate accounts of all receipts, disbursements and contributions of the Company. The Treasurer shall have the power to endorse for deposit or collection or otherwise all checks, drafts, notes, bills of exchange or other commercial papers payable to the Company, and to give proper receipts or discharges for all payments to the Company. The Treasurer shall perform such duties and exercise such powers, as are incident to the Office of Treasurer and such other duties and powers as the Board or the President may from time to time assign to or confer on the Treasurer.

(vi) Chief Financial Officer. The Chief Financial Officer shall have the duty of oversight over all Company financial matters, including supervision over the duties of the Treasurer and controller of the Company. The Chief Financial Officer shall perform such duties and exercise such powers as are incident to the office of Chief Financial Officer, and such other duties and powers as the Board or the President may from time to time to assign to or confer on the President.

(c) Subject to the other provisions of this Agreement, the compensation of all officers of the Company shall be fixed by the Board.

(d) Each officer of the Company shall hold office until his successor is chosen and qualified or until his death, resignation or removal from office. Any officer appointed by the Board may be removed either with or without cause by the Board at any time, but such removal shall be without prejudice to the contractual rights, if any, of the individual so removed. If for any reason an officer's position becomes vacant, the vacancy may be filled by the Board.

6.7 Waiver of Fiduciary Duties. This Agreement is not intended to, and does not, create or impose any fiduciary duty on the Managers or Members. The Members and Managers may engage in, and possess interests in, other businesses, activities, ventures, enterprises and investments of any and every type and description, with no duty or obligation (i) to refrain from engaging in such activities, (ii) to offer the right to participate in such activities to the Company or (iii) to account to, or to share the results or profits of such activities with the Company. Any doctrine of "company opportunity" or similar doctrine is hereby expressly disclaimed. The Members hereby waive any and all fiduciary duties that,

absent such waiver, may be implied by law, and in doing so, recognize, acknowledge and agree that their duties and obligations to one another and to the Company are only as expressly set forth in this Agreement or the non-waivable provisions of applicable law.

ARTICLE VII.
BOOKS, ACCOUNTS AND INFORMATION

7.1 Records and Reports. The Company shall maintain records and accounts of all operations and expenditures of the Company and all records required to be maintained pursuant to the TBOC.

7.2 Returns and Other Elections. The Class A Member shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business.

ARTICLE VIII.
DISSOLUTION AND TERMINATION

8.1 Dissolution.

(a) The Company shall be dissolved upon the Unanimous Consent of the Board.

(b) Upon dissolution of the Company, the business and affairs of the Company shall be wound up, and the assets of the Company shall be liquidated under this ARTICLE VIII.

(c) Dissolution of the Company shall be effective as of the day on which the event occurs giving rise to the dissolution, but the Company shall not terminate until there has been a winding up of the Company's business and affairs, and the assets of the Company have been distributed as provided in Section 8.2.

(d) Upon dissolution of the Company, the Members may cause any part or all of the assets of the Company to be sold in such manner as the Members shall determine in an effort to obtain the best prices for such assets; provided, however that the Members may distribute assets of the Company in kind to the extent practicable.

8.2 Distribution of Assets Upon Dissolution. In settling accounts after dissolution, the assets of the Company shall be paid in the following order:

(a) First, to creditors, in the order of priority as provided by applicable law, except those to any Member on account of its Capital Contributions; and

(b) Second, any remainder shall be distributed to the Class A Member.

8.3 Articles of Dissolution. When all liabilities and obligations of the Company have been paid or discharged, or adequate provision has been made therefor, and all of the remaining property and assets of the Company have been distributed to the Class A Member, the Articles of Dissolution shall be executed on behalf of the Company by the Class B Appointee or appropriate officer of the

Company and shall be filed with the Secretary of State of Texas, and the Class B Appointee or appropriate officer of the Company shall execute, acknowledge and file any and all

other instruments necessary or appropriate to reflect the dissolution and termination of the Company.

ARTICLE IX. MISCELLANEOUS PROVISIONS

9.1 Amendments. This Agreement and the Articles of Organization may be amended, supplemented or restated only upon the Unanimous Consent of the Board. Upon obtaining Unanimous Consent to any amendment to the Articles of Organization, the appropriate officer of the Company shall cause Articles of Amendment to be prepared, executed and filed in accordance with the TBOC.

9.2 Confidentiality. Each Member agrees that, except as required by law or consented to in writing by the Company, it will, and will cause its directors, officers, employees, representatives and/or agents (collectively, “**Representatives**”) to, keep strictly confidential all information concerning the Company or its business, properties or plans; provided, however, that the foregoing shall not apply to (a) any information that is or becomes generally available to the public (other than as a result of a disclosure directly or indirectly by such Member or its Representatives in violation hereof), (b) any disclosure of information to the investors, limited partners or potential investors of any Member as such Member may reasonably deem necessary or appropriate, (c) any information the disclosure of which is required by law, provided that the Member promptly notifies the Company of, and takes reasonable steps to minimize the extent of, any such required disclosure or (d) any disclosure of information to lenders or prospective or permitted assignees of any Member, provided that any such lender or prospective or permitted assignee has agreed in writing to be bound by, or is already bound by, confidentiality obligations reasonably comparable in the aggregate to the provisions contained in this Section 9.2.

9.3 Incorporated Documents. The Stockholders Agreement and the Certificates of Designations are incorporated by reference herein and made a part hereof. Each of the Stockholders Agreement and the Certificates of Designations is on file with the Company at its principal executive office and will be provided to the Members upon their written request. The Stockholders Agreement shall continue to be incorporated into this agreement notwithstanding the termination of such agreement. The Certificates of Designations shall continue to be incorporated into this Agreement notwithstanding the partial or complete conversion of all of the preferred stock established thereby.

9.4 Notices.

(a) Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or required to be given hereunder shall be in writing and shall be deemed to be duly given if personally delivered or mailed by certified mail, return receipt requested, or nationally recognized overnight delivery service with proof of receipt maintained, at the address set forth on Exhibit A (or any other address that any such party may designate by written notice to the other parties).

(b) Any such notice shall, if delivered personally, be deemed received upon delivery; shall, if delivered by certified mail, be deemed received upon the earlier of

actual receipt thereof or five Business Days after the date of deposit in the United States mail, as the case may be; and shall, if delivered by nationally recognized overnight delivery service, be deemed received upon the first Business Day after the date of deposit with the delivery service.

(c) Whenever any notice is required to be given by applicable law, the Articles of Organization or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

9.5 Entire Agreement. This Agreement, the Exhibit and Schedule thereto, the Certificates of Designations and the Stockholders Agreement embody the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersede all prior agreements or understandings (whether written or oral), with respect to the subject matter hereof. This Agreement amends and restates the Predecessor Agreement in its entirety.

9.6 Further Assurances. In connection with this Agreement, the Company and each Member shall execute and deliver all such future instruments and take such other and further action as may be reasonably necessary or appropriate to carry out the provisions of this Agreement and the intention of the parties as expressed herein.

9.7 Tax Matters.

(a) The Class A Member and Class B Member hereby agree to treat, for U.S. federal income tax purposes, the Company as an entity disregarded as separate from its owner the Class A Member, and shall not take any position inconsistent with such treatment. As such the Class A Member shall be the responsible party for all tax matters on behalf of the Company (the “**Company Tax Matters Member**”), and shall timely file or cause to be filed all tax returns required to be filed by the Company and pay or cause to be paid any taxes due or payable with respect to the Company. The Company Tax Matters Member is responsible for and authorized to take such actions and to execute and file all statements and forms on behalf of the Company which may be permitted or required by the applicable provisions of the Code or Treasury Regulations issued thereunder. The Company Tax Matters Member shall have full and exclusive power and authority on behalf of the Company to represent the Company (at the Company’s expense) in connection with all examinations of the Company’s affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. The Company Tax Matters Member shall keep the other Members informed as to the status of any audit of the Company’s tax affairs.

(b) The Class B Member shall have the sole and exclusive right to cause the Company to act in its capacity as the “Tax Matters Partner” pursuant to Section 11.7 of the Partnership Agreement (the “**Partnership Tax Matters Member**”). The Partnership Tax Matters Member is authorized to

cause the Company to take such actions and to execute and file all statements and forms on behalf of the Partnership in its capacity as Tax Matters Partner which may be permitted or required by the applicable provisions of

the Code or Treasury Regulations issued thereunder. The Partnership Tax Matters Member is authorized to cause the Company to make any election permissible under law (including the election under Section 754 of the Code) that is in its sole determination in the best interests of the Partnership, and the Partnership Tax Matters Member shall cause the Company to determine the manner in which, in the event of a transfer of all or part of a limited partner's units, the shares of profits and losses are allocated between the transferor and the transferee, such manner which shall be in the sole discretion of the Partnership Tax Matters Member, provided that such manner is not inconsistent with the applicable provisions of the Code and the Treasury Regulations. The Partnership Tax Matters Member shall have full and exclusive power and authority to cause the Company to act on behalf of the Partnership in any representation of the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including resulting administrative and judicial proceedings, and to cause the Company to expend Partnership funds for professional services and costs associated therewith. The Partnership Tax Matters Member shall keep the other Members informed as to the status of any audit of the Partnership's tax affairs.

9.8 Governing Law; Severability; Jurisdiction.

(a) Governing Law. This Agreement and any claim, controversy or dispute arising under or related in any way to this Agreement, the transactions leading to this Agreement or contemplated hereby, and/or the interpretation and enforcement of the rights and duties of the parties hereunder or related in any way to the foregoing, shall be governed by and construed in accordance with the internal, substantive laws of the State of Texas applicable to agreements entered into and to be performed solely within such state without giving effect to the principles of conflict of laws thereof.

(b) CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ANY PROCEEDING ARISING UNDER OR RELATED IN ANY WAY TO THIS AGREEMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER OR RELATED IN ANY WAY TO THE FOREGOING MAY ONLY BE INSTITUTED IN THE STATE OR FEDERAL COURTS OF THE STATE OF DELAWARE AND EACH PARTY WAIVES ANY OBJECTION WHICH SUCH PARTY MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING, AND IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY SUCH COURT IN ANY SUCH PROCEEDING. SERVICE OF PROCESS WITH RESPECT THERETO MAY BE MADE UPON A PARTY HERETO BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS AS PROVIDED IN SECTION 9.4.

(c) WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION

DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) EACH SUCH PARTY UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF THIS WAIVER, (C) EACH SUCH PARTY MAKES THIS WAIVER VOLUNTARILY, AND (D) EACH SUCH PARTY HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 9.8(c).

(d) In the event of a direct conflict between the provisions of this Agreement and (i) any provision of the Articles of Organization or (ii) any mandatory, non-waivable provision of the TBOC, such provision of the Articles of Organization or the TBOC shall control. If any provision of the TBOC provides that it may be varied or superseded in the agreement of a limited liability company (or otherwise by agreement of the members of a limited liability company), such provision shall be deemed superseded and waived in its entirety if this Agreement contains a provision addressing the same issue or subject matter.

(e) If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws effective during the term of this Agreement, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

9.9 Binding Effect. Subject to the restrictions on Transfer set forth in this Agreement, this Agreement shall be binding upon and shall inure to the benefit of the Company and each Member and their respective heirs, permitted successors, permitted assigns, permitted distributees and legal representatives; and by their signatures hereto, the Company and each Member intends to and does hereby become bound. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any Person other than the parties hereto and their respective permitted successors and assigns any legal or equitable right, remedy or claim under, in or in respect of this Agreement or any provision herein contained. The rights under this Agreement may be assigned by a Member to a transferee of all or a portion of such Member's Units transferred in accordance with this Agreement (and shall be assigned to the extent this Agreement requires such

assignment), but only to the extent of such Units so transferred; it being understood that the assignment of any rights under this Agreement shall not constitute admission to the Company as a Member unless and until such transferee is duly admitted as a Member in accordance with this Agreement.

9.10 Severability. If any provisions contained in this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not invalidate the entire Agreement. Instead, such provision shall be deemed to be modified to the extent necessary to render it valid and enforceable and if no such modification shall render it valid and enforceable then the Agreement shall be construed as if not containing such provision.

9.11 Time of the Essence. Time is of the essence with respect to this Agreement.

9.12 No Third Party Beneficiaries. Except for the provisions of Section 3.8, which may be enforced solely by any Highbridge Holder or any Bayou City Holders, nothing herein expressed or implied is intended to confer upon any person, other than the parties hereto or their respective permitted assigns, successors, heirs and legal representatives, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

9.13 Counterparts. This Agreement may be executed in counterparts and all such counterparts shall be construed together to form a single document.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

The undersigned, being all of the Members of the Company, do hereby ratify, confirm and approve the adoption of this Agreement as the limited liability company agreement of the Company, and does hereby assume and agree to be bound by and to perform all of the terms and provisions set forth in this Agreement effective as of the date first written above.

ALTA MESA RESOURCES, L.P.
a Texas limited partnership

By: Alta Mesa Resources GP, LLC,
A Texas limited liability company,
its General Partner

By: /s/ Michael E. Ellis
Michael E. Ellis,
Manager

Signatures Continued on Next Page.

HIGH MESA, INC.
a Delaware corporation

By: /s/ Harlan H. Chappelle
Harlan H. Chappelle,
President and Chief Executive Officer

End of Signatures.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Harlan H. Chappelle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alta Mesa Holdings, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alta Mesa Holdings, LP as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for Alta Mesa Holdings, LP and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alta Mesa Holdings, LP, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of Alta Mesa Holdings, LP's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in Alta Mesa Holdings, LP's internal control over financial reporting that occurred during Alta Mesa Holdings, LP's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Alta Mesa Holdings, LP's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alta Mesa Holdings, LP's auditors and the audit committee of Alta Mesa Holdings, LP's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Alta Mesa Holdings, LP's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in Alta Mesa Holdings, LP's internal control over financial reporting.

