

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

PEDEVCO CORP

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

FORM 10-Q

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

For the quarterly period ended: **September 30, 2019**

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: **001-35922**

PEDEVCO Corp.

(Exact name of registrant as specified in its charter)

Texas

22-3755993

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

575 N. Dairy Ashford, Suite 210, Houston, Texas 77079

(Address of Principal Executive Offices)

(713) 221-1768

(Registrant's Telephone Number, Including Area Code)

1250 Wood Branch Park Dr., Suite 400, Houston, Texas 77079

(Former address)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	PED	NYSE American

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

At November 7, 2019, there were 70,961,328 shares of the Registrant's common stock outstanding.

PEDEVCO CORP.

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ITEM 1. FINANCIAL STATEMENTS

PEDEVCO CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(amounts in thousands, except share and per share data)

	<u>September 30,</u> 2019	<u>December 31,</u> 2018
Assets		
Current assets:		
Cash	\$ 33,945	\$ 3,463
Restricted cash – current	-	2,316
Accounts receivable – oil and gas	2,086	842
Prepaid expenses and other current assets	96	204
Total current assets	<u>36,127</u>	<u>6,825</u>
Oil and gas properties:		
Oil and gas properties, subject to amortization, net	73,213	51,946
Oil and gas properties, not subject to amortization, net	6,604	8,516
Total oil and gas properties, net	<u>79,817</u>	<u>60,462</u>
Operating lease – right-of-use asset	382	-
Other assets	3,608	238
Total assets	<u>\$ 119,934</u>	<u>\$ 67,525</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,470	\$ 4,509
Accrued expenses	1,801	3,391
Revenue payable	850	831
Operating lease liabilities – current	67	-
Asset retirement obligations – current	134	119
Total current liabilities	<u>10,322</u>	<u>8,850</u>
Long-term liabilities:		
Accrued expenses	-	14
Accrued expenses – related party	-	943
Notes payable – subordinated	-	400
Notes payable – subordinated – related party	-	30,200
Notes payable – related party, net of debt discount of \$-0- and \$161, respectively	-	7,694
Operating lease liabilities	324	-
Asset retirement obligations	2,579	2,452
Total liabilities	<u>13,225</u>	<u>50,553</u>
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.001 par value, 200,000,000 shares authorized; 70,711,328 and 15,808,445 shares issued and outstanding, respectively	70	16
Additional paid-in capital	200,494	101,450
Accumulated deficit	(93,855)	(84,494)
Total shareholders' equity	<u>106,709</u>	<u>16,972</u>
Total liabilities and shareholders' equity	<u>\$ 119,934</u>	<u>\$ 67,525</u>

See accompanying notes to unaudited consolidated financial statements.

PEDEVCO CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(amounts in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
Revenue:	2019	2018	2019	2018
Oil and gas sales	\$ 3,129	\$ 1,259	\$ 8,767	\$ 2,801
Operating expenses:				
Lease operating costs	1,691	936	4,756	1,665
Exploration expense	27	-	50	38
Selling, general and administrative expense	1,366	1,622	4,338	2,976
Depreciation, depletion, amortization and accretion	3,952	937	8,985	2,220
Total operating expenses	<u>7,036</u>	<u>3,495</u>	<u>18,129</u>	<u>6,899</u>
Gain on sale of oil and gas properties	-	-	920	-
Operating loss	<u>(3,907)</u>	<u>(2,236)</u>	<u>(8,442)</u>	<u>(4,098)</u>
Other income (expense):				
Interest expense	-	(497)	(824)	(6,888)
Interest Income	15	-	22	-
Gain on debt restructuring	-	-	-	70,309
Other expense	(14)	-	(117)	-
Total other income (expense)	<u>1</u>	<u>(497)</u>	<u>(919)</u>	<u>63,421</u>
Net income (loss)	<u>\$ (3,906)</u>	<u>\$ (2,733)</u>	<u>\$ (9,361)</u>	<u>\$ 59,323</u>
Earnings (loss) per common share:				
Basic	<u>\$ (0.07)</u>	<u>\$ (0.19)</u>	<u>\$ (0.21)</u>	<u>\$ 6.04</u>
Diluted	<u>\$ (0.07)</u>	<u>\$ (0.19)</u>	<u>\$ (0.21)</u>	<u>\$ 5.97</u>
Weighted average number of common shares outstanding:				
Basic	56,213,568	14,747,952	44,517,500	9,822,007
Diluted	56,213,568	14,747,952	44,517,500	9,942,583

See accompanying notes to unaudited consolidated financial statements.

PEDEVCO CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(amounts in thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash Flows From Operating Activities:		
Net income (loss)	\$ (9,361)	\$ 59,323
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	8,985	2,220
Share-based compensation expense	1,023	566
Interest expense deferred and capitalized in debt restructuring	-	3,803
Gain on debt restructuring	-	(70,309)
Gain on sale of oil and gas properties	(920)	-
Amortization of debt discount	161	1,403
Amortization of right-of-use asset	9	-
Changes in operating assets and liabilities:		
Accounts receivable – oil and gas	(1,244)	(512)
Prepaid expenses and other current assets	108	(61)
Accounts payable	8,641	195
Accrued expenses	16	1,829
Accrued expenses – related parties	(943)	477
Revenue payable	19	362
Net cash provided by (used in) operating activities	<u>6,494</u>	<u>(704)</u>
Cash Flows From Investing Activities:		
Cash paid for the acquisition of oil and gas properties	(1,056)	(19,693)
Cash paid for drilling and completion costs	(33,059)	(113)
Cash paid for oil and gas security bonds	-	(105)
Proceeds from the sale of oil and gas property	1,175	-
Cash paid for security deposit	(10)	-
Cash paid for property and equipment	(81)	-
Net cash used in investing activities	<u>(33,031)</u>	<u>(19,911)</u>
Cash Flows From Financing Activities:		
Proceeds from notes payable	-	400
Cash paid for warrant repurchase	-	(1,095)
Proceeds from notes payable – related parties	15,000	30,900
Repayment of notes payable	-	(7,795)
Proceeds from issuance of common shares	43,000	64
Net cash provided by financing activities	<u>58,000</u>	<u>22,474</u>
Net increase in cash and restricted cash	31,463	1,859
Cash and restricted cash at beginning of period	5,779	917
Cash and restricted cash at end of period	<u>\$ 37,242</u>	<u>\$ 2,776</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
Change in accrued oil and gas development costs	\$ 5,680	\$ 211
Acquisition of asset retirement obligations	\$ 33	\$ 2,061
Changes in estimates of asset retirement costs	\$ 166	\$ 13
Conversion of Series A preferred stock	\$ -	\$ 7
Common stock issued as debt inducement	\$ -	\$ 185
Common stock issued for debt conversion	\$ 55,075	\$ -

See accompanying notes to unaudited consolidated financial statements.

PEDEVCO CORP.
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited)

(amounts in thousands, except share amounts)

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Totals
	Shares	Amount	Shares	Amount			
Balances at January 1, 2019	-	\$ -	15,808,445	\$ 16	\$ 101,450	\$ (84,494)	\$ 16,972
Issuance of common stock for debt conversion	-	-	29,480,383	29	55,046	-	55,075
Share-based compensation	-	-	-	-	299	-	299
Net loss	-	-	-	-	-	(2,995)	(2,995)
Balances at March 31, 2019	-	-	45,288,828	45	156,795	(87,489)	69,351
Issuance of restricted common stock	-	-	160,000	-	-	-	-
Issuance of common stock to non-affiliates	-	-	1,500,000	1	2,999	-	3,000
Issuance of common stock to affiliate	-	-	6,818,181	7	14,993	-	15,000
Exercise of warrants	-	-	60,056	-	-	-	-
Share-based compensation	-	-	-	-	398	-	398
Net loss	-	-	-	-	-	(2,460)	(2,460)
Balances at June 30, 2019	-	-	53,827,065	53	175,185	(89,949)	85,289
Exercise of stock options	-	-	9,782	-	-	-	-
Issuance of restricted common stock	-	-	270,000	-	-	-	-
Issuance of common stock to non-affiliates	-	-	8,400,000	9	11,991	-	12,000
Issuance of common stock to affiliate	-	-	8,204,481	8	12,992	-	13,000
Share-based compensation	-	-	-	-	326	-	326
Net loss	-	-	-	-	-	(3,906)	(3,906)
Balances at September 30, 2019	-	\$ -	70,711,328	\$ 70	\$ 200,494	\$ (93,855)	\$ 106,709

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Totals
	Shares	Amount	Shares	Amount			
Balances at January 1, 2018	66,625	\$ -	7,278,754	\$ 7	\$ 100,954	\$ (138,101)	\$ (37,140)
Share-based compensation	-	-	-	-	183	-	183
Net Loss	-	-	-	-	-	(4,234)	(4,234)
Balances at March 31, 2018	66,625	-	7,278,754	7	101,137	(142,335)	(41,191)
Conversion of stock options	-	-	30,848	-	-	-	-
Issuance of restricted common stock	-	-	80,000	-	-	-	-
Issuance of warrants for debt repayment	-	-	-	-	322	-	322
Issuance of common stock for debt inducement	-	-	600,000	1	184	-	185
Share-based compensation	-	-	-	-	166	-	166
Net Income	-	-	-	-	-	66,290	66,290
Balances at June 30, 2018	66,625	-	7,989,602	8	101,809	(76,045)	25,772
Conversion of stock options	-	-	65,017	-	-	-	-
Issuance of restricted common stock	-	-	200,000	-	-	-	-
Conversion of Series A Preferred Stock to common stock	(66,625)	-	6,662,500	7	(7)	-	-
Issuance of common stock for exercise of warrants	-	-	192,208	-	64	-	64
Warrants repurchased	-	-	-	-	(1,095)	-	(1,095)
Share-based compensation	-	-	-	-	217	-	217
Net loss	-	-	-	-	-	(2,733)	(2,733)
Balances at September 30, 2018	-	\$ -	15,109,327	\$ 15	\$ 100,988	\$ (78,778)	\$ 22,225

See accompanying notes to unaudited consolidated financial statements.

PEDEVCO CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 – BASIS OF PRESENTATION

The accompanying interim unaudited consolidated financial statements of PEDEVCO Corp. (“PEDEVCO” or the “Company”), have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and the rules of the Securities and Exchange Commission (“SEC”) and should be read in conjunction with the audited financial statements and notes thereto contained in PEDEVCO’s latest Annual Report filed with the SEC on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements that would substantially duplicate disclosures contained in the audited financial statements for the most recent fiscal year, as reported in the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on April 1, 2019, have been omitted.

The Company’s consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and subsidiaries in which the Company has a controlling financial interest. All significant inter-company accounts and transactions have been eliminated in consolidation.

The Company’s future financial condition and liquidity will be impacted by, among other factors, the success of our drilling program, the number of commercially viable oil and natural gas discoveries made and the quantities of oil and natural gas discovered, the speed with which we can bring such discoveries to production, and the actual cost of exploration, appraisal and development of our prospects.

NOTE 2 – DESCRIPTION OF BUSINESS

PEDEVCO is an oil and gas company focused on the development, acquisition and production of oil and natural gas assets where the latest in modern drilling and completion techniques and technologies have yet to be applied. In particular, the Company focuses on legacy proven properties where there is a long production history, well defined geology and existing infrastructure that can be leveraged when applying modern field management technologies. The Company’s current properties are located in the San Andres formation of the Permian Basin situated in West Texas and eastern New Mexico (the “Permian Basin”) and in the Denver-Julesberg Basin (“D-J Basin”) in Colorado. The Company holds its Permian Basin acres located in Chaves, Roosevelt and Lea Counties, New Mexico, through its wholly-owned operating subsidiary, Pacific Energy Development Corp. (“PEDCO”), which asset the Company refers to as its “Permian Basin Asset,” and it holds its D-J Basin acres located in Weld and Morgan Counties, Colorado, through its wholly-owned operating subsidiary, Red Hawk Petroleum, LLC (“Red Hawk”), which asset the Company refers to as its “D-J Basin Asset.”