Date: May 11, 2017

/s/ Harlan H. Chappelle

Harlan H. Chappelle
President and Chief Executive Officer of Alta Mesa Holdings GP, LLC, general partner of Alta Mesa Holdings, LP

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael A. McCabe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alta Mesa Holdings, LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Alta Mesa Holdings, LP as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for Alta Mesa Holdings, LP and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Alta Mesa Holdings, LP, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of Alta Mesa Holdings, LP's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in Alta Mesa Holdings, LP's internal control over financial reporting that occurred during Alta Mesa Holdings, LP's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Alta Mesa Holdings, LP's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Alta Mesa Holdings, LP's auditors and the audit committee of Alta Mesa Holdings, LP's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Alta Mesa Holdings, LP's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in Alta Mesa Holdings, LP's internal control over financial reporting.

Date: May 11, 2017

/s/ Michael A. McCabe

Michael A. McCabe
Vice President and Chief Financial Officer of Alta Mesa Holdings GP, LLC, general partner of Alta Mesa Holdings, LP

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF ALTA MESA HOLDINGS, LP
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report on Form 10-Q of Alta Mesa Holdings, LP for the period ended March 31, 2017, I, Harlan H. Chappelle, President and Chief Executive Officer of Alta Mesa Holdings, LP, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Quarterly Report on Form 10-Q for the period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the period ended March 31, 2017 fairly presents, in all material respects, the financial condition and results of operations of Alta Mesa Holdings, LP for the periods presented therein.

Date: May 11, 2017

/s/ Harlan H. Chappelle

Harlan H. Chappelle

President and Chief Executive Officer of Alta Mesa

Holdings GP, LLC, general partner of Alta Mesa Holdings, LP

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF ALTA MESA HOLDINGS, LP
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report on Form 10-Q of Alta Mesa Holdings, LP for the period ended March 31, 2017, I, Michael A. McCabe, Chief Financial Officer of Alta Mesa Holdings, LP, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. This Quarterly Report on Form 10-Q for the period ended March 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in this Quarterly Report on Form 10-Q for the period ended March 31, 2017 fairly presents, in all material respects, the financial condition and results of operations of Alta Mesa Holdings, LP for the periods presented therein.

Date: May 11, 2017

/s/ Michael A. McCabe

Michael A. McCabe
*Vice President and Chief Financial Officer of Alta Mesa
Holdings GP, LLC, general partner of Alta Mesa Holdings, LP*

**Document And Entity
Information**

**3 Months Ended
Mar. 31, 2017
shares**

[Document And Entity Information \[Abstract\]](#)

| | |
|--|------------------------|
| <u>Entity Registrant Name</u> | Alta Mesa Holdings, LP |
| <u>Entity Central Index Key</u> | 0001518403 |
| <u>Document Type</u> | 10-Q |
| <u>Document Period End Date</u> | Mar. 31, 2017 |
| <u>Amendment Flag</u> | false |
| <u>Document Fiscal Year Focus</u> | 2017 |
| <u>Document Fiscal Period Focus</u> | Q1 |
| <u>Current Fiscal Year End Date</u> | --12-31 |
| <u>Entity Filer Category</u> | Non-accelerated Filer |
| <u>Entity Common Stock, Shares Outstanding</u> | 0 |

Consolidated Balance Sheets
- USD (\$)
\$ in Thousands

Mar. 31, 2017 Dec. 31, 2016

CURRENT ASSETS

| | | |
|---|----------|----------|
| <u>Cash and cash equivalents</u> | \$ 5,376 | \$ 7,185 |
| <u>Short-term restricted cash</u> | 589 | 433 |
| <u>Accounts receivable, net of allowance of \$895 and \$889, respectively</u> | 42,985 | 37,611 |
| <u>Other receivables</u> | 567 | 8,061 |
| <u>Receivables due from affiliate</u> | 869 | 8,883 |
| <u>Prepaid expenses and other current assets</u> | 13,212 | 3,986 |
| <u>Derivative financial instruments</u> | 3,896 | 83 |
| <u>Total current assets</u> | 67,494 | 66,242 |

PROPERTY AND EQUIPMENT

| | | |
|---|---------|---------|
| <u>Oil and natural gas properties, successful efforts method, net</u> | 764,772 | 712,162 |
| <u>Other property and equipment, net</u> | 9,760 | 9,731 |
| <u>Total property and equipment, net</u> | 774,532 | 721,893 |

OTHER ASSETS

| | | |
|--|----------------|----------------|
| <u>Investment in LLC - cost</u> | 9,000 | 9,000 |
| <u>Deferred financing costs, net</u> | 2,422 | 3,029 |
| <u>Notes receivable due from affiliate</u> | 10,187 | 9,987 |
| <u>Deposits and other long-term assets</u> | 3,292 | 2,977 |
| <u>Derivative financial instruments</u> | 7,173 | 723 |
| <u>Total other assets</u> | 32,074 | 25,716 |
| <u>TOTAL ASSETS</u> | 874,100 | 813,851 |

CURRENT LIABILITIES

| | | |
|---|---------|---------|
| <u>Accounts payable and accrued liabilities</u> | 115,196 | 84,234 |
| <u>Advances from non-operators</u> | 3,741 | 4,058 |
| <u>Advances from related party</u> | 12,737 | 42,528 |
| <u>Asset retirement obligations</u> | 1,383 | 376 |
| <u>Derivative financial instruments</u> | 3,740 | 21,207 |
| <u>Total current liabilities</u> | 136,797 | 152,403 |

LONG-TERM LIABILITIES

| | | |
|---|----------------|----------------|
| <u>Asset retirement obligations, net of current portion</u> | 60,988 | 61,128 |
| <u>Long-term debt, net</u> | 585,261 | 529,905 |
| <u>Notes payable to founder</u> | 27,255 | 26,957 |
| <u>Derivative financial instruments</u> | | 4,482 |
| <u>Other long-term liabilities</u> | 6,778 | 6,870 |
| <u>Total long-term liabilities</u> | 680,282 | 629,342 |
| <u>TOTAL LIABILITIES</u> | 817,079 | 781,745 |

Commitments and Contingencies (Note 10)

| | | |
|---|-------------------|-------------------|
| <u>PARTNERS' CAPITAL</u> | 57,021 | 32,106 |
| <u>TOTAL LIABILITIES AND PARTNERS' CAPITAL</u> | \$ 874,100 | \$ 813,851 |

Consolidated Balance Sheets
(Parenthetical) - USD (\$)
\$ in Thousands

Mar. 31, 2017 Dec. 31, 2016

[Consolidated Balance Sheets \[Abstract\]](#)

| | | |
|--|--------|--------|
| <u>Allowance for doubtful accounts</u> | \$ 895 | \$ 889 |
|--|--------|--------|

**Consolidated Statements Of
Operations - USD (\$)
\$ in Thousands**

**3 Months Ended
Mar. 31, 2017 Mar. 31, 2016**

OPERATING REVENUES AND OTHER

| | | |
|---|-----------|-----------|
| <u>Oil</u> | \$ 59,345 | \$ 31,244 |
| <u>Natural gas</u> | 12,685 | 4,691 |
| <u>Natural gas liquids</u> | 7,619 | 2,105 |
| <u>Other revenues</u> | 116 | 127 |
| <u>Total operating revenues</u> | 79,765 | 38,167 |
| <u>Gain on sale of assets</u> | | 2,648 |
| <u>Gain on derivative contracts</u> | 30,242 | 10,815 |
| <u>Total operating revenues and other</u> | 110,007 | 51,630 |

OPERATING EXPENSES

| | | |
|--|--------|---------|
| <u>Lease and plant operating expense</u> | 17,736 | 17,125 |
| <u>Marketing and transportation expense</u> | 6,043 | 1,415 |
| <u>Production and ad valorem taxes</u> | 3,068 | 2,395 |
| <u>Workover expense</u> | 1,383 | 1,397 |
| <u>Exploration expense</u> | 8,142 | 3,286 |
| <u>Depreciation, depletion, and amortization expense</u> | 24,804 | 21,493 |
| <u>Impairment expense</u> | 1,220 | 1,764 |
| <u>Accretion expense</u> | 572 | 539 |
| <u>General and administrative expense</u> | 9,748 | 10,183 |
| <u>Total operating expenses</u> | 72,716 | 59,597 |
| <u>INCOME (LOSS) FROM OPERATIONS</u> | 37,291 | (7,967) |

OTHER INCOME (EXPENSE)

| | | |
|--|-----------|-------------|
| <u>Interest expense</u> | (12,340) | (16,395) |
| <u>Interest income</u> | 249 | 206 |
| <u>Total other income (expense)</u> | (12,091) | (16,189) |
| <u>INCOME (LOSS) BEFORE STATE INCOME TAXES</u> | 25,200 | (24,156) |
| <u>Provision for state income taxes</u> | 285 | 1 |
| <u>NET INCOME (LOSS)</u> | \$ 24,915 | \$ (24,157) |

**Consolidated Statements Of
Cash Flows - USD (\$)
\$ in Thousands**

**3 Months Ended
Mar. 31, Mar. 31,
2017 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|--|-----------------|------------------|
| <u>Net income (loss)</u> | \$ 24,915 | \$ (24,157) |
| <u>Adjustments to reconcile net income (loss) to net cash used in operating activities:</u> | | |
| <u>Depreciation, depletion, and amortization expense</u> | 24,804 | 21,493 |
| <u>Impairment expense</u> | 1,220 | 1,764 |
| <u>Accretion expense</u> | 572 | 539 |
| <u>Amortization of deferred financing costs</u> | 962 | 934 |
| <u>Amortization of debt discount</u> | | 127 |
| <u>Dry hole expense</u> | | 212 |
| <u>Expired leases</u> | 3,333 | 1,166 |
| <u>Gain on derivative contracts</u> | (30,242) | (10,815) |
| <u>Settlements of derivative contracts</u> | (1,970) | 25,228 |
| <u>Interest converted into debt</u> | 298 | 298 |
| <u>Interest on notes receivable due from affiliate</u> | (200) | (188) |
| <u>Gain on sale of assets</u> | | (2,648) |
| <u>Changes in assets and liabilities:</u> | | |
| <u>Restricted cash</u> | (156) | (141,935) |
| <u>Accounts receivable</u> | (5,374) | 2,890 |
| <u>Other receivables</u> | 7,494 | 8,448 |
| <u>Receivables due from affiliate</u> | 139 | (1,464) |
| <u>Prepaid expenses and other non-current assets</u> | (9,543) | 845 |
| <u>Advances from related party</u> | (29,791) | |
| <u>Settlement of asset retirement obligation</u> | (2,394) | (191) |
| <u>Accounts payable, accrued liabilities, and other liabilities</u> | 11,837 | 15,669 |
| <u>NET CASH USED IN OPERATING ACTIVITIES</u> | (4,096) | (101,785) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u> | | |
| <u>Capital expenditures for property and equipment</u> | (60,589) | (44,435) |
| <u>NET CASH USED IN INVESTING ACTIVITIES</u> | (60,589) | (44,435) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u> | | |
| <u>Proceeds from long-term debt</u> | 55,065 | 141,935 |
| <u>Additions to deferred financing costs</u> | (64) | (799) |
| <u>Capital contributions</u> | 7,875 | |
| <u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u> | 62,876 | 141,136 |
| <u>NET DECREASE IN CASH AND CASH EQUIVALENTS</u> | (1,809) | (5,084) |
| <u>CASH AND CASH EQUIVALENTS, beginning of period</u> | 7,185 | 8,869 |
| <u>CASH AND CASH EQUIVALENTS, end of period</u> | \$ 5,376 | \$ 3,785 |

Description Of Business

**3 Months Ended
Mar. 31, 2017**

Nature Of Operations

[Abstract]

Description Of Business

1. DESCRIPTION OF BUSINESS

Alta Mesa Holdings, LP and its subsidiaries (“we,” “us,” “our,” the “Company,” and “Alta Mesa”) is an independent exploration and production company engaged primarily in the acquisition, exploration, development, and production of oil and natural gas properties. Our principal area of operation is in the eastern portion of the Anadarko Basin referred to as the STACK. The STACK is an acronym describing both its location – Sooner Trend Anadarko Basin Canadian and Kingfisher County – and the multiple, stacked productive formations present in the area. Our operations also include other oil and natural gas interests in Texas, Louisiana and Florida.

Summary Of Significant
Accounting Policies

3 Months Ended
Mar. 31, 2017

[Summary Of Significant
Accounting Policies](#)

[\[Abstract\]](#)

[Summary Of Significant
Accounting Policies](#)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We have provided a discussion of significant accounting policies in Note 2 in our Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Annual Report"). As of March 31, 2017, our significant accounting policies are consistent with those discussed in Note 2 in the 2016 Annual Report.

Principles of Consolidation and Reporting

The consolidated financial statements reflect our accounts after elimination of all significant intercompany transactions and balances. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual consolidated financial statements for the year ended December 31, 2016, which were filed with the Securities and Exchange Commission in our 2016 Annual Report.

The consolidated financial statements included herein as of March 31, 2017, and for the three months ended March 31, 2017 and 2016, are unaudited, and in the opinion of management, the information furnished reflects all material adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of consolidated financial position and of the results of operations for the interim periods presented. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain reclassifications of prior period consolidated financial statements have been made to conform to current reporting practices. The consolidated results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Reserve estimates significantly impact depreciation, depletion and amortization expense and potential impairments of oil and natural gas properties and are subject to change based on changes in oil and natural gas prices and trends and changes in estimated reserve quantities. We analyze estimates, including those related to oil and natural gas reserves, oil and natural gas revenues, the value of oil and natural gas properties, bad debts, asset retirement obligations, derivative contracts, state taxes, and contingencies and litigation. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The update provides guidance concerning the recognition, measurement and disclosure of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to

retained earnings on the opening balance sheet. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”). ASU 2015-14 deferred the effective date of the new revenue standard by one year, making it effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company has not yet selected a transition method and is currently assessing the impact on the consolidated financial statements. The Company is continuing to evaluate the provisions of this ASU as it relates to certain sales contracts and in particular as it relates to disclosure requirements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes ASC 840 “Leases” and creates a new topic, ASC 842 “Leases.” The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The amendments are effective for interim and annual reporting periods beginning after December 15, 2018. The Company enters into lease agreements to support its operations. These agreements are for leases on assets such as office space, vehicles, field services and equipment. The Company continues to evaluate the impacts of the amendments to our financial statements and accounting practices for leases. We anticipate adoption of ASU 2016-02 effective January 1, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in how certain transactions are classified in the statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The adoption of this guidance will not impact the Company’s financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires an entity to explain the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents on the statements of cash flows and to provide a reconciliation of the totals in that statement to the related captions in the balance sheet when the cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item on the balance sheet. This ASU is effective for annual and interim periods beginning after December 15, 2017, and is required to be adopted using a retrospective approach, with early adoption permitted. The adoption of this guidance will not impact the Company’s financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires entities to use a screen test to determine when an integrated set of assets and activities is not a business or if the integrated set of assets and activities needs to be further evaluated against the framework. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, cash flows and results of operations.