The Company’s strategy is to be the operator, directly or through its subsidiaries and joint ventures, in the majority of its acreage so it can dictate the pace of development in order to execute its business plan. The majority of its capital expenditure budget through 2019 will be focused on the development of the Company’s Permian Basin Asset, with a secondary focus on development of its D-J Basin Asset. The Company’s 2019 total development plan calls for the deployment of an estimated \$50 million in capital, all of which has been raised to date. On the Company’s Permian Basin Asset, four initial horizontal wells were drilled in the first quarter of 2019 in Phase One of its development plan. Phase Two of the development program began in July 2019 and called for the drilling and completion of an additional five horizontal San Andres wells and one saltwater disposal well. To date, the five horizontal wells have been drilled and are planned to be completed in the fourth quarter of 2019 or first quarter of 2020, pending final permitting and completion of the saltwater disposal well. The Company’s future D-J Basin Asset development plans are currently under evaluation for its operated acreage, but the Company anticipates deploying approximately \$1 million in capital to participate in drilling and completion operations by other operators on its non-operated acreage through 2019. The Company expects that it will have sufficient cash available to meet its needs over the foreseeable future, which cash the Company anticipates being available from (i) its projected cash flows from operations, (ii) its existing cash on hand, (iii) equity infusions or loans (which may be convertible) made available from SK Energy LLC, which is 100% owned and controlled by Dr. Simon Kukes, the Company’s Chief Executive Officer and director (“SK Energy”), which funding SK Energy is under no obligation to provide, and (iv) funding through credit or loan facilities. In addition, the Company may seek additional funding through asset sales, farm-out arrangements, lines of credit, or public or private debt or equity financings to fund additional 2019 capital expenditures and/or acquisitions. If market conditions are not conducive to raising additional funds, the Company may choose to extend the drilling program and associated capital expenditures further into 2020.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has provided a discussion of significant accounting policies, estimates and judgments in its 2018 Annual Report. There have been no changes to the Company's significant accounting policies since December 31, 2018.

Recently Adopted Accounting Pronouncements

Revenue Recognition. Accounting Standards Update ("ASU") 2014-09, "*Revenue from Contracts with Customers (Topic 606)*", supersedes the revenue recognition requirements and industry-specific guidance under *Revenue Recognition (Topic 605)*. Topic 606 requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. The Company adopted Topic 606 on January 1, 2018, using the modified retrospective method applied to contracts that were not completed as of January 1, 2018. Under the modified retrospective method, prior period financial positions and results will not be adjusted. The cumulative effect adjustment recognized in the opening balances included no significant changes as a result of this adoption. While the Company's net earnings are not materially impacted by revenue recognition timing changes, Topic 606 required certain changes to the presentation of revenues and related expenses beginning January 1, 2018. Refer to Note 4 – Revenue from Contracts with Customers for additional information.

Leases. In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, "*Leases (Topic 842)*". The new lease guidance supersedes Topic 840. The core principle of the guidance is that entities should recognize the assets and liabilities that arise from leases. Topic 840 does not apply to leases to explore for or use minerals, oil, natural gas and similar nonregenerative resources, including the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained. In July 2018, the FASB issued ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*", which provides entities with an alternative modified transition method to elect not to recast the comparative periods presented when adopting Topic 842. The Company adopted Topic 842 as of January 1, 2019, using the alternative modified transition method, for which, comparative periods, including the disclosures related to those periods, are not restated.

In addition, the Company elected practical expedients provided by the new standard whereby, the Company has elected to not reassess its prior conclusions about lease identification, lease classification, and initial direct costs and to retain off-balance sheet treatment of short-term leases (i.e., 12 months or less and does not contain a purchase option that the Company is reasonably certain to exercise). Refer to Note 10 – Commitments and Contingencies for additional information.

Compensation-Stock Compensation. In June 2018, the FASB issued ASU 2018-07, "*Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*". The amendments in this update maintain or improve the usefulness of the information provided to the users of financial statements while reducing cost and complexity in financial reporting. The areas for simplification in this update involve several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, to include share-based payment transactions for acquiring goods and services from nonemployees. Some of the areas for simplification apply only to nonpublic entities. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company adopted the standard as of January 1, 2019. There was no impact of the standard on its consolidated financial statements.

Recently Issued Accounting Pronouncements

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant impact on its financial position, results of operations, or cash flows.

Subsequent Events

The Company has evaluated all transactions through the date the consolidated financial statements were issued for subsequent event disclosure consideration.

NOTE 4 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Exploration and Production. There were no significant changes to the timing or valuation of revenue recognized for sales of production from exploration and production activities.

Disaggregation of Revenue from Contracts with Customers. The following table disaggregates revenue by significant product type in the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Oil sales	\$ 3,059	\$ 1,173	\$ 8,549	\$ 2,552
Natural gas sales	68	50	203	144
Natural gas liquids sales	2	36	15	105
Total revenue from customers	<u>\$ 3,129</u>	<u>\$ 1,259</u>	<u>\$ 8,767</u>	<u>\$ 2,801</u>

There were no significant contract liabilities or transaction price allocations to any remaining performance obligations as of September 30, 2019.

NOTE 5 – RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets, which sum to the total of such amounts shown in the accompanying unaudited consolidated statements of cash flows (in thousands):

	As of September 30,	
	2019	2018
Cash	\$ 33,945	\$ 460
Restricted cash	-	2,316
Restricted cash included in other assets	3,297	-
Total cash and restricted cash as shown in the consolidated statements of cash flows	<u>\$ 37,242</u>	<u>\$ 2,776</u>

NOTE 6 – OIL AND GAS PROPERTIES

The following table summarizes the Company's oil and gas activities by classification for the nine months ended September 30, 2019 (in thousands):

	Balance at				Balance at
	December 31,	2018	Additions	Disposals	September 30,
		2018			2019
Oil and gas properties, subject to amortization	\$ 70,803	\$ 23,751	\$ (255)	\$ 6,596	\$ 100,895
Oil and gas properties, not subject to amortization	8,516	4,684	-	(6,596)	6,604
Asset retirement costs	2,188	(133)	-	-	2,055
Accumulated depreciation and depletion	(21,045)	(8,692)	-	-	(29,737)
Total oil and gas assets	<u>\$ 60,462</u>	<u>\$ 19,610</u>	<u>\$ (255)</u>	<u>\$ -</u>	<u>\$ 79,817</u>

On February 1, 2019, for consideration of \$700,000, the Company completed an asset purchase from Manzano, LLC and Manzano Energy Partners II, LLC, whereby the Company purchased approximately 18,000 net leasehold acres, ownership and operated production from one horizontal well currently producing from the San Andres play in the Permian Basin, ownership of three additional shut-in wells and ownership of one saltwater disposal well. The Company subsequently drilled one Manzano well in Phase Two of its 2019 development plan, which has yet to be completed.

On March 7, 2019, Red Hawk sold rights to 85.5 net acres of oil and gas leases located in Weld County, Colorado, to a third party, for aggregate proceeds of \$1.2 million and recognized a gain on sale of oil and gas properties of \$920,000 on the statement of operations. The sale agreement included a provision whereby the purchaser was required to assign Red Hawk 85 net acres of leaseholds in an area located where the Company already owns other leases in Weld County, Colorado, within nine months from the date of the sale, or to repay the Company up to \$200,000 (proportionally adjusted for the amount of leasehold delivered). The purchaser has not yet identified or assigned the required leasehold acreage to the Company.

Effective June 10, 2019, for consideration of \$350,000, the Company completed an asset purchase from a private operator, whereby the Company purchased approximately 2,076 net leasehold acres, ownership and operated production from 22 vertical wells currently producing from the San Andres play in the Permian Basin and ownership of three injection wells.

Effective August 1, 2019, the Company participated in the drilling and completion of two horizontal wells in the DJ-Basin by a third-party outside operator and incurred \$500,000 in net participation costs.

For the three and nine months ended September 30, 2019, the Company incurred \$4.7 million and \$23.6 million, respectively, in capital cost which included drilling costs for the drilling of nine wells (four of which have been completed), and corresponding facility costs in its Permian Basin Asset.

The depletion recorded for production on proved properties for the three and nine months ended September 30, 2019 and 2018, amounted to \$3,836,000 compared to \$885,000, and \$8,692,000 compared to \$2,136,000, respectively.

NOTE 7 – OTHER CURRENT ASSETS

On September 11, 2013, the Company entered into a Shares Subscription Agreement (“SSA”) to acquire an approximate 51% ownership in Asia Sixth Energy Resources Limited (“Asia Sixth”), which held an approximate 60% ownership interest in Aral Petroleum Capital Limited Partnership (“Aral”), a Kazakhstan entity. In August 2014 the SSA was restructured (the “Aral Restructuring”), in connection with which the Company received a promissory note in the principal amount of \$10.0 million from Asia Sixth (the “A6 Promissory Note”), which was to be converted into a 10.0% interest in Caspian Energy, Inc. (“Caspian Energy”), an Ontario, Canada company listed at that time on the NEX Board of the TSX Venture Exchange, upon the consummation of the Aral Restructuring. The Aral Restructuring was consummated on May 20, 2015, upon which date the A6 Promissory Note was converted into 23,182,880 shares of common stock of Caspian Energy.

In February 2015, the Company expanded its D-J Basin position through the acquisition of acreage from Golden Globe Energy (US), LLC (“GGE”) (the “GGE Acquisition” and the “GGE Acquired Assets”). In connection with the GGE Acquisition, on February 23, 2015, the Company provided GGE an option to acquire its interest in Caspian Energy for \$100,000 payable upon exercise of the option (with an expiration date of May 12, 2019) recorded in prepaid expenses and other current assets. As a result, the carrying value of the 23,182,880 shares of common stock of Caspian Energy which were issued upon conversion of the A6 Promissory Note at December 31, 2015 was \$100,000. The shares of Caspian Energy underlying the option were classified as part of other current assets. The option expired without being exercised on May 12, 2019. The Company fully reserved the \$100,000 and recognized no value related to the shares of Caspian Energy on the Company’s balance sheet as of September 30, 2019 as the Company determined the value of the shares to be \$0 as a result of it delisting from the NEX Board of the TSX Venture Exchange.

NOTE 8 – NOTES PAYABLE

The Company's notes payable consisted of the following (in thousands):

	September 30, 2019	December 31, 2018
Notes Payable – Subordinated	\$ -	\$ 400
Notes Payable – Subordinated Related Party	-	30,200
Notes Payable – Related Party	-	7,855
	-	38,455
Unamortized Debt Discount	-	(161)
Total Notes Payable	\$ -	\$ 38,294

Convertible Note Issuances

On June 26, 2018, the Company borrowed \$7.7 million from SK Energy under a Promissory Note dated June 25, 2018, in the amount of \$7.7 million (the "June 2018 SK Energy Note") and shown on the balance sheet as Note Payable – Related Party, net of debt discount from the issuance of 600,000 shares of common stock (as described below) with a fair value of \$185,000 based on the market price at the issuance date. The June 2018 SK Energy Note accrues interest monthly at 8% per annum, payable quarterly, in either cash or shares of common stock (at the option of the Company), or, with the consent of SK Energy, such interest may be accrued and capitalized.

As additional consideration for SK Energy agreeing to the terms of the June 2018 SK Energy Note, the Company agreed to issue SK Energy 600,000 shares of common stock (the "Loan Shares"), with a fair value of \$185,000 based on the market price on the date of issuance that was accounted for as a debt discount and is being amortized over the term of the note.

Based on a conversion price equal to \$2.18 per share, pursuant to the conversion terms of the June 2018 SK Energy Note, the amount of interest under the June 2018 SK Energy Note as of December 31, 2018 equaled \$155,000 and was included in the outstanding principal balance of \$7,855,000, for interest not paid or issued in common stock when due, the amount is recapitalized into the face value of the note, per the terms of the June 2018 SK Energy Note. The total amount of the remaining debt discount reflected on the accompanying balance sheet as of December 31, 2018 was \$161,000, which was amortized in full as of September 30, 2019, due to the note conversions, which included \$107,000 of additional interest that was included in the principal balance, noted below under "Convertible Notes Amendment and Conversion" and "SK Energy Note Amendment; Note Purchases and Conversion".