**Supplemental Cash Flow
Information**

**3 Months Ended
Mar. 31, 2017**

Supplemental Cash Flow Information

[Abstract]

Supplemental Cash Flow Information

3. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental cash flow disclosures and non-cash investing and financing activities are presented below:

| | Three Months Ended March 31, | |
|--|---|-------------|
| | 2017 | 2016 |
| | (in thousands) | |
| Supplemental cash flow information: | | |
| Cash paid for interest | \$ 1,162 | \$ 3,960 |
| Cash paid for state income taxes | — | 1 |
| Non-cash investing and financing activities: | | |
| Change in asset retirement obligations | 296 | 322 |
| Change in accruals or liabilities for capital expenditures | 21,111 | (3,340) |

Property And Equipment

3 Months Ended
Mar. 31, 2017

[Property And Equipment](#)

[\[Abstract\]](#)

[Property And Equipment](#)

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (unaudited):

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in thousands) | |
| OIL AND NATURAL GAS PROPERTIES | | |
| Unproved properties | \$ 111,035 | \$ 116,311 |
| Accumulated impairment of unproved properties | (70) | (65) |
| Unproved properties, net | 110,965 | 116,246 |
| Proved oil and natural gas properties | 1,694,486 | 1,611,249 |
| Accumulated depreciation, depletion, amortization and impairment | (1,040,679) | (1,015,333) |
| Proved oil and natural gas properties, net | 653,807 | 595,916 |
| TOTAL OIL AND NATURAL GAS PROPERTIES, net | 764,772 | 712,162 |
| OTHER PROPERTY AND EQUIPMENT | | |
| Land | 5,172 | 4,730 |
| Office furniture and equipment, vehicles | 19,706 | 19,446 |
| Accumulated depreciation | (15,118) | (14,445) |
| OTHER PROPERTY AND EQUIPMENT, net | 9,760 | 9,731 |
| TOTAL PROPERTY AND EQUIPMENT, net | \$ 774,532 | \$ 721,893 |

[Fair Value Disclosures](#)

[\[Abstract\]](#)

[Fair Value Disclosures](#)

5. FAIR VALUE DISCLOSURES

The Company follows ASC 820, "Fair Value Measurements and Disclosures." ASC 820 provides a hierarchy of fair value measurements, based on the inputs to the fair value estimation process. It requires disclosure of fair values classified according to defined "levels," which are based on the reliability of the evidence used to determine fair value, with Level 1 being the most reliable and Level 3 the least reliable. Level 1 evidence consists of observable inputs, such as quoted prices in an active market. Level 2 inputs typically correlate the fair value of the asset or liability to a similar, but not identical item which is actively traded. Level 3 inputs include at least some unobservable inputs, such as valuation models developed using the best information available in the circumstances.

The fair value of cash, accounts receivable, other current assets, and current liabilities approximate book value due to their short-term nature. The estimate of fair value of long-term debt under our senior secured revolving credit facility is not considered to be materially different from carrying value due to market rates of interest. The fair value of the notes payable to our founder is not practicable to determine because the transactions cannot be assumed to have been consummated at arm's length, the terms are not deemed to be market terms, there are no quoted values available for this instrument, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Our senior notes are carried at historical cost and we estimate the fair value of the senior notes for disclosure purposes. We have estimated the fair value of our \$500 million senior notes payable to be \$511.3 million at March 31, 2017. This estimation is based on the most recent trading values of the senior notes at or near the reporting dates, which is a Level 1 determination. See Note 8 for information on long-term debt.

We utilize the modified Black-Scholes and the Turnbull Wakeman option pricing models to estimate the fair values of oil, natural gas and natural gas liquids derivative contracts. Inputs to these models include observable inputs from the New York Mercantile Exchange ("NYMEX") for futures contracts, and inputs derived from NYMEX observable inputs, such as implied volatility of oil, natural gas and natural gas liquids prices. We have classified the fair values of all our oil and natural gas derivative contracts as Level 2.

Oil and natural gas properties are subject to impairment testing and potential impairment write down. Oil and natural gas properties with a carrying amount of \$3.4 million were written down to their fair value of \$2.2 million, resulting in an impairment charge of \$1.2 million for the three months ended March 31, 2017. For the three months ended March 31, 2016, oil and natural gas properties with a carrying amount of \$3.3 million were written down to their fair value of \$1.5 million, resulting in an impairment charge of \$1.8 million. Significant Level 3 assumptions used in the calculation of estimated discounted cash flows in the impairment analysis included our estimate of future oil and natural gas prices, production costs, development expenditures, estimated timing of production of proved reserves, appropriate risk-adjusted discount rates, and other relevant data.

New additions to asset retirement obligations result from estimations for new properties, and fair values for them are categorized as Level 3. Such estimations are based on present value techniques that utilize company-specific information for such inputs as cost and timing of plugging and abandonment of wells and facilities. We recorded \$0.3 million and \$0.3 million in additions to asset retirement obligations measured at fair value during the three months ended March 31, 2017 and 2016, respectively.

The following table presents information about our financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2017 and December 31, 2016, and indicates the fair

value hierarchy of the valuation techniques we utilized to determine such fair value (**unaudited**):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|----------------|----------------|----------------|--------------|
| | (in thousands) | | | |
| <i>At March 31, 2017:</i> | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$ 28,064 | — | \$28,064 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$ 20,735 | — | \$20,735 |
| <i>At December 31, 2016:</i> | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$ 15,773 | — | \$15,773 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$ 40,656 | — | \$40,656 |

The amounts above are presented on a gross basis. Presentation on our consolidated balance sheets utilizes netting of assets and liabilities with the same counterparty where master netting agreements are in place. For additional information on derivative contracts, see Note 6.

**Derivative Financial
Instruments**

**3 Months Ended
Mar. 31, 2017**

[Derivative Financial
Instruments \[Abstract\]](#)
[Derivative Financial
Instruments](#)

6. DERIVATIVE FINANCIAL INSTRUMENTS

We account for our derivative contracts under the provisions of ASC 815, "Derivatives and Hedging." We have entered into forward-swap contracts and collar contracts to reduce our exposure to price risk in the spot market for oil, natural gas and natural gas liquids. From time to time, we also utilize financial basis swap contracts, which address the price differential between market-wide benchmark prices and other benchmark pricing referenced in certain of our oil, natural gas and natural gas liquids sales contracts. Substantially all of our hedging agreements are executed by affiliates of our lenders under the senior secured revolving credit facility described in Note 8, and are collateralized by the security interests of the respective affiliated lenders in certain of our assets under the senior secured revolving credit facility. The contracts settle monthly and are scheduled to coincide with oil production equivalent to barrels (Bbl) per month, gas production equivalent to volumes in millions of British thermal units (MMBtu) per month, and natural gas liquids production to volumes in gallons (Gal) per month. The contracts represent agreements between us and the counterparties to exchange cash based on a designated price, or in the case of financial basis hedging contracts, based on a designated price differential between various benchmark prices. Cash settlement occurs monthly. No derivative contracts have been entered into for trading purposes.

From time to time, we enter into interest rate swap agreements with financial institutions to mitigate the risk of loss due to changes in interest rates.

We have not designated any of our derivative contracts as fair value or cash flow hedges. Accordingly, we use mark-to-market accounting, recognizing changes in the fair value of derivative contracts in the consolidated statements of operations at each reporting date.

Derivative contracts are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets. This netting can cause derivative assets to be ultimately presented in a liability account on the consolidated balance sheets. Likewise, derivative liabilities could be presented in a derivative asset account.

The following table summarizes the fair value and classification of our derivative instruments, none of which have been designated as hedging instruments under ASC 815:

Fair Values of Derivative Contracts (unaudited):

| Balance sheet location | March 31, 2017 | | |
|--|-----------------------------------|---|--|
| | Gross Fair Value of Assets | Gross amounts offset against assets in the Balance Sheet | Net Fair Value of Assets presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current assets | \$ 10,166 | \$ (6,270) | \$ 3,896 |
| Derivative financial instruments, long-term assets | 17,898 | (10,725) | 7,173 |
| Total | <u>\$ 28,064</u> | <u>\$ (16,995)</u> | <u>\$ 11,069</u> |

| Balance sheet location | March 31, 2017 | | |
|---|--|--|---|
| | Gross Fair Value of Liabilities | Gross amounts offset against liabilities in the Balance Sheet | Net Fair Value of Liabilities presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current liabilities | \$ 10,010 | \$ (6,270) | \$ 3,740 |
| Derivative financial instruments, long-term liabilities | 10,725 | (10,725) | — |
| Total | <u>\$ 20,735</u> | <u>\$ (16,995)</u> | <u>\$ 3,740</u> |

| Balance sheet location | December 31, 2016 | | |
|--|-----------------------------------|---|--|
| | Gross Fair Value of Assets | Gross amounts offset against assets in the Balance Sheet | Net Fair Value of Assets presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current assets | \$ 3,296 | \$ (3,213) | \$ 83 |
| Derivative financial instruments, long-term assets | 12,477 | (11,754) | 723 |
| Total | <u>\$ 15,773</u> | <u>\$ (14,967)</u> | <u>\$ 806</u> |

| | | |
|--------------|----------------------|--------------------------------------|
| Gross | Gross amounts | Net Fair Value of Liabilities |
|--------------|----------------------|--------------------------------------|

| Balance sheet location | Fair Value of Liabilities | offset against liabilities in the Balance Sheet | presented in the Balance Sheet |
|---|------------------------------|--|-----------------------------------|
| | | | (in thousands) |
| Derivative financial instruments, current liabilities | \$ 24,420 | \$ (3,213) | \$ 21,207 |
| Derivative financial instruments, long-term liabilities | 16,236 | (11,754) | 4,482 |
| Total | \$ 40,656 | \$ (14,967) | \$ 25,689 |

The following table summarizes the effect of our derivative instruments in the consolidated statements of operations (unaudited):

| Derivatives not designated as hedging instruments under ASC 815 | Three Months Ended March 31, | |
|---|---------------------------------|-----------|
| | 2017 | 2016 |
| | (in thousands) | |
| <i>Gain (loss) on derivative contracts</i> | | |
| Oil commodity contracts | \$ 26,085 | \$ 8,146 |
| Natural gas commodity contracts | 3,899 | 2,814 |
| Natural gas liquids commodity contracts | 258 | (145) |
| Total gain on derivative contracts | \$ 30,242 | \$ 10,815 |

Although our counterparties provide no collateral, the master derivative agreements with each counterparty effectively allow us, so long as we are not a defaulting party, after a default or the occurrence of a termination event, to set-off an unpaid hedging agreement receivable against the interest of the counterparty in any outstanding balance under the senior secured revolving credit facility.

If a counterparty were to default in payment of an obligation under the master derivative agreements, we could be exposed to commodity price fluctuations, and the protection intended by the hedge could be lost. The value of our derivative financial instruments would be impacted.

We had the following open derivative contracts for crude oil at March 31, 2017 (unaudited):

OIL DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Bbbs | Weighted Average | Range | |
|-----------------------------|-------------------|---------------------|----------|----------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | 1,710,500 | \$ 50.31 | \$ 57.25 | \$ 45.00 |
| Collar Contracts | | | | |
| Long Call Options | 137,500 | 85.00 | 85.00 | 85.00 |
| Short Call Options | 1,535,000 | 60.46 | 85.00 | 54.40 |
| Long Put Options | 1,122,500 | 48.35 | 50.00 | 47.00 |
| Short Put Options | 1,122,500 | 37.12 | 40.00 | 35.00 |
| 2018 | | | | |
| Price Swap Contracts | 547,500 | 57.22 | 57.25 | 57.20 |
| Collar Contracts | | | | |
| Long Call Options | 365,000 | 54.00 | 54.00 | 54.00 |
| Short Call Options | 2,190,000 | 60.87 | 62.00 | 60.50 |
| Long Put Options | 1,825,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 2,190,000 | 40.26 | 42.00 | 40.00 |
| 2019 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 1,241,000 | 62.90 | 63.00 | 62.75 |
| Long Put Options | 1,241,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 1,241,000 | 37.50 | 37.50 | 37.50 |

We had the following open derivative contracts for natural gas at March 31, 2017 (unaudited):

NATURAL GAS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in MMBtu | Weighted Average | Range | |
|-----------------------------|--------------------|---------------------|-------|-----|
| | | | High | Low |
| 2017 | | | | |

| | | | | |
|-----------------------------|-----------|---------|---------|---------|
| Price Swap Contracts | 1,070,000 | \$ 3.40 | \$ 3.40 | \$ 3.40 |
| Collar Contracts | | | | |
| Short Call Options | 8,620,000 | 3.62 | 3.80 | 3.25 |
| Long Put Options | 7,700,000 | 3.11 | 3.30 | 3.00 |
| Long Call Options | 920,000 | 2.95 | 2.95 | 2.95 |
| Short Put Options | 8,620,000 | 2.57 | 2.70 | 2.50 |
| 2018 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 6,132,000 | 5.34 | 5.53 | 4.00 |
| Long Put Options | 5,475,000 | 4.50 | 4.50 | 4.50 |
| Short Put Options | 5,475,000 | 4.00 | 4.00 | 4.00 |

In those instances where contracts are identical as to time period, volume and strike price, and counterparty, but opposite as to direction (long and short), the volumes and average prices have been netted in the two tables above. Prices stated in the table above for oil may settle against either the NYMEX or Brent ICE indices or may reflect a mix of positions settling on various of these benchmarks.