On August 1, 2018, the Company received total proceeds of \$23,600,000 from the sale of multiple Convertible Promissory Notes (the "Convertible Notes"). A total of \$22,000,000 in Convertible Notes were purchased by SK Energy (the "August 2018 SK Energy Note"); \$200,000 in Convertible Notes were purchased by an executive officer of SK Energy; \$500,000 in Convertible Notes were purchased by a trust affiliated with John J. Scelfo, a director of the Company; \$500,000 in Convertible Notes were purchased by an entity affiliated with Ivar Siem, our director, and J. Douglas Schick, President of the Company; \$200,000 in Convertible Notes was purchased by H. Douglas Evans (who became a Director and related party on September 27, 2018); and \$200,000 in Convertible Notes were purchased by an unaffiliated party (the "Unaffiliated Holder"). The \$23,600,000 is accounted for on the balance sheet as \$23,200,000 of subordinated notes payable – related party and \$400,000 as subordinated notes, as these notes are subordinated to the original June 2018 SK Energy Note.

The Convertible Notes accrue interest monthly at 8.5% per annum, which interest is payable on the maturity date unless otherwise converted into our common stock. The principal and interest due under the Convertible Notes are convertible into shares of our common stock, from time to time after August 29, 2018, at the option of the holders thereof, at a conversion price equal to \$2.13 per share, per terms of the Convertible Notes.

The accrued interest is accounted for on the balance sheet as of December 31, 2018 as \$943,000 of accrued interest – related party and \$14,000 of accrued interest. As of September 30, 2019, there was no accrued interest – related party or accrued interest, as \$347,000 of accrued interest – related party and \$6,000 of accrued interest incurred during 2019 together with the accrued interest outstanding as of December 31, 2018 was converted into shares of common stock due to the note conversions described below.

On October 25, 2018, the Company borrowed an additional \$7.0 million from SK Energy, through the sale of a convertible promissory note in the amount of \$7.0 million (the “October 2018 SK Energy Note”). The October 2018 SK Energy Note had substantially similar terms as the August 2018 SK Energy Note, except that it had a conversion price of \$1.79 per share. The October 2018 SK Energy Note is due and payable on October 25, 2021 but may be prepaid at any time without penalty. The accrued interest expense related to this note for the year ended December 31, 2018 was \$109,000 and is accounted for on the balance sheet as accrued interest – related party. As of September 30, 2019, there was no accrued interest – related party, as accrued interest of \$78,000 incurred during 2019 together with the accrued interest outstanding as of December 31, 2018 was converted into shares of common stock due to the note conversions described below.

January 2019 SK Energy Convertible Note

On January 11, 2019, the Company borrowed an additional \$15.0 million from SK Energy, through the sale of a convertible promissory note in the amount of \$15.0 million (the “January 2019 SK Energy Note”). The January 2019 SK Energy Note had substantially similar terms as the August 2018 SK Energy Note, except that it had a conversion price of \$1.50 per share. The January 2019 SK Energy Note is due and payable on January 11, 2022 but may be prepaid at any time without penalty. As of September 30, 2019, there was no outstanding principal or accrued interest – related party due to the note conversions described below. Accrued interest-related party for this note prior to the conversion totaled \$126,000.

Convertible Notes Amendment and Conversion

On February 15, 2019, the Company and SK Energy agreed to amend the Convertible Notes (including the August 2018 SK Energy Note), October 2018 SK Energy Note, and the January 2019 SK Energy Note, to remove the conversion limitation that previously prevented SK Energy from converting any portion of the notes into common stock of the Company if such conversion would have resulted in SK Energy beneficially owning more than 49.9% of the Company’s outstanding shares of common stock.

Immediately following the entry into the amendment, on February 15, 2019, SK Energy elected to convert (i) all \$15,000,000 of the outstanding principal and all \$126,000 of accrued interest then owed under the January 2019 SK Energy Note into common stock of the Company at a conversion price of \$1.50 per share, as set forth in the January 2019 SK Energy Note into 10,083,819 shares of restricted common stock of the Company, and (ii) all \$7,000,000 of the outstanding principal and all \$187,000 of accrued interest under the October 2018 SK Energy Note into common stock of the Company at a conversion price of \$1.79 per share, as set forth in the October 2018 SK Energy Note, into 4,014,959 shares of restricted common stock of the Company.

On March 1, 2019, the Company and SK Energy amended the June 2018 SK Energy Note, to provide SK Energy the right, at any time, at its option, to convert the principal and interest owed under such June 2018 SK Energy Note, into shares of the Company’s common stock, at a conversion price of \$2.13 per share.

In addition, on March 1, 2019, the holders of \$1,500,000 in aggregate principal amount of Convertible Notes sold their Convertible Notes at face value plus accrued and unpaid interest through March 1, 2019 to SK Energy (the “Convertible Note Sale”). Holders which sold their Convertible Notes pursuant to the Convertible Note Sale to SK Energy, included an executive officer of SK Energy (\$200,000 in principal amount of Convertible Notes); a trust affiliated with John J. Scelfo, a director of the Company (\$500,000 in principal amount of Convertible Notes); an entity affiliated with Ivar Siem, a director of the Company, and J. Douglas Schick the President of the Company (\$500,000 in principal amount of Convertible Notes); and Harold Douglas Evans, a director of the Company (\$200,000 in principal amount of Convertible Notes).

Immediately following the effectiveness of the SK Energy Note Amendment and Convertible Note Sale, on March 1, 2019, SK Energy and the Unaffiliated Holder elected to convert all \$31,300,000 of outstanding principal and an aggregate of \$1,460,000 of accrued interest under the June 2018 SK Energy Note, SK Energy's \$22 million Convertible Note and all other Convertible Notes, into common stock of the Company at a conversion price of \$2.13 per share (the "Conversion Price" and the "Conversions") as set forth in the June 2018 SK Energy Note, as amended, and the Convertible Notes (including SK Energy's \$22 million Convertible Note (collectively, the "Notes"), into an aggregate of 15,381,605 shares of restricted common stock of the Company (the "Conversion Shares").

NOTE 9 – ASSET RETIREMENT OBLIGATIONS

Activity related to the Company's asset retirement obligations is as follows (in thousands):

	Nine Months Ended September 30, 2019
Balance at the beginning of the period ⁽¹⁾	\$ 2,571
Accretion expense	275
Obligations incurred for acquisition	33
Changes in estimates	(166)
Balance at end of period ⁽²⁾	<u>\$ 2,713</u>

(1) Includes \$119,000 of current asset retirement obligations included in long-term liabilities at December 31, 2018.

(2) Includes \$134,000 of current asset retirement obligations included in long-term liabilities at September 30, 2019.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Company determines if an arrangement is a lease at inception of the arrangement. To the extent that the Company determines an arrangement represents a lease, that lease is classified as an operating lease or a finance lease. The Company currently does not have any finance leases. In accordance with Accounting Standards Codification (ASC) Topic 842, operating leases are capitalized on the Company's consolidated balance sheet through an asset and a corresponding lease liability. Recorded assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Short-term leases that have an initial term of one year or less are not capitalized. Currently, the Company has one operating lease for office space that requires ASC Topic 842 treatment, discussed below.

Discount Rate

The Company's leases typically do not provide an implicit rate. Accordingly, the Company is required to use its incremental borrowing rate in determining the present value of lease payments based on the information available at commencement date. The Company's incremental borrowing rate would reflect the estimated rate of interest that it would pay to borrow on a collateralized basis over a similar term, an amount equal to the lease payments in a similar economic environment. However, the Company currently maintains no debt, and in order to apply an appropriate discount rate, the Company used an average discount rate of eight publicly traded peer group companies similar to it based on size, geographic location, asset types and/or operating characteristics.

Office Lease

In June 2018, the Company assumed the lease for its corporate office space located in Houston, Texas from American Resources, Inc., an entity beneficially owned and controlled by Ivar Siem, a director of the Company, and J. Douglas Schick, the Company's President. The term of the lease ended on August 31, 2019.

Effective September 1, 2019, the Company moved its corporate headquarters from 1250 Wood Branch Park Dr., Suite 400, Houston, Texas 77079 to 575 N. Dairy Ashford, Suite 210, Houston, Texas 77079 in connection with the expiration of its former office space lease. The Company entered into a sublease on approximately 5,200 square feet of office space that expires on August 31, 2023, and has a base monthly rent of approximately \$10,000 with the first month rent due beginning on January 1, 2020. The Company paid a security deposit of \$9,600.

The Company also leased space for its former corporate headquarters in Danville, California that was scheduled to expire July 31, 2019, but was terminated in January 2019, without penalty or other amounts due. In February 2019, the Company entered into a six-month lease agreement for 187 square feet of new office space located in Danville, California for the Company's General Counsel. The monthly rent is \$1,200, and the Company paid a \$1,200 security deposit. In August 2019, the lease was extended for an additional six months. The Company did not apply ASC Topic 842 to this lease, as the lease term and extension period are for 12-months or less and we cannot currently conclude if the lease will be renewed or extended. The total current obligation for the remainder of this lease through January 2020 is \$3,600.

For the nine months ended September 30, 2019 and 2018, the Company incurred lease expense of \$112,000 and \$59,000, respectively, for the combined leases.

Supplemental cash flow information related to the Company's operating lease is included in the table below:

	Nine Months Ended September 30, 2019
Cash paid for amounts included in the measurement of lease liabilities	\$ -

Supplemental balance sheet information related to operating leases is included in the table below (in thousands):

	September 30, 2019
Operating lease – right-of-use asset	<u>\$ 382</u>
Operating lease liabilities - current	\$ 67
Operating lease liabilities - long-term	324
Total lease liability	<u>\$ 391</u>

The weighted-average remaining lease term for the Company's operating lease is 3.9 years as of September 30, 2019, with a weighted-average discount rate of 5.35%.

Lease liability with enforceable contract terms that have greater than one-year terms are as follows (in thousands):

Remainder of 2019	\$ -
2020	116
2021	118
2022	121
2023	83
Thereafter	-
Total lease payments	<u>438</u>
Less imputed interest	(47)
Total lease liability	<u>\$ 391</u>

Leasehold Drilling Commitments

The Company's oil and gas leasehold acreage is subject to expiration of leases if the Company does not drill and hold such acreage by production or otherwise exercises options to extend such leases, if available, in exchange for payment of additional cash consideration. In the D-J Basin Asset, no significant net acres expire during the remainder of 2019, and 31 net acres expire thereafter (net to our direct ownership interest only). In the Permian Basin Asset, no significant net acres are due to expire in 2019 and 2,886 net acres expire thereafter (net to our direct ownership interest only). The Company plans to hold significantly all of this acreage through a program of drilling and completing producing wells. If the Company is not able to drill and complete a well before lease expiration, the Company may seek to extend leases where able.

Other Commitments

Although the Company may, from time to time, be involved in litigation and claims arising out of its operations in the normal course of business, the Company is not currently a party to any material legal proceeding. In addition, the Company is not aware of any material legal or governmental proceedings against it or contemplated to be brought against it.

As part of its regular operations, the Company may become party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its commercial operations, products, employees and other matters.

Although the Company provides no assurance about the outcome of these or any other pending legal and administrative proceedings and the effect such outcomes may have on the Company, the Company believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on the Company's financial condition or results of operations.

NOTE 11 – SHAREHOLDERS' EQUITY

Common Stock

On February 15, 2019 and March 1, 2019, \$22.3 million and \$32.8 million of outstanding note payables and accrued interest were converted into 14,098,778 and 15,381,605 shares of the Company's common stock, respectively (see Note 8- Notes Payable above for further discussion of the note conversions).

On May 16, 2019, the Company sold an aggregate of 1,500,000 shares of its restricted common stock to two third-party purchasers at a price of \$2.00 per share, or \$3 million in aggregate, pursuant to subscription agreements, and on September 17, 2019, the Company sold an aggregate of 8,400,000 shares of its restricted common stock to an additional third-party purchaser, Viktor Tkachev, who became an affiliate after the issuance, at a price of \$1.43 per share, or \$12 million in aggregate, pursuant to a subscription agreement.