We had the following open derivative contracts for natural gas liquids at March 31, 2017 (**unaudited**):

NATURAL GAS LIQUIDS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Gal | Weighted Average | Range | |
|-----------------------------|------------------|---------------------|---------|---------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | | | | |
| Short Price Swaps | 4,237,800 | \$ 0.46 | \$ 0.47 | \$ 0.45 |

We had the following open financial basis swap contracts for natural gas March 31, 2017 (**unaudited**):

BASIS SWAP DERIVATIVE CONTRACTS

| Volume in MMBtu (1) | Reference Price 1 | Reference Price 2 | Period | Weighted Average Spread (\$ per MMBtu) |
|---------------------|-------------------------|-------------------|-------------------|--|
| 9,320,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Apr'17 — Dec '17 | \$ (0.26) |
| 5,910,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Jan '18 — Oct '18 | (0.27) |

(1) Represents short swaps that fix the basis differentials between Tex/OKL Panhandle Eastern Pipeline (“PEPL”) INSIDE FERC (“IFERC”) and NYMEX Henry Hub.

**Asset Retirement
Obligations**

**3 Months Ended
Mar. 31, 2017**

[Asset Retirement Obligations](#)

[\[Abstract\]](#)

[Asset Retirement Obligations](#)

7. ASSET RETIREMENT OBLIGATIONS

A summary of the changes in asset retirement obligations is included in the table below (unaudited):

| | Three Months Ended March 31, 2017 |
|--|--|
| | (in thousands) |
| Balance, beginning of year | \$ 61,504 |
| Liabilities incurred | 296 |
| Liabilities settled | (2,394) |
| Liabilities transferred in sales of properties | — |
| Revisions to estimates | 2,393 |
| Accretion expense | 572 |
| Balance, March 31, 2017 | <u>62,371</u> |
| Less: Current portion | 1,383 |
| Long-term portion | <u>\$ 60,988</u> |

**Long Term Debt, Net And
Notes Payable To Founder**

**3 Months Ended
Mar. 31, 2017**

**Long Term Debt, Net And
Notes Payable To Founder**

[Abstract]

**Long Term Debt, Net And
Notes Payable To Founder**

8. LONG-TERM DEBT, NET AND NOTES PAYABLE TO FOUNDER

Long-term debt, net and notes payable to founder consists of the following (**unaudited**):

| | <u>March 31, 2017</u> | <u>December 31, 2016</u> |
|--|---------------------------|------------------------------|
| | (in thousands) | |
| Senior secured revolving credit facility | \$ 95,687 | \$ 40,622 |
| 7.875% senior unsecured notes due 2024 | 500,000 | 500,000 |
| Unamortized deferred financing costs | (10,426) | (10,717) |
| Total long-term debt, net | <u>\$ 585,261</u> | <u>\$ 529,905</u> |
| Notes payable to founder | <u>\$ 27,255</u> | <u>\$ 26,957</u> |

Senior Secured Revolving Credit Facility. In November 2016, we entered into the Seventh Amended and Restated Credit Agreement (as amended, the “credit facility”) with Wells Fargo Bank, National Association, as administrative agent, and a syndicate of banks. As of March 31, 2017, we had \$95.7 million outstanding with \$184.2 million of available borrowing capacity under the credit facility. The borrowing base is currently \$287.5 million and the principal amount is payable on the maturity date of November 10, 2020. The credit facility borrowing base is redetermined semi-annually in May and November of each year. The credit facility is secured by substantially all of our oil and natural gas properties and is based on our proved reserves and the value attributed to those reserves. We have a choice of borrowing in Eurodollars or at the “Reference Rate,” which is based on the prime rate of Wells Fargo Bank, National Association. The credit facility bears interest at the London Interbank Offered Rate (“LIBOR”) plus applicable margins ranging from 2.75% and 3.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing based utilized, and ranging from 3.00% to 4.00% if our leverage ratio exceeds 3.25 to 1.00. The reference rate loans bear interest at a rate per annum equal to the greatest of (i) the agent bank’s reference rate, (ii) the federal funds effective rate plus 50 basis points and (iii) the rate for one month Eurodollar loans plus 1%, plus a margin ranging from 1.75% to 2.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing base utilized, and ranging from 2.00% to 3.00% if our leverage ratio exceeds 3.25 to 1.00. The weighted average and effective interest rate on outstanding borrowings was 4.48% as of March 31, 2017 and 4.00% as of December 31, 2016. The letters of credit outstanding as of March 31, 2017 and December 31, 2016 were approximately \$7.6 million.

The credit facility contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, sell assets, guaranty or make loans to others, make investments, enter into mergers, make certain payments and distributions, enter into or be party to hedge agreements, amend our organizational documents, incur liens and engage in certain other transactions without the prior consent of the lenders. The credit facility permits us to make distributions in any fiscal quarter so long as (i) the amount of distributions made in such fiscal quarter does not exceed our excess cash flow from the immediately preceding fiscal quarter, (ii) no event of default exists, before and after giving effect to such distribution, (iii) our pro forma leverage ratio is less than 3.00 to 1.00 and (iv) before and after giving effect to such distribution the unused commitment amounts available under the credit facility are at least 20% of the commitments in effect.

The credit facility also requires us to maintain a current ratio (as defined in the credit facility), of consolidated current assets (including unused borrowing base committed capacity and with exclusions as described in the credit facility) to consolidated current liabilities of no less than 1.0

to 1.0 as of the last day of any fiscal quarter and leverage ratio of our consolidated debt (other than obligations under hedge agreements and founder notes) as of the end of such fiscal quarter to our consolidated earnings before interest, taxes, depreciation, depletion, amortization and exploration expenses (“EBITDAX”) over the four quarter period then ended (but annualized for the fiscal quarters ending December 31, 2016, March 31, 2017, and June 30, 2017) of not greater than 4.0 to 1.0.

As of March 31, 2017, we were in compliance with all financial covenants of the credit facility.

Senior Unsecured Notes. We have \$500 million in aggregate principal amount of 7.875% senior unsecured notes (“2024 Notes”) due December 15, 2024 which were issued at par by the Company and our wholly owned subsidiary Alta Mesa Finance Services Corp. (collectively, the “Issuers”) during the fourth quarter of 2016. Interest is payable semi-annually on June 15 and December 15 of each year, beginning June 15, 2017. At any time prior to December 15, 2019, we may, from time to time, redeem up to 35% of the aggregate principal amount of the 2024 Notes in an amount of cash not greater than the net cash proceeds from certain equity offerings at the redemption price of 107.875% of the principal amount, plus accrued and unpaid interest, if any, to the date of redemption, if at least 65% of the aggregate principal amount of the 2024 Notes remains outstanding after such redemption and the redemption occurs within 120 days of the closing date of such equity offering. At any time prior to December 15, 2019, we may, on any one or more occasions, redeem all or part of the 2024 Notes for cash at a redemption price equal to 100% of their principal amount of the 2024 Notes redeemed plus an applicable make-whole premium and accrued and unpaid interest, if any, to the date of redemption. Upon the occurrence of certain kinds of change of control, each holder of the 2024 Notes may require us to repurchase all or a portion of the 2024 Notes for cash at a price equal to 101% of the aggregate principal amount of the 2024 Notes, plus accrued and unpaid interest, if any, to the date of repurchase. On and after December 15, 2019, we may redeem the 2024 Notes, in whole or in part, at redemption prices (expressed as percentages of principal amount) equal to 105.906% for the twelve-month period beginning on December 15, 2019, 103.938% for the twelve-month period beginning on December 15, 2020, 101.969% for the twelve-month period beginning on December 15, 2021 and 100.000% beginning on December 15, 2022, plus accrued and unpaid interest, if any, to the date of redemption.

The 2024 Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of our material subsidiaries, subject to certain customary release provisions. Accordingly, they will rank equal in right of payment to all of our existing and future senior indebtedness; senior in right of payment to all of our existing and future indebtedness that is expressly subordinated to the 2024 Notes or the respective guarantees; effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, including amounts outstanding under our credit facility; and structurally subordinated to all existing and future indebtedness and obligations of any of our subsidiaries that do not guarantee the 2024 Notes.

The 2024 Notes contain certain covenants limiting the Issuers’ ability and the ability of the Restricted Subsidiaries (as defined in the indenture) to, under certain circumstances, prepay subordinated indebtedness, pay distributions, redeem stock or make certain restricted investments; incur indebtedness; create liens on the Issuers’ assets to secure debt; restrict dividends, distributions or other payments; enter into transactions with affiliates; designate subsidiaries as unrestricted subsidiaries; sell or otherwise transfer or dispose of assets, including equity interests of restricted subsidiaries; effect a consolidation or merger; and change our line of business.

Under the terms of the indenture for the 2024 Notes, if we experience certain specific change of control events, unless the Issuers have previously or concurrently exercised their right to redeem all of the senior notes under the optional redemption provision, such holder has the right to require us to purchase such holder’s senior notes at 101% of the principal amount plus accrued and unpaid interest to the date of purchase.

The indenture governing the 2024 Notes includes covenants requiring us to maintain certain financial covenants including a current ratio and leverage ratio. As of March 31, 2017, we were in compliance with all financial covenants of the 2024 Notes.

Notes Payable to Founder. We have notes payable to our founder (“Founder Notes”) that bear simple interest at 10% with a balance of \$27.3 million and \$27.0 million at March 31, 2017 and December 31, 2016, respectively. The maturity date was extended on March 25, 2014 from December 31, 2018 to December 31, 2021. Interest and principal are payable at maturity. Our founder shall convert the notes into shares of common stock of our Class B partner, High Mesa, Inc. (“High Mesa”), upon certain conditions in the event of an initial public offering of High Mesa.

These Founder Notes are unsecured and subordinate to all debt. In connection with the March 25, 2014 recapitalization of our Class B partner described in Note 12, the Founder Notes were amended and restated to subordinate them to the paid in kind (“PIK”) notes of our Class B partner. The Founder Notes were also subordinated to the rights of the holders of Class B units to receive distributions under our partnership agreement and subordinated to the rights of the holders of Series B preferred stock to receive payments.

Interest on the Founder Notes amounted to \$0.3 million for each of the three months ended March 31, 2017 and 2016. Such amounts have been added to the balance of the Founder Notes.

Deferred financing costs. As of March 31, 2017, we had \$12.8 million of deferred financing costs related to the senior secured revolving credit facility and senior notes, which are being amortized over the respective terms of the related debt instrument. Deferred financing costs of \$10.4 million related to the senior notes are netted with long-term debt on the consolidated balance sheet as of March 31, 2017. Deferred financing costs of \$2.4 million related to the credit facility are included in deferred financing costs, net on the consolidated balance sheets at March 31, 2017. Amortization of deferred financing costs recorded for the three months ended March 31, 2017 and 2016 was \$1.0 million and \$0.9 million, respectively. These costs are included in interest expense on the consolidated statements of operations.

The credit facility and the 2024 Notes contain customary events of default. If an event of default occurs and is continuing, the holders of such indebtedness may elect to declare all the funds borrowed to be immediately due and payable with accrued and unpaid interest. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable.

**Accounts Payable And
Accrued Liabilities**

**3 Months Ended
Mar. 31, 2017**

**Accounts Payable And Accrued
Liabilities [Abstract]**

**Accounts Payable And Accrued
Liabilities**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following provides the details of accounts payable and accrued liabilities (**unaudited**):

| | March 31, 2017 | December 31, 2016 |
|--|---------------------------|----------------------------------|
| | (in thousands) | |
| Capital expenditures | \$ 29,019 | \$ 15,155 |
| Revenues and royalties payable | 14,491 | 12,187 |
| Operating expenses/taxes | 14,465 | 17,499 |
| Interest | 12,542 | 2,627 |
| Compensation | 5,277 | 5,302 |
| Derivative settlement payable | 571 | 1,126 |
| Other | 972 | 1,164 |
| Total accrued liabilities | 77,337 | 55,060 |
| Accounts payable | 37,859 | 29,174 |
| Accounts payable and accrued liabilities | <u>\$ 115,196</u> | <u>\$ 84,234</u> |

Commitments And Contingencies

3 Months Ended
Mar. 31, 2017

[Commitments And
Contingencies \[Abstract\]](#)

[Commitments And
Contingencies](#)

10. COMMITMENTS AND CONTINGENCIES

Contingencies

Environmental claims: Various landowners have sued us in lawsuits concerning several fields in which we have or historically had operations. The lawsuits seek injunctive relief and other relief, including unspecified amounts in both actual and punitive damages for alleged breaches of mineral leases and alleged failure to restore the plaintiffs' lands from alleged contamination and otherwise from our oil and natural gas operations. We are unable to express an opinion with respect to the likelihood of an unfavorable outcome of the various environmental claims or to estimate the amount or range of potential loss should the outcome be unfavorable. Therefore, we have not provided any material amounts for these claims in our consolidated financial statements at March 31, 2017.

Title/lease disputes: Title and lease disputes may arise in the normal course of our operations. These disputes are usually small but could result in an increase or decrease in reserves and/or other forms of settlement, such as cash, once a final resolution to the title dispute is made.

Litigation: On April 13, 2005, Henry Sarpy and several other plaintiffs (collectively, "Plaintiffs") filed a petition against Exxon, Extex, the Meridian Resource Company ("TMRC," our wholly-owned subsidiary), and the State of Louisiana for contamination of their land in the New Sarpy and/or Good Hope Field in St. Charles Parish. Plaintiffs claim they are owners of land upon which oil field waste pits containing dangerous and contaminating substances are located. Plaintiffs alleged that they discovered in May 2004 that their property is contaminated with oil field wastes greater than represented by Exxon. The property was originally owned by Exxon and was sold to TMRC. TMRC subsequently sold the property to Extex. We have been defending this ongoing case and investigating the scope of the Plaintiffs' alleged damage. On April 14, 2015, TMRC entered into a Memorandum of Understanding with Exxon to settle the claims in this ongoing matter. On July 10, 2015, the settlement and comprised agreements were finalized and signed by the Plaintiffs and Exxon. On July 28, 2015, the State of Louisiana issued a letter of no objection to the settlement. As of March 31, 2017, we have accrued approximately \$3.2 million (\$0.8 million in current liabilities and \$2.4 million in other long-term liabilities) as the outcome of the litigation was deemed probable and estimable. The settlement requires payment over the term of six years.