On May 21, 2019, SK Energy, which is owned and controlled by Dr. Kukes, the Company's Chief Executive Officer and a member of the Board of Directors, purchased 6,818,181 shares of restricted common stock from the Company at a price of \$2.20 per share, or \$15 million in aggregate, pursuant to a subscription agreement, and on September 17, 2019, SK Energy purchased an additional 8,204,481 shares of restricted common stock from the Company at a price of \$1.58 per share, or \$13 million in aggregate, pursuant to a subscription agreement.

As a result of the purchases above, SK Energy, which beneficially owned 78.2% of the Company's outstanding common stock prior to the May 16, 2019 subscription agreement, beneficially owned 73.2% of the Company's outstanding common stock after all of the subscriptions discussed above.

Warrants

During the nine months ended September 30, 2019, no warrants were granted, and warrants to purchase 100,000 shares of common stock expired. Additionally, on April 1, 2019, the Company issued 60,056 total shares of common stock upon the cashless exercise of two warrants to purchase an aggregate of 596,280 shares of common stock with an exercise price of \$2.50 per share, based on a current market value of \$2.78 per share, under the terms of each warrant.

The intrinsic value of outstanding, as well as exercisable, warrants, at September 30, 2019 was \$174,000.

Warrant activity during the nine months ended September 30, 2019 was:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Years)
Outstanding at December 31, 2018	1,216,686	\$ 7.44	1.4
Exercised	(596,280)	\$ 2.50	
Expired/Cancelled	(100,000)	\$ 25.00	
Outstanding at September 30, 2019	<u>520,406</u>	<u>\$ 7.20</u>	<u>0.6</u>
Exercisable at September 30, 2019	<u>520,406</u>	<u>\$ 7.20</u>	<u>0.6</u>

NOTE 12 – SHARE-BASED COMPENSATION

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award over the vesting period.

Common Stock

In April 2019, restricted stock awards were granted to three new employees and one consultant for an aggregate of 160,000 shares of the Company's common stock, under the Company's Amended and Restated 2012 Equity Incentive Plan. The grant for a total of 50,000 of the restricted stock awards vests as follows: 100% on the one-year anniversary of the grant date, subject to the recipient's continued service with the Company. These shares have a total fair value of \$135,000 based on the market price on the issuance date. The grants for 110,000 shares of restricted stock vest as follows: 50% on the one-year anniversary of the grant date and 50% on the second-year anniversary of the grant date, subject to the recipient's continued service with the Company. These shares have a total fair value of \$253,000 based on the market price on the issuance date.

Effective July 18, 2019, 50,000 shares of restricted stock were awarded to an advisor under the Company's Amended and Restated 2012 Equity Incentive Plan. The restricted stock vests as follows: 100% on the six-month anniversary of the grant date, subject to the recipient's continued service with the Company. These shares have a total fair value of \$83,000, based on the market price on the issuance date.

Effective August 28, 2019, restricted stock awards were granted to three directors for an aggregate of 170,000 shares of the Company's common stock, under the Company's Amended and Restated 2012 Equity Incentive Plan. The grant for a total of 120,000 of the restricted stock awards vests as follows: 100% on July 12, 2020, subject to the recipient's continued service with the Company. These shares have a total fair value of \$187,000 based on the market price on the issuance date. The grants for 50,000 shares of restricted stock vest as follows: 100% on September 27, 2020, subject to the recipient's continued service with the Company. These shares have a total fair value of \$78,000 based on the market price on the issuance date. Additionally, 50,000 shares of restricted stock were awarded to a director for advisory services provided to the Company under the Company's Amended and Restated 2012 Equity Incentive Plan. The restricted stock vests as follows: 100% on July 12, 2020, subject to the recipient's continued service with the Company. These shares have a total fair value of \$78,000, based on the market price on the issuance date.

The awarded shares above are subject to trading restrictions, and forfeiture, subject to the vesting terms described above. When such securities are vested in accordance with their terms, the trading restrictions are lifted.

Stock-based compensation expense recorded related to the vesting of restricted stock for the three and nine months ended September 30, 2019 was \$262,000 and \$733,000, respectively. The remaining unamortized stock-based compensation expense at September 30, 2019 related to restricted stock was \$1,046,000.

Options

During the nine months ended September 30, 2019, no options were granted, 12,500 options were exercised (discussed below) and 14,250 options expired.

On August 14, 2019, the Company issued 9,782 total shares of common stock upon the cashless exercise of stock options to purchase an aggregate of 12,500 shares of common stock with an exercise price of \$0.31 per share, based on a current market value of \$1.42 per share, under the terms of the options.

During the three and nine months ended September 30, 2019, the Company recognized stock option expense of \$64,000 and \$290,000, respectively. The remaining amount of unamortized stock options expense at September 30, 2019, was \$30,000.

The intrinsic value of outstanding and exercisable options at September 30, 2019 was \$158,000.

Option activity during the nine months ended September 30, 2019 was:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term (Years)
Outstanding at December 31, 2018	890,232	\$ 3.26	3.3
Exercised	(12,500)	\$ 0.31	
Expired	(14,250)	\$ 19.40	
Outstanding at September 30, 2019	<u>863,482</u>	<u>\$ 3.12</u>	<u>2.6</u>
Exercisable at September 30, 2019	<u>813,482</u>	<u>\$ 3.23</u>	<u>2.5</u>

NOTE 13 – EARNINGS (LOSS) PER COMMON SHARE

Earnings (loss) per common share-basic is calculated by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Net income (loss) per common share-diluted assumes the conversion of all potentially dilutive securities and is calculated by dividing net (loss) income by the sum of the weighted average number of shares of common stock, as defined above, outstanding plus potentially dilutive securities. Net (loss) income per common share-diluted considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares, as defined above, would have an anti-dilutive effect.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income (loss) (in thousands)	\$ (3,906)	\$ (2,733)	\$ (9,361)	\$ 59,323
Denominator:				
Weighted average common shares – basic	56,213,568	14,747,952	44,517,500	9,822,007
Dilutive effect of common stock equivalents:				
Options and warrants	-	-	-	120,576
Denominator:				
Weighted average common shares – diluted	56,213,568	14,747,952	44,517,500	9,942,583
Earnings (loss) per share – basic	\$ (0.07)	\$ (0.19)	\$ (0.21)	\$ 6.04
Earnings (loss) per share – diluted	\$ (0.07)	\$ (0.19)	\$ (0.21)	\$ 5.97

For the three and nine-month periods ended September 30, 2019 and 2018, the following share equivalents related to options and warrants to purchase shares of common stock were excluded from the computation of diluted net income (loss) per share as the inclusion of such shares would be anti-dilutive.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Common shares issuable for:				
options and warrants	1,383,888	1,711,588	1,383,888	1,781,588

NOTE 14 – RELATED PARTY TRANSACTIONS

The following table reflects the related party amounts for SK Energy, Directors and Officers included in the balance sheets of the period indicated (in thousands):

	September 30,	December 31
	2019	2018
Long-term accrued expenses	\$ -	\$ 943
Long-term notes payable – subordinated	-	30,200
Long-term notes payable, net of discount of \$-0- and \$161, respectively	-	7,694
Total related party liabilities	\$ -	\$ 38,837

See [Note 8 – Notes Payable](#) above for a further discussion of the debt conversions and subsequent retirement of all related party debt.

Additionally, on May 21, 2019, SK Energy, which is owned and controlled by Dr. Kukes, our Chief Executive Officer and a member of the Board of Directors, purchased 6,818,181 shares of restricted common stock from the Company at a price of \$2.20 per share, or \$15 million in aggregate, and on September 17, 2019, SK Energy purchased 8,204,481 additional shares of restricted common stock from the Company at a price of \$1.5845 per share, or \$13 million in aggregate (see [Note 11 – Shareholders' Equity](#) above for a further discussion of the issuance of the restricted common stock).

On August 28, 2019, 50,000 shares of restricted stock were awarded to a director for advisory services provided to the Company, which shares have a total fair value of \$82,500, based on the market price on the issuance date (see [Note 12 – Share-Based Compensation](#) above for a further discussion of the issuance of the share-based compensation).

Also on August 28, 2019, the Company granted (i) 70,000 shares of restricted Company common stock to Mr. John Scelfo, the Chairman, which shares vest 100% on July 12, 2020, which shares have a total fair value of \$115,500, (ii) 50,000 shares of restricted Company common stock to Mr. H. Douglas Evans, a director, which shares vest 100% on September 27, 2020, which shares have a total fair value of \$82,500, and (iii) 50,000 shares of restricted Company common stock to Mr. Ivar Siem, a director, which shares vest 100% on July 12, 2020, which shares have a total fair value of \$82,500, in each case subject to the recipient of the shares being a member of the Company's Board of Directors on such vesting date.

NOTE 15 – INCOME TAXES

The Company has estimated that its effective tax rate for U.S. purposes will be zero for the 2019 and 2018 fiscal years as a result of net losses and a full valuation allowance against the net deferred tax assets. Consequently, the Company has recorded no provision or benefit for income taxes for the nine months ended September 30, 2019 and 2018.

NOTE 16 – SUBSEQUENT EVENTS

Effective October 5, 2019, 250,000 shares of restricted stock were awarded to an advisor under the Company's Amended and Restated 2012 Equity Incentive Plan. The restricted stock vests as follows: 100% on the six-month anniversary of the grant date, subject to the recipient's continued service with the Company. These shares have a total fair value of \$350,000, based on the market price on the issuance date.

Effective on November 1, 2019, the Company subleased approximately 300 square feet of office space at its current headquarters to SK Energy, which is owned and controlled by Dr. Kukes, our Chief Executive Officer and a member of the Board of Directors. The lease renews on a monthly basis, may be terminated by either party at any time upon prior written notice delivered to the other party and has a monthly base rent of \$1,200.

Effective November 8, 2019, the Company entered into an Advisory Agreement and Restricted Shares Grant Agreement with Viktor Tkachev, a greater than 10% shareholder of the Company (who acquired \$12 million of shares of common stock on September 17, 2019), under which Mr. Tkachev agreed to provide strategic planning and business development services, and pursuant to which 100,000 shares of restricted common stock were awarded to Mr. Trachev under the Company's Amended and Restated 2012 Equity Incentive Plan, 100% of which vest on the six-month anniversary of the grant date, subject to the recipient's continued service with the Company and the terms and conditions of these agreements. These shares have a total fair value of \$128,000, based on the market price on the issuance date.

Effective November 8, 2019, the Company entered into an Advisory Agreement with Ivar Siem, a member of the Board of Directors, pursuant to which the 50,000 restricted shares of common stock previously awarded to Mr. Siem on August 28, 2019 under the Plan continue to vest, with 100% vesting on July 12, 2020, subject to Mr. Siem continuing to provide advisory services to the Company on such vesting date, and subject to the terms and conditions of a Restricted Shares Grant Agreement entered into by and between the Company and Mr. Siem on August 28, 2019. The Advisory Agreement contains customary confidentiality, indemnification and no conflict language; and may be terminated by the Company or the advisor with 15 days prior written notice for any reason. See also Note 12 – Share-Based Compensation, above.

Forward-Looking Statements

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition, or state other "forward-looking" information. The words "believe," "intend," "plan," "expect," "anticipate," "estimate," "project," "goal" and similar expressions identify such a statement was made, although not all forward-looking statements contain such identifying words. These statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, the risks discussed in this and our other SEC filings. We do not promise to or take any responsibility to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements except as required by law. Future events and actual results could differ materially from those expressed in, contemplated by, or underlying such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- reserves;
- technology;
- cash flows and liquidity;
- financial strategy, budget, projections and operating results;
- oil and natural gas realized prices;
- timing and amount of future production of oil and natural gas;
- availability of oil field labor;
- the amount, nature and timing of capital expenditures, including future exploration and development costs;
- drilling of wells;
- government regulation and taxation of the oil and natural gas industry;
- marketing of oil and natural gas