Other contingencies: We are subject to legal proceedings, claims and liabilities arising in the ordinary course of business for which the outcome cannot be reasonably estimated; however, in the opinion of management, such litigation and claims will be resolved without material adverse effect on our financial position, results of operations or cash flows. Accruals for losses associated with litigation are made when losses are deemed probable and can be reasonably estimated.

Performance appreciation rights: In the third quarter of 2014, we adopted the Alta Mesa Holdings, LP Amended and Restated Performance Appreciation Rights Plan (the "Plan"), effective September 24, 2014. The Plan is intended to provide incentive compensation to key employees and consultants who make significant contributions to the Company. Under the Plan, participants are granted performance appreciation rights ("PARs") with a stipulated initial designated value ("SIDV"). The PARs vest over time (as specified in each grant, typically five years) and entitle the owner to receive a cash amount equal to the increase, if any, between the SIDV and the designated value of the PAR on the payment valuation date. The payment valuation date is the earlier of a liquidity event (as defined in the Plan, but generally can be construed in accordance with the meaning of the term "change in control event") or as selected by the participant, but no earlier than five years from the end of the year of the grant. Both the initial designated value and the designated payment value of the PAR are determined by the Plan's administrative committee, composed of members of our board of directors. In the case of a

liquidity event, the designated value of all PARs is to be based on the net sale proceeds (as defined in the Plan) from the liquidity event. After any payment valuation date, regardless of payment or none, vested PARs expire. During the first three months of 2017, we granted 306,300 new PARs with a SIDV of \$40 and terminated 500 PARs with a SIDV of \$40, resulting in 881,100 PARs issued at a weighted average of \$37.90 as of March 31, 2017. We are unable to express an opinion with respect to the likelihood of a qualifying liquidity event which would result in any payment under the Plan or to estimate any amount which may become payable under the Plan. We consider the possibility of payment at a fixed determination date absent a positive liquidity event to be remote. Therefore, we have not provided any amount for this contingent liability in our consolidated financial statements at March 31, 2017 or December 31, 2016.

Significant Risks And Uncertainties

3 Months Ended
Mar. 31, 2017

[Significant Risks And
Uncertainties \[Abstract\]](#)

[Significant Risks And
Uncertainties](#)

11. SIGNIFICANT RISKS AND UNCERTAINTIES

Our business makes us vulnerable to changes in wellhead prices of crude oil and natural gas. Historically, world-wide oil and natural gas prices and markets have been volatile, and may continue to be volatile in the future. In particular, the prices of oil and natural gas have been highly volatile and declined dramatically since the second half of 2014. Although oil and natural gas prices have recently begun to recover from lows experienced since the decline in the second half of 2014, forecasted prices for both oil and natural gas continue to remain depressed. The duration and magnitude of changes in oil and natural gas prices cannot be predicted. Continued depressed oil and natural gas prices, further price declines or any other unfavorable market conditions could have a material adverse effect on our financial condition and on the carrying value of our proved oil and natural gas reserves. Sustained low oil or natural gas prices may require us to write down the value of our oil and natural gas properties and/or revise our development plans, which may cause certain of our undeveloped well locations to no longer be deemed proved. This could cause a reduction in the borrowing base under our credit facility to the extent that we are not able to replace the reserves that we produce. Low prices may also reduce our cash available for distribution, acquisitions and for servicing our indebtedness. We mitigate some of this vulnerability by entering into oil, natural gas and natural gas liquids price derivative contracts. See Note 6.

12. PARTNERS' CAPITAL

Management and Control: Our business and affairs are managed by Alta Mesa Holdings GP, LLC, our general partner ("General Partner"). With certain exceptions, the General Partner may not be removed except for the reasons of "cause," which are defined in the partnership agreement. Our partnership agreement provides for two classes of limited partners. Class A partners include our founder and other parties. Our sole Class B partner is High Mesa. The Class B partner has certain approval rights, generally over capital plans and significant transactions in the areas of finance, acquisition, and divestiture.

In connection with the sale of Series E preferred stock by our Class B partner, on February 24, 2017, our General Partner, High Mesa and all of our Class A limited partners entered into a Fifth Amended and Restated Limited Partnership Agreement, and the owners of the General Partner entered into a Fourth Amended and Restated Limited Liability Company Agreement to provide for the Series E preferred stock in the distribution formula and certain other provisions of the amended agreements.

Contribution, Distribution and Income Allocation: All distributions under the partnership agreement shall first be made to holders of Class B units, until certain provisions are met. After such provisions are met, distributions shall then be made to holders of Class A and Class B units pursuant to the distribution formulas set forth in the partnership agreement.

The Class B partner may require the General Partner to make distributions; however, any distribution must be permitted under the terms of our credit facility and our senior notes.

Distribution of net cash flow from a Liquidity Event (as defined below) is distributed to the Class A and Class B partners according to a variable formula as defined in the partnership agreement. A "Liquidity Event" is defined as the first to occur, in one or a series of related transactions, of (i) a disposition of all or substantially of the assets of High Mesa and its subsidiaries to a person that is not an affiliate of High Mesa, (ii) a disposition of all the equity securities of High Mesa, or (iii) the consummation of a public offering of the common equity securities of High Mesa or any of its subsidiaries that hold all of substantially all of High Mesa's assets on a consolidated basis, and if the public offering is of a subsidiary of High Mesa, the subsequent distribution of the public company equity securities or proceeds obtained in the public offering to the holders of equity securities of High Mesa. The Class B partner can, without consent of any other partners, request that the General Partner take action to cause us, or our assets, to be sold to one or more third parties.

On December 31, 2016, High Mesa purchased from BCE-STACK Development LLC and contributed interest in 24 producing wells drilled under the joint development agreement to us. High Mesa's equity contribution was recorded at the fair value of the wells contributed of approximately \$65.7 million and included contributed cash of \$11.3 million, of which \$7.9 million was collected during the first quarter of 2017. There were no contributions during the first quarter of 2016.

Subsidiary Guarantors

**3 Months Ended
Mar. 31, 2017**

[Subsidiary Guarantors](#)

[\[Abstract\]](#)

[Subsidiary Guarantors](#)

13. SUBSIDIARY GUARANTORS

All of our material wholly-owned subsidiaries are guarantors under the terms of our senior notes and our credit facility. Our consolidated financial statements reflect the financial position of these subsidiary guarantors. The parent company, Alta Mesa Holdings, LP, has no independent operations, assets, or liabilities. The guarantees are full and unconditional (except for customary release provisions) and joint and several. Those subsidiaries which are not wholly owned and are not guarantors and are minor. There are no restrictions on dividends, distributions, loans, or other transfers of funds from the subsidiary guarantors to the parent company.

Summary Of Significant Accounting Policies (Policy)

3 Months Ended
Mar. 31, 2017

[Summary Of Significant Accounting Policies](#)

[\[Abstract\]](#)

[Principles Of Consolidation And Reporting](#)

Principles of Consolidation and Reporting

The consolidated financial statements reflect our accounts after elimination of all significant intercompany transactions and balances. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our annual consolidated financial statements for the year ended December 31, 2016, which were filed with the Securities and Exchange Commission in our 2016 Annual Report.

The consolidated financial statements included herein as of March 31, 2017, and for the three months ended March 31, 2017 and 2016, are unaudited, and in the opinion of management, the information furnished reflects all material adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of consolidated financial position and of the results of operations for the interim periods presented. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Certain reclassifications of prior period consolidated financial statements have been made to conform to current reporting practices. The consolidated results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

[Use Of Estimates](#)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Reserve estimates significantly impact depreciation, depletion and amortization expense and potential impairments of oil and natural gas properties and are subject to change based on changes in oil and natural gas prices and trends and changes in estimated reserve quantities. We analyze estimates, including those related to oil and natural gas reserves, oil and natural gas revenues, the value of oil and natural gas properties, bad debts, asset retirement obligations, derivative contracts, state taxes, and contingencies and litigation. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

[Recent Accounting Pronouncements](#)

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The update provides guidance concerning the recognition, measurement and disclosure of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2016. The standard is required to be adopted using either the full retrospective approach, with all prior periods presented adjusted, or the modified retrospective approach, with a cumulative adjustment to retained earnings on the opening balance sheet. In August 2015, the FASB issued ASU No. 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”). ASU 2015-14 deferred the effective date of the new revenue standard by one year, making it effective for annual reporting periods

beginning after December 15, 2017, including interim periods within that reporting period. The Company has not yet selected a transition method and is currently assessing the impact on the consolidated financial statements. The Company is continuing to evaluate the provisions of this ASU as it relates to certain sales contracts and in particular as it relates to disclosure requirements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes ASC 840 "Leases" and creates a new topic, ASC 842 "Leases." The amendments in this update require, among other things, that lessees recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The amendments are effective for interim and annual reporting periods beginning after December 15, 2018. The Company enters into lease agreements to support its operations. These agreements are for leases on assets such as office space, vehicles, field services and equipment. The Company continues to evaluate the impacts of the amendments to our financial statements and accounting practices for leases. We anticipate adoption of ASU 2016-02 effective January 1, 2019.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which is intended to reduce diversity in practice in how certain transactions are classified in the statements of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The adoption of this guidance will not impact the Company's financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires an entity to explain the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents on the statements of cash flows and to provide a reconciliation of the totals in that statement to the related captions in the balance sheet when the cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item on the balance sheet. This ASU is effective for annual and interim periods beginning after December 15, 2017, and is required to be adopted using a retrospective approach, with early adoption permitted. The adoption of this guidance will not impact the Company's financial position or results of operations but could result in presentation changes on its consolidated statements of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business*, which provides guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 requires entities to use a screen test to determine when an integrated set of assets and activities is not a business or if the integrated set of assets and activities needs to be further evaluated against the framework. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company is currently evaluating the effect that adopting this guidance will have on its financial position, cash flows and results of operations.

**Fair Value Disclosures
(Policy)**

**3 Months Ended
Mar. 31, 2017**

[Fair Value Disclosures](#)

[\[Abstract\]](#)

[Fair Value Measurements And
Disclosures](#)

The Company follows ASC 820, "Fair Value Measurements and Disclosures." ASC 820 provides a hierarchy of fair value measurements, based on the inputs to the fair value estimation process. It requires disclosure of fair values classified according to defined "levels," which are based on the reliability of the evidence used to determine fair value, with Level 1 being the most reliable and Level 3 the least reliable. Level 1 evidence consists of observable inputs, such as quoted prices in an active market. Level 2 inputs typically correlate the fair value of the asset or liability to a similar, but not identical item which is actively traded. Level 3 inputs include at least some unobservable inputs, such as valuation models developed using the best information available in the circumstances.

The fair value of cash, accounts receivable, other current assets, and current liabilities approximate book value due to their short-term nature. The estimate of fair value of long-term debt under our senior secured revolving credit facility is not considered to be materially different from carrying value due to market rates of interest. The fair value of the notes payable to our founder is not practicable to determine because the transactions cannot be assumed to have been consummated at arm's length, the terms are not deemed to be market terms, there are no quoted values available for this instrument, and an independent valuation would not be practicable due to the lack of data regarding similar instruments, if any, and the associated potential costs.

Our senior notes are carried at historical cost and we estimate the fair value of the senior notes for disclosure purposes. We have estimated the fair value of our \$500 million senior notes payable to be \$511.3 million at March 31, 2017. This estimation is based on the most recent trading values of the senior notes at or near the reporting dates, which is a Level 1 determination. See Note 8 for information on long-term debt.

We utilize the modified Black-Scholes and the Turnbull Wakeman option pricing models to estimate the fair values of oil, natural gas and natural gas liquids derivative contracts. Inputs to these models include observable inputs from the New York Mercantile Exchange ("NYMEX") for futures contracts, and inputs derived from NYMEX observable inputs, such as implied volatility of oil, natural gas and natural gas liquids prices. We have classified the fair values of all our oil and natural gas derivative contracts as Level 2.

**Derivative Financial
Instruments (Policy)**

**3 Months Ended
Mar. 31, 2017**

**[Derivative Financial
Instruments \[Line Items\]](#)**

[Derivative Financial
Instruments](#)

We have not designated any of our derivative contracts as fair value or cash flow hedges. Accordingly, we use mark-to-market accounting, recognizing changes in the fair value of derivative contracts in the consolidated statements of operations at each reporting date. Derivative contracts are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets. This netting can cause derivative assets to be ultimately presented in a liability account on the consolidated balance sheets. Likewise, derivative liabilities could be presented in a derivative asset account.

[Netting Presentation for
Derivatives Policy \[Member\]](#)

**[Derivative Financial
Instruments \[Line Items\]](#)**

[Derivative Financial
Instruments](#)

Derivative contracts are subject to master netting arrangements and are presented on a net basis in the consolidated balance sheets. This netting can cause derivative assets to be ultimately presented in a liability account on the consolidated balance sheets. Likewise, derivative liabilities could be presented in a derivative asset account.

**Supplemental Cash Flow
Information (Tables)**

**3 Months Ended
Mar. 31, 2017**

[Supplemental Cash Flow Information \[Abstract\]](#)
[Supplemental Disclosures To The Consolidated
Statements Of Cash Flows](#)

| Three Months Ended March 31, | |
|---|-------------|
| 2017 | 2016 |

(in thousands)

Supplemental cash flow information:

| | | |
|--|----------|----------|
| Cash paid for interest | \$ 1,162 | \$ 3,960 |
| Cash paid for state income taxes | — | 1 |
| Non-cash investing and financing activities: | | |
| Change in asset retirement obligations | 296 | 322 |
| Change in accruals or liabilities for capital expenditures | 21,111 | (3,340) |

Property And Equipment
(Tables)

3 Months Ended
Mar. 31, 2017

[Property And Equipment](#)
[\[Abstract\]](#)
[Summary Of Property And](#)
[Equipment](#)

| | March 31, 2017 | December 31, 2016 |
|--|-------------------|----------------------|
| | (in thousands) | |
| OIL AND NATURAL GAS PROPERTIES | | |
| Unproved properties | \$ 111,035 | \$ 116,311 |
| Accumulated impairment of unproved properties | (70) | (65) |
| Unproved properties, net | 110,965 | 116,246 |
| Proved oil and natural gas properties | 1,694,486 | 1,611,249 |
| Accumulated depreciation, depletion, amortization and impairment | (1,040,679) | (1,015,333) |
| Proved oil and natural gas properties, net | 653,807 | 595,916 |
| TOTAL OIL AND NATURAL GAS PROPERTIES, net | 764,772 | 712,162 |
| OTHER PROPERTY AND EQUIPMENT | | |
| Land | 5,172 | 4,730 |
| Office furniture and equipment, vehicles | 19,706 | 19,446 |
| Accumulated depreciation | (15,118) | (14,445) |
| OTHER PROPERTY AND EQUIPMENT, net | 9,760 | 9,731 |
| TOTAL PROPERTY AND EQUIPMENT, net | \$ 774,532 | \$ 721,893 |

**Fair Value Disclosures
(Tables)**

**3 Months Ended
Mar. 31, 2017**

[Fair Value Disclosures \[Abstract\]](#)

[Measurement Of Fair Value Of Assets And Liabilities On
Recurring Basis](#)

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|---------|----------|---------|----------|
| (in thousands) | | | | |
| <i>At March 31, 2017:</i> | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$28,064 | — | \$28,064 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$20,735 | — | \$20,735 |
| <i>At December 31, 2016:</i> | | | | |
| Financial Assets: | | | | |
| Commodity derivative contracts | — | \$15,773 | — | \$15,773 |
| Financial Liabilities: | | | | |
| Commodity derivative contracts | — | \$40,656 | — | \$40,656 |

**Derivative Financial
Instruments (Tables)**

**3 Months Ended
Mar. 31, 2017**

[Derivative \[Line Items\]
Fair Values Of Derivative
Contracts](#)

Fair Values of Derivative Contracts (unaudited):

| <u>Balance sheet location</u> | March 31, 2017 | | |
|--|----------------------------------|--|--|
| | Gross Fair Value of Assets | Gross amounts offset against assets in the Balance Sheet | Net Fair Value of Assets presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current assets | \$ 10,166 | \$ (6,270) | \$ 3,896 |
| Derivative financial instruments, long-term assets | 17,898 | (10,725) | 7,173 |
| Total | \$ 28,064 | \$ (16,995) | \$ 11,069 |

| <u>Balance sheet location</u> | March 31, 2017 | | |
|---|---------------------------------------|---|---|
| | Gross Fair Value of Liabilities | Gross amounts offset against liabilities in the Balance Sheet | Net Fair Value of Liabilities presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current liabilities | \$ 10,010 | \$ (6,270) | \$ 3,740 |
| Derivative financial instruments, long-term liabilities | 10,725 | (10,725) | — |
| Total | \$ 20,735 | \$ (16,995) | \$ 3,740 |

| <u>Balance sheet location</u> | December 31, 2016 | | |
|--|----------------------------------|--|--|
| | Gross Fair Value of Assets | Gross amounts offset against assets in the Balance Sheet | Net Fair Value of Assets presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current assets | \$ 3,296 | \$ (3,213) | \$ 83 |
| Derivative financial instruments, long-term assets | 12,477 | (11,754) | 723 |
| Total | \$ 15,773 | \$ (14,967) | \$ 806 |

| <u>Balance sheet location</u> | December 31, 2016 | | |
|---|---------------------------------------|---|---|
| | Gross Fair Value of Liabilities | Gross amounts offset against liabilities in the Balance Sheet | Net Fair Value of Liabilities presented in the Balance Sheet |
| | (in thousands) | | |
| Derivative financial instruments, current liabilities | \$ 24,420 | \$ (3,213) | \$ 21,207 |
| Derivative financial instruments, long-term liabilities | 16,236 | (11,754) | 4,482 |
| Total | \$ 40,656 | \$ (14,967) | \$ 25,689 |

[Effect Of Derivative
Instruments In The
Consolidated Statements Of
Operations](#)

| <u>Derivatives not designated as hedging instruments under ASC 815</u> | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2017 | 2016 |
| | (in thousands) | |
| <i>Gain (loss) on derivative contracts</i> | | |
| Oil commodity contracts | \$ 26,085 | \$ 8,146 |
| Natural gas commodity contracts | 3,899 | 2,814 |
| Natural gas liquids commodity contracts | 258 | (145) |
| Total gain on derivative contracts | \$ 30,242 | \$ 10,815 |

[Oil Derivative Contracts
\[Member\]
Derivative \[Line Items\]
Open Derivative Contracts](#)

We had the following open derivative contracts for crude oil at March 31, 2017 (**unaudited**):

OIL DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Bbls | Weighted Average | Range | |
|-----------------------------|-------------------|---------------------|----------|----------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | 1,710,500 | \$ 50.31 | \$ 57.25 | \$ 45.00 |
| Collar Contracts | | | | |
| Long Call Options | 137,500 | 85.00 | 85.00 | 85.00 |
| Short Call Options | 1,535,000 | 60.46 | 85.00 | 54.40 |
| Long Put Options | 1,122,500 | 48.35 | 50.00 | 47.00 |
| Short Put Options | 1,122,500 | 37.12 | 40.00 | 35.00 |
| 2018 | | | | |
| Price Swap Contracts | 547,500 | 57.22 | 57.25 | 57.20 |
| Collar Contracts | | | | |
| Long Call Options | 365,000 | 54.00 | 54.00 | 54.00 |
| Short Call Options | 2,190,000 | 60.87 | 62.00 | 60.50 |
| Long Put Options | 1,825,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 2,190,000 | 40.26 | 42.00 | 40.00 |
| 2019 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 1,241,000 | 62.90 | 63.00 | 62.75 |
| Long Put Options | 1,241,000 | 50.00 | 50.00 | 50.00 |
| Short Put Options | 1,241,000 | 37.50 | 37.50 | 37.50 |

[Natural Gas Derivative Contract \[Member\]](#)
[Derivative \[Line Items\]](#)
[Open Derivative Contracts](#)

We had the following open derivative contracts for natural gas at March 31, 2017 (**unaudited**):

NATURAL GAS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in MMBtu | Weighted Average | Range | |
|-----------------------------|--------------------|---------------------|---------|---------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | 1,070,000 | \$ 3.40 | \$ 3.40 | \$ 3.40 |
| Collar Contracts | | | | |
| Short Call Options | 8,620,000 | 3.62 | 3.80 | 3.25 |
| Long Put Options | 7,700,000 | 3.11 | 3.30 | 3.00 |
| Long Call Options | 920,000 | 2.95 | 2.95 | 2.95 |
| Short Put Options | 8,620,000 | 2.57 | 2.70 | 2.50 |
| 2018 | | | | |
| Collar Contracts | | | | |
| Short Call Options | 6,132,000 | 5.34 | 5.53 | 4.00 |
| Long Put Options | 5,475,000 | 4.50 | 4.50 | 4.50 |
| Short Put Options | 5,475,000 | 4.00 | 4.00 | 4.00 |

[Natural Gas Liquids Derivative Contracts \[Member\]](#)
[Derivative \[Line Items\]](#)
[Open Derivative Contracts](#)

We had the following open derivative contracts for natural gas liquids at March 31, 2017 (**unaudited**):

NATURAL GAS LIQUIDS DERIVATIVE CONTRACTS

| Period and Type of Contract | Volume in Gal | Weighted Average | Range | |
|-----------------------------|------------------|---------------------|---------|---------|
| | | | High | Low |
| 2017 | | | | |
| Price Swap Contracts | | | | |
| Short Price Swaps | 4,237,800 | \$ 0.46 | \$ 0.47 | \$ 0.45 |

[Basis Swap Derivative Contract \[Member\]](#)
[Derivative \[Line Items\]](#)

[Natural Gas Basis Swap Contracts](#)

We had the following open financial basis swap contracts for natural gas March 31, 2017 (**unaudited**):

BASIS SWAP DERIVATIVE CONTRACTS

| Volume in MMBtu (1) | Reference Price 1 | Reference Price 2 | Period | Weighted Average Spread (\$ per MMBtu) |
|----------------------------|--------------------------|--------------------------|-------------------|---|
| 9,320,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Apr'17 — Dec '17 | \$ (0.26) |
| 5,910,000 | TEX/OKL Mainline (PEPL) | NYMEX Henry Hub | Jan '18 — Oct '18 | (0.27) |

(1)Represents short swaps that fix the basis differentials between Tex/OKL Panhandle Eastern Pipeline (“PEPL”) INSIDE FERC (“IFERC”) and NYMEX Henry Hub.

**Asset Retirement
Obligations (Tables)**

**3 Months Ended
Mar. 31, 2017**

**[Asset Retirement Obligations \[Abstract\]](#)
Summary Of Changes In Asset Retirement Obligations**

| | Three Months Ended March 31, 2017 |
|--|--|
| | (in thousands) |
| Balance, beginning of year | \$ 61,504 |
| Liabilities incurred | 296 |
| Liabilities settled | (2,394) |
| Liabilities transferred in sales of properties | — |
| Revisions to estimates | 2,393 |
| Accretion expense | 572 |
| Balance, March 31, 2017 | 62,371 |
| Less: Current portion | 1,383 |
| Long-term portion | <u>\$ 60,988</u> |

**Long Term Debt, Net And
Notes Payable To Founder
(Tables)**

**3 Months Ended
Mar. 31, 2017**

Long Term Debt, Net And Notes Payable To Founder

[Abstract]

Long-Term Debt, Net And Notes Payable To Founder

| | March 31, 2017 | December 31, 2016 |
|--|---------------------------|----------------------------------|
| (in thousands) | | |
| Senior secured revolving credit facility | \$ 95,687 | \$ 40,622 |
| 7.875% senior unsecured notes due 2024 | 500,000 | 500,000 |
| Unamortized deferred financing costs | (10,426) | (10,717) |
| Total long-term debt, net | <u>\$585,261</u> | <u>\$529,905</u> |
| Notes payable to founder | <u>\$ 27,255</u> | <u>\$ 26,957</u> |

**Accounts Payable And
Accrued Liabilities (Tables)**

**3 Months Ended
Mar. 31, 2017**

[Accounts Payable And Accrued Liabilities \[Abstract\]](#)
[Detail Of Accounts Payable And Accrued Liabilities](#)

| | March 31, | December |
|--|-----------------------|-----------------|
| | 2017 | 31, |
| | | 2016 |
| | (in thousands) | |
| Capital expenditures | \$ 29,019 | \$15,155 |
| Revenues and royalties payable | 14,491 | 12,187 |
| Operating expenses/taxes | 14,465 | 17,499 |
| Interest | 12,542 | 2,627 |
| Compensation | 5,277 | 5,302 |
| Derivative settlement payable | 571 | 1,126 |
| Other | 972 | 1,164 |
| Total accrued liabilities | 77,337 | 55,060 |
| Accounts payable | 37,859 | 29,174 |
| Accounts payable and accrued liabilities | <u>\$115,196</u> | <u>\$84,234</u> |

**Supplemental Cash Flow
Information (Supplemental
Disclosures To The
Consolidated Statements Of
Cash Flows) (Details) - USD
(\$)
\$ in Thousands**

3 Months Ended

Mar. 31, 2017 Mar. 31, 2016

Supplemental Cash Flow Information [Abstract]

| | | |
|---|-----------|------------|
| <u>Cash paid for interest</u> | \$ 1,162 | \$ 3,960 |
| <u>Cash paid for state income taxes</u> | | 1 |
| <u>Non-cash Investing And Financing Activities:</u> | | |
| <u>Change in asset retirement obligations</u> | 296 | 322 |
| <u>Change in accruals or liabilities for capital expenditures</u> | \$ 21,111 | \$ (3,340) |

**Property And Equipment
(Summary Of Property And
Equipment) (Details) - USD
(\$)**

Mar. 31, 2017 Dec. 31, 2016

\$ in Thousands

Property And Equipment [Abstract]

| | | |
|---|-------------|-------------|
| <u>Unproved properties</u> | \$ 111,035 | \$ 116,311 |
| <u>Accumulated impairment</u> | (70) | (65) |
| <u>Unproved properties, net</u> | 110,965 | 116,246 |
| <u>Proved oil and natural gas properties</u> | 1,694,486 | 1,611,249 |
| <u>Accumulated depreciation, depletion, amortization and impairment</u> | (1,040,679) | (1,015,333) |
| <u>Proved oil and natural gas properties, net</u> | 653,807 | 595,916 |
| <u>TOTAL OIL AND NATURAL GAS PROPERTIES, net</u> | 764,772 | 712,162 |
| <u>Land</u> | 5,172 | 4,730 |
| <u>Office furniture and equipment, vehicles</u> | 19,706 | 19,446 |
| <u>Accumulated depreciation</u> | (15,118) | (14,445) |
| <u>OTHER PROPERTY AND EQUIPMENT, net</u> | 9,760 | 9,731 |
| <u>Total property and equipment, net</u> | \$ 774,532 | \$ 721,893 |

Fair Value Disclosures
(Narrative) (Details) - USD
(\$)
\$ in Thousands

3 Months Ended

Mar. 31, 2017 Mar. 31, 2016

Fair Value Disclosures [Abstract]

| | | |
|---|------------|----------|
| <u>Face value of senior notes issued</u> | \$ 500,000 | |
| <u>Fair value of senior notes payable</u> | 511,300 | |
| <u>Carrying value of oil and gas properties</u> | 3,400 | \$ 3,300 |
| <u>Written down fair value of oil and gas properties</u> | 2,200 | 1,500 |
| <u>Impairment charges to oil and gas properties</u> | 1,220 | 1,764 |
| <u>Asset retirement obligation measured at fair value</u> | \$ 300 | \$ 300 |

Fair Value Disclosures
(Measurement Of Fair Value
Of Assets And Liabilities On
Recurring Basis) (Details) -
USD (\$)
\$ in Thousands

Mar. 31, 2017 **Dec. 31, 2016**

Financial Assets:

Commodity derivative contracts, gross \$ 28,064 \$ 15,773

Financial Liabilities:

Commodity derivative contracts, gross 20,735 40,656

Level 1 [Member]

Financial Assets:

Commodity derivative contracts, gross

Financial Liabilities:

Commodity derivative contracts, gross

Level 2 [Member]

Financial Assets:

Commodity derivative contracts, gross 28,064 15,773

Financial Liabilities:

Commodity derivative contracts, gross 20,735 40,656

Level 3 [Member]

Financial Assets:

Commodity derivative contracts, gross

Financial Liabilities:

Commodity derivative contracts, gross

**Derivative Financial
Instruments (Fair Values Of
Derivative Contracts)
(Details) - USD (\$)
\$ in Thousands**

Mar. 31, 2017 Dec. 31, 2016

Derivatives, Fair Value [Line Items]

| | | |
|--|-----------|-----------|
| <u>Derivative assets, Gross Fair Value of Assets</u> | \$ 28,064 | \$ 15,773 |
| <u>Derivative assets, Gross amounts offset against assets in the Balance Sheet</u> | (16,995) | (14,967) |
| <u>Derivative Assets, Current</u> | 3,896 | 83 |
| <u>Derivative Assets, Noncurrent</u> | 7,173 | 723 |
| <u>Derivative assets, net, total</u> | 11,069 | 806 |
| <u>Derivative liabilities, Gross Fair Value of Liabilities</u> | 20,735 | 40,656 |
| <u>Derivative liabilities, Gross amounts offset against liabilities in the Balance Sheet</u> | (16,995) | (14,967) |
| <u>Derivative Liabilities, Current</u> | 3,740 | 21,207 |
| <u>Derivative Liabilities, Noncurrent</u> | | 4,482 |
| <u>Derivative liabilities, net, total</u> | 3,740 | 25,689 |

Derivative Assets Current [Member]

Derivatives, Fair Value [Line Items]

| | | |
|--|---------|---------|
| <u>Derivative assets, Gross Fair Value of Assets</u> | 10,166 | 3,296 |
| <u>Derivative assets, Gross amounts offset against assets in the Balance Sheet</u> | (6,270) | (3,213) |
| <u>Derivative Assets, Current</u> | 3,896 | 83 |

Derivative Asset Non-Current [Member]

Derivatives, Fair Value [Line Items]

| | | |
|--|----------|----------|
| <u>Derivative assets, Gross Fair Value of Assets</u> | 17,898 | 12,477 |
| <u>Derivative assets, Gross amounts offset against assets in the Balance Sheet</u> | (10,725) | (11,754) |
| <u>Derivative Assets, Noncurrent</u> | 7,173 | 723 |

Derivative Liabilities Current [Member]

Derivatives, Fair Value [Line Items]

| | | |
|--|---------|---------|
| <u>Derivative liabilities, Gross Fair Value of Liabilities</u> | 10,010 | 24,420 |
| <u>Derivative liabilities, Gross amounts offset against liabilities in the Balance Sheet</u> | (6,270) | (3,213) |
| <u>Derivative Liabilities, Current</u> | 3,740 | 21,207 |

Derivative Liabilities Non Current [Member]

Derivatives, Fair Value [Line Items]

| | | |
|--|----------|----------|
| <u>Derivative liabilities, Gross Fair Value of Liabilities</u> | 10,725 | 16,236 |
| <u>Derivative liabilities, Gross amounts offset against liabilities in the Balance Sheet</u> | (10,725) | (11,754) |
| <u>Derivative Liabilities, Noncurrent</u> | | \$ 4,482 |

**Derivative Financial
Instruments (Effect Of
Derivative Instruments In
The Consolidated
Statements Of Operations)
(Details) - USD (\$)
\$ in Thousands**

3 Months Ended

**Mar. 31, Mar. 31,
2017 2016**

Derivative Instruments, Gain [Line Items]

| | | |
|---|-----------|-----------|
| <u>Total gains on derivative contracts</u> | \$ 30,242 | \$ 10,815 |
| <u>Not Designated As Hedging Instrument [Member] Oil Commodity Contracts [Member]</u> | | |

Derivative Instruments, Gain [Line Items]

| | | |
|---|--------|-------|
| <u>Total gains on derivative contracts</u> | 26,085 | 8,146 |
| <u>Not Designated As Hedging Instrument [Member] Natural Gas Commodity Contracts [Member]</u> | | |

Derivative Instruments, Gain [Line Items]

| | | |
|--|-------|-------|
| <u>Total gains on derivative contracts</u> | 3,899 | 2,814 |
| <u>Not Designated As Hedging Instrument [Member] Natural Gas Liquids Commodity Contract [Member]</u> | | |

Derivative Instruments, Gain [Line Items]

| | | |
|--|--------|----------|
| <u>Total gains on derivative contracts</u> | \$ 258 | \$ (145) |
|--|--------|----------|

**Derivative Financial
Instruments (Oil Derivative
Contracts) (Details) - Oil
Derivative Contracts
[Member]**

**3 Months Ended
Mar. 31, 2017
\$ / bbl
bbl**

[Price Swap Contracts \[Member\] | 2017 \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in Bbls | bbl](#) 1,710,500

[Swap Price](#) 50.31

[Price Swap Contracts \[Member\] | 2017 \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 57.25

[Price Swap Contracts \[Member\] | 2017 \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 45.00

[Price Swap Contracts \[Member\] | 2018 \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in Bbls | bbl](#) 547,500

[Swap Price](#) 57.22

[Price Swap Contracts \[Member\] | 2018 \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 57.25

[Price Swap Contracts \[Member\] | 2018 \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 57.20

[Long Call Options \[Member\] | 2017 \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in Bbls | bbl](#) 137,500

[Weighted Average Option Price](#) 85.00

[Long Call Options \[Member\] | 2017 \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 85.00

[Long Call Options \[Member\] | 2017 \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 85.00

[Long Call Options \[Member\] | 2018 \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in Bbls | bbl](#) 365,000

[Weighted Average Option Price](#) 54.00

[Long Call Options \[Member\] | 2018 \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 54.00

[Long Call Options \[Member\] | 2018 \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

| | |
|--|-----------|
| Option Price | 54.00 |
| Short Call Options [Member] 2017 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,535,000 |
| Weighted Average Option Price | 60.46 |
| Short Call Options [Member] 2017 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 85.00 |
| Short Call Options [Member] 2017 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 54.40 |
| Short Call Options [Member] 2018 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 2,190,000 |
| Weighted Average Option Price | 60.87 |
| Short Call Options [Member] 2018 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 62.00 |
| Short Call Options [Member] 2018 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 60.50 |
| Short Call Options [Member] 2019 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,241,000 |
| Weighted Average Option Price | 62.90 |
| Short Call Options [Member] 2019 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 63.00 |
| Short Call Options [Member] 2019 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 62.75 |
| Long Put Options [Member] 2017 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,122,500 |
| Weighted Average Option Price | 48.35 |
| Long Put Options [Member] 2017 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 50.00 |
| Long Put Options [Member] 2017 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 47.00 |
| Long Put Options [Member] 2018 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,825,000 |

| | |
|---|-----------|
| Weighted Average Option Price | 50.00 |
| Long Put Options [Member] 2018 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 50.00 |
| Long Put Options [Member] 2018 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 50.00 |
| Long Put Options [Member] 2019 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,241,000 |
| Weighted Average Option Price | 50.00 |
| Long Put Options [Member] 2019 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 50.00 |
| Long Put Options [Member] 2019 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 50.00 |
| Short Put Options [Member] 2017 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,122,500 |
| Weighted Average Option Price | 37.12 |
| Short Put Options [Member] 2017 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 40.00 |
| Short Put Options [Member] 2017 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 35.00 |
| Short Put Options [Member] 2018 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 2,190,000 |
| Weighted Average Option Price | 40.26 |
| Short Put Options [Member] 2018 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 42.00 |
| Short Put Options [Member] 2018 [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 40.00 |
| Short Put Options [Member] 2019 [Member] | |
| Derivative [Line Items] | |
| Volume in Bbls bbl | 1,241,000 |
| Weighted Average Option Price | 37.50 |
| Short Put Options [Member] 2019 [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 37.50 |

[Short Put Options \[Member\] | 2019 \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#)

37.50

**Derivative Financial
Instruments (Natural Gas
Derivative Contracts)
(Details) - Natural Gas
[Member]**

**3 Months Ended
Mar. 31, 2017
MMBTU
\$ / MMBTU**

[2017 \[Member\] | Price Swap Contracts \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in MMbtu | MMBTU](#) 1,070,000

[Weighted Average Swap Price](#) 3.40

[2017 \[Member\] | Price Swap Contracts \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 3.40

[2017 \[Member\] | Price Swap Contracts \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Swap Price](#) 3.40

[2017 \[Member\] | Short Call Options \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in MMbtu | MMBTU](#) 8,620,000

[Weighted Average Option Price](#) 3.62

[2017 \[Member\] | Short Call Options \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 3.80

[2017 \[Member\] | Short Call Options \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 3.25

[2017 \[Member\] | Long Put Options \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in MMbtu | MMBTU](#) 7,700,000

[Weighted Average Option Price](#) 3.11

[2017 \[Member\] | Long Put Options \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 3.30

[2017 \[Member\] | Long Put Options \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 3.00

[2017 \[Member\] | Long Call Options \[Member\]](#)

[Derivative \[Line Items\]](#)

[Volume in MMbtu | MMBTU](#) 920,000

[Weighted Average Option Price](#) 2.95

[2017 \[Member\] | Long Call Options \[Member\] | Maximum \[Member\]](#)

[Derivative \[Line Items\]](#)

[Option Price](#) 2.95

[2017 \[Member\] | Long Call Options \[Member\] | Minimum \[Member\]](#)

[Derivative \[Line Items\]](#)

| | |
|--|-----------|
| Option Price | 2.95 |
| 2017 [Member] Short Put Options [Member] | |
| Derivative [Line Items] | |
| Volume in MMbtu MMBTU | 8,620,000 |
| Weighted Average Option Price | 2.57 |
| 2017 [Member] Short Put Options [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 2.70 |
| 2017 [Member] Short Put Options [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 2.50 |
| 2018 [Member] Short Call Options [Member] | |
| Derivative [Line Items] | |
| Volume in MMbtu MMBTU | 6,132,000 |
| Weighted Average Option Price | 5.34 |
| 2018 [Member] Short Call Options [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 5.53 |
| 2018 [Member] Short Call Options [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 4.00 |
| 2018 [Member] Long Put Options [Member] | |
| Derivative [Line Items] | |
| Volume in MMbtu MMBTU | 5,475,000 |
| Weighted Average Option Price | 4.50 |
| 2018 [Member] Long Put Options [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 4.50 |
| 2018 [Member] Long Put Options [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 4.50 |
| 2018 [Member] Short Put Options [Member] | |
| Derivative [Line Items] | |
| Volume in MMbtu MMBTU | 5,475,000 |
| Weighted Average Option Price | 4.00 |
| 2018 [Member] Short Put Options [Member] Maximum [Member] | |
| Derivative [Line Items] | |
| Option Price | 4.00 |
| 2018 [Member] Short Put Options [Member] Minimum [Member] | |
| Derivative [Line Items] | |
| Option Price | 4.00 |

Derivative Financial Instruments (Natural Gas Liquids Derivative Contracts) (Details) - 2017 **3 Months Ended**
[Member] - Natural Gas **Mar. 31, 2017**
Liquids Derivative Contracts **\$ / gal**
[Member] - Price Swap **gal**
Contracts [Member]

Derivative [Line Items]

Volume in Gal | gal 4,237,800

Weighted Average Swap Price 0.46

Minimum [Member]

Derivative [Line Items]

Swap Price 0.45

Maximum [Member]

Derivative [Line Items]

Swap Price 0.47

**Derivative Financial
Instruments (Natural Gas
Basis Swap Contracts)
(Details) - Financial Basis
Swap Contracts For Gas
[Member]**

3 Months Ended

Mar. 31, 2017

MMBTU

\$ / MMBTU

2017 [Member]

Derivative [Line Items]

Volume in MMbtu | MMBTU 9,320,000

First remaining period of term of derivative contract Apr. 01, 2017

Last remaining period of term of derivative contract Dec. 31, 2017

Weighted average spread | \$ / MMBTU (0.26)

2018 [Member]

Derivative [Line Items]

Volume in MMbtu | MMBTU 5,910,000

First remaining period of term of derivative contract Jan. 01, 2018

Last remaining period of term of derivative contract Oct. 31, 2018

Weighted average spread | \$ / MMBTU (0.27)

**Asset Retirement
Obligations (Summary Of
Changes In Asset Retirement
Obligations) (Details) - USD
(\$)
\$ in Thousands**

3 Months Ended

Mar. 31, 2017 Mar. 31, 2016 Mar. 31, 2017 Dec. 31, 2016

Asset Retirement Obligations [Abstract]

| | | | | |
|---|-----------|--------|-----------|-----------|
| <u>Balance, beginning of year</u> | \$ 61,504 | | | |
| <u>Liabilities incurred</u> | 296 | | | |
| <u>Liabilities settled</u> | (2,394) | | | |
| <u>Liabilities transferred in sales of properties</u> | | | | |
| <u>Revisions to estimates</u> | 2,393 | | | |
| <u>Accretion expense</u> | 572 | \$ 539 | | |
| <u>Balance, end of period</u> | \$ 61,504 | | \$ 62,371 | \$ 61,504 |
| <u>Less: Current portion</u> | | | 1,383 | 376 |
| <u>Long-term portion</u> | | | \$ 60,988 | \$ 61,128 |

| Long Term Debt, Net And Notes Payable To Founder (Narrative) (Details) - USD (\$) | 3 Months Ended | | 12 Months Ended | |
|--|--|---------------|-----------------------|---------------|
| | Mar. 31, 2017 | Mar. 31, 2016 | Dec. 31, 2014 | Dec. 31, 2016 |
| <u>Debt Instrument [Line Items]</u> | | | | |
| <u>Face value of senior notes issued</u> | \$ 500,000,000 | | | |
| <u>Notes payable to founder</u> | 27,255,000 | | | \$ 26,957,000 |
| <u>Interest on notes payable to founder</u> | 298,000 | \$ 298,000 | | |
| <u>Deferred financing costs</u> | 10,426,000 | | | 10,717,000 |
| <u>Amortization of deferred financing costs</u> | 962,000 | 934,000 | | |
| <u>Deferred financing costs, net</u> | \$ 2,422,000 | | | 3,029,000 |
| <u>Federal Funds Effective Swap Rate [Member]</u> | | | | |
| <u>Debt Instrument [Line Items]</u> | | | | |
| <u>Margin interest rate</u> | 50.00% | | | |
| <u>7th Amended And Restated Credit Agreement [Member]</u> | | | | |
| <u>Debt Instrument [Line Items]</u> | | | | |
| <u>Credit facility applicable interest rate, description</u> | plus 1%, plus a margin ranging from 1.75% to 2.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing base utilized, and ranging from 2.00% to 3.00% if our leverage ratio exceeds 3.25 to 1.00. | | | |
| <u>Credit Facility And Senior Notes [Member]</u> | | | | |
| <u>Debt Instrument [Line Items]</u> | | | | |
| <u>Deferred financing costs</u> | \$ 12,800,000 | | | |
| <u>7.875% Senior Unsecured Notes Due 2024 [Member]</u> | | | | |
| <u>Debt Instrument [Line Items]</u> | | | | |
| <u>Face value of senior notes issued</u> | \$ 500,000,000 | | | |
| <u>Maturity date of debt</u> | Dec. 15, 2024 | | | |

| | | |
|---|--|----------------|
| Debt covenant compliance description | The indenture governing the 2024 Notes includes covenants requiring us to maintain certain financial covenants including a current ratio and leverage ratio. As of March 31, 2017, we were in compliance with all financial covenants of the 2024 Notes. | |
| Redemption price due to specific change of control events | 101.00% | |
| Notes payable | \$ 500,000,000 | \$ 500,000,000 |
| Stated interest rate of senior notes | 7.875% | |
| First annual payment date | June 15 | |
| Second annual payment date | December 15 | |
| Redemption percentage of aggregate remaining outstanding | 65.00% | |
| 7.875% Senior Unsecured Notes Due 2024 [Member] Prior to December 15, 2019 [Member] | | |
| Debt Instrument [Line Items] | | |
| Redemption price plus make-whole premium | 100.00% | |
| Redemption price | 107.875% | |
| 7.875% Senior Unsecured Notes Due 2024 [Member] Twelve Mos Beginning December 15, 2019 [Member] | | |
| Debt Instrument [Line Items] | | |
| Redemption price | 105.906% | |
| 7.875% Senior Unsecured Notes Due 2024 [Member] Twelve Mos Beginning December 15, 2020 [Member] | | |
| Debt Instrument [Line Items] | | |
| Redemption price | 103.938% | |
| 7.875% Senior Unsecured Notes Due 2024 [Member] Twelve Mos Beginning December 15, 2021 [Member] | | |
| Debt Instrument [Line Items] | | |

| | | |
|---|---|-------|
| Redemption price | 101.969% | |
| 7.875% Senior Unsecured Notes Due 2024 [Member] Twelve Mos Beginning December 15, 2022 [Member] | | |
| Debt Instrument [Line Items] | | |
| Redemption price | 100.00% | |
| Maximum [Member] 7.875% Senior Unsecured Notes Due 2024 [Member] | | |
| Debt Instrument [Line Items] | | |
| Redemption percentage of Senior Notes | 35.00% | |
| Senior Secured Revolving Credit Facility [Member] | | |
| Debt Instrument [Line Items] | | |
| Credit facility borrowing base | \$ 287,500,000 | |
| Line of Credit Facility, Remaining borrowing capacity | \$ 184,200,000 | |
| Date of maturity of credit facility | Nov. 10, 2020 | |
| Credit facility interest rate | 4.48% | 4.00% |
| Pro forma leverage ratio | 3.00 | |
| Letter of credit outstanding | \$ 7,600,000 | |
| Minimum Working Capital Ratio | 1.0 | |
| Maximum Leverage Ratio | 4.0 | |
| Debt instrument collateral | The credit facility is secured by substantially all of our oil and natural gas properties | |
| Debt covenants description | The credit facility contains restrictive covenants that may limit our ability to, among other things, incur additional indebtedness, sell assets, guaranty or make loans to others, make investments, enter into mergers, make certain payments and distributions, enter into or be party to hedge agreements, amend our organizational documents, incur liens and engage in certain other transactions without the prior consent of the lenders. The credit facility permits us to make distributions in any fiscal quarter so long as (i) the amount of distributions made in such fiscal quarter does not exceed our excess cash flow from the immediately preceding fiscal quarter, (ii) no event of default exists, before and after giving effect to such | |

distribution, (iii) our pro forma leverage ratio is less than 3.00 to 1.00 and (iv) before and after giving effect to such distribution the unused commitment amounts available under the credit facility are at least 20% of the commitments in effect. The credit facility also requires us to maintain a current ratio (as defined in the credit facility), of consolidated current assets (including unused borrowing base committed capacity and with exclusions as described in the credit facility) to consolidated current liabilities of no less than 1.0 to 1.0 as of the last day of any fiscal quarter and leverage ratio of our consolidated debt (other than obligations under hedge agreements and founder notes) as of the end of such fiscal quarter to our consolidated earnings before interest, taxes, depreciation, depletion, amortization and exploration expenses ("EBITDAX") over the four quarter period then ended (but annualized for the fiscal quarters ending December 31, 2016, March 31, 2017, and June 30, 2017) of not greater than 4.0 to 1.0.

As of March 31, 2017, we were in compliance with all financial covenants of the credit facility.

Debt covenant compliance description

Percent of unused distribution 20.00%

Senior Secured Revolving Credit Facility [Member] | London Interbank Offered Rate (LIBOR) [Member]

Debt Instrument [Line Items]

Leverage rate 3.25

Senior Secured Revolving Credit Facility [Member] | Prime Rate [Member]

Debt Instrument [Line Items]

Leverage rate 3.25

Senior Secured Revolving Credit Facility [Member] | Eurodollar [Member]

Debt Instrument [Line Items]

Margin interest rate 1.00%

Senior Secured Revolving Credit Facility [Member] | 7th Amended And Restated Credit Agreement [Member] |

[London Interbank Offered Rate \(LIBOR\) \[Member\]](#)
[Debt Instrument \[Line Items\]](#)

[Credit facility applicable interest rate, description](#)

the London Interbank Offered Rate ("LIBOR") plus applicable margins ranging from 2.75% and 3.75% if our leverage ratio does not exceed 3.25 to 1.00, depending on the percentage of our borrowing based utilized, and ranging from 3.00% to 4.00% if our leverage ratio exceeds 3.25 to 1.00.

[Senior Secured Revolving Credit Facility \[Member\] | Minimum \[Member\] | London Interbank Offered Rate \(LIBOR\) \[Member\]](#)
[Debt Instrument \[Line Items\]](#)

[Margin interest rate](#) 2.75%
[Exceeded leverage rate](#) 3.00%

[Senior Secured Revolving Credit Facility \[Member\] | Minimum \[Member\] | Prime Rate \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

[Margin interest rate](#) 1.75%
[Exceeded leverage rate](#) 2.00%

[Senior Secured Revolving Credit Facility \[Member\] | Maximum \[Member\] | London Interbank Offered Rate \(LIBOR\) \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

[Margin interest rate](#) 3.75%
[Exceeded leverage rate](#) 4.00%

[Senior Secured Revolving Credit Facility \[Member\] | Maximum \[Member\] | Prime Rate \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

[Margin interest rate](#) 2.75%
[Exceeded leverage rate](#) 3.00%

[Notes Payable To Founder \[Member\]](#)

**Debt Instrument [Line
Items]**

Maturity date of debt

Dec. 31, 2021

Dec.
31,
2018

Effective rate of interest

10.00%

Debt instrument collateral

These Founder Notes are unsecured and subordinate to all debt. In connection with the March 25, 2014 recapitalization of our Class B partner described in Note 12, the Founder Notes were amended and restated to subordinate them to the paid in kind ("PIK") notes of our Class B partner. The Founder Notes were also subordinated to the rights of the holders of Class B units to receive distributions under our partnership agreement and subordinated to the rights of the holders of Series B preferred stock to receive payments.

Notes payable to founder

\$ 27,300,000

\$
27,000,000

Payment terms, notes payable
to founder

Interest and principal are payable at maturity.

Interest on notes payable to
founder

\$ 300,000

\$
300,000

Conversion feature, notes
payable to founder

Our founder shall convert the notes into shares of common stock of our Class B partner, High Mesa, Inc. ("High Mesa"), upon certain conditions in the event of an initial public offering of High Mesa.

**Long Term Debt, Net And
Notes Payable To Founder
(Long-Term Debt, Net And
Notes Payable To Founder)
(Details) - USD (\$)
\$ in Thousands**

3 Months Ended

Mar. 31, 2017 Dec. 31, 2016

Debt Instrument [Line Items]

| | | |
|---|-----------|-----------|
| <u>Credit Facility</u> | \$ 95,687 | \$ 40,622 |
| <u>Unamortized deferred financing costs</u> | (10,426) | (10,717) |
| <u>Total long-term debt, net</u> | 585,261 | 529,905 |
| <u>Notes payable to founder</u> | 27,255 | 26,957 |

7.875% Senior Unsecured Notes Due 2024 [Member]

Debt Instrument [Line Items]

| | | |
|---|---------------|------------|
| <u>Notes payable</u> | \$ 500,000 | \$ 500,000 |
| <u>Maturity date of debt</u> | Dec. 15, 2024 | |
| <u>Stated interest rate of senior notes</u> | 7.875% | |

**Accounts Payable And
Accrued Liabilities (Detail
Of Accounts Payable And
Accrued Liabilities) (Details)
- USD (\$)
\$ in Thousands**

Mar. 31, 2017 Dec. 31, 2016

Accounts Payable And Accrued Liabilities [Abstract]

| | | |
|---|------------|-----------|
| <u>Capital expenditures</u> | \$ 29,019 | \$ 15,155 |
| <u>Revenues and royalties payable</u> | 14,491 | 12,187 |
| <u>Operating expenses/taxes</u> | 14,465 | 17,499 |
| <u>Interest</u> | 12,542 | 2,627 |
| <u>Compensation</u> | 5,277 | 5,302 |
| <u>Derivatives settlement payable</u> | 571 | 1,126 |
| <u>Other</u> | 972 | 1,164 |
| <u>Total accrued liabilities</u> | 77,337 | 55,060 |
| <u>Accounts payable</u> | 37,859 | 29,174 |
| <u>Accounts payable and accrued liabilities</u> | \$ 115,196 | \$ 84,234 |

**Commitments and
Contingencies (Narrative)
(Details) - USD (\$)
\$ / shares in Units, \$ in
Thousands**

3 Months Ended

Mar. 31, 2017 Dec. 31, 2016

Commitment And Contingencies [Line Items]

| | | |
|---|----------|----------|
| <u>Vesting period, PARs</u> | 5 years | |
| <u>Weighted average stipulated price of PARs granted</u> | \$ 37.90 | |
| <u>Stipulated initial designated price of PARs granted</u> | \$ 40 | |
| <u>Number of performance appreciation rights granted</u> | 306,300 | |
| <u>Number of performance appreciation rights terminated</u> | 500 | |
| <u>Number of performance appreciation rights</u> | 881,100 | |
| <u>Weighted average stipulated price of PARs terminated</u> | \$ 40 | |
| <u>Other long-term litigation liabilities</u> | \$ 6,778 | \$ 6,870 |
| <u>Litigation [Member]</u> | | |

Commitment And Contingencies [Line Items]

| | |
|---|----------|
| <u>Estimated litigation liability</u> | 3,200 |
| <u>Current litigation liabilities</u> | 800 |
| <u>Other long-term litigation liabilities</u> | \$ 2,400 |

**Significant Risks And
Uncertainties (Details)**

**3 Months Ended
Mar. 31, 2017**

**Significant Risks And
Uncertainties [Abstract]**

**Risks and uncertainties
inherent**

Our business makes us vulnerable to changes in wellhead prices of crude oil and natural gas. Historically, world-wide oil and natural gas prices and markets have been volatile, and may continue to be volatile in the future. In particular, the prices of oil and natural gas have been highly volatile and declined dramatically since the second half of 2014. Although oil and natural gas prices have recently begun to recover from lows experienced since the decline in the second half of 2014, forecasted prices for both oil and natural gas continue to remain depressed. The duration and magnitude of changes in oil and natural gas prices cannot be predicted. Continued depressed oil and natural gas prices, further price declines or any other unfavorable market conditions could have a material adverse effect on our financial condition and on the carrying value of our proved oil and natural gas reserves. Sustained low oil or natural gas prices may require us to write down the value of our oil and natural gas properties and/or revise our development plans, which may cause certain of our undeveloped well locations to no longer be deemed proved. This could cause a reduction in the borrowing base under our credit facility to the extent that we are not able to replace the reserves that we produce. Low prices may also reduce our cash available for distribution, acquisitions and for servicing our indebtedness.

| Partners' Capital (Details) \$ in Millions | 3 Months Ended 12 Months Ended | |
|--|-----------------------------------|-----------------------------------|
| | Mar. 31, 2017 USD (\$) item | Dec. 31, 2016 USD (\$) item |
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Number of classes of limited partners item</u> | 2 | |
| <u>High Mesa [Member]</u> | | |
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Cash contribution</u> | | \$ 11.3 |
| <u>Cash collected</u> | \$ 7.9 | |
| <u>Contribution</u> | | \$ 65.7 |
| <u>Contributed Wells [Member] High Mesa [Member]</u> | | |
| <u>Debt Instrument [Line Items]</u> | | |
| <u>Number of wells item</u> | | 24 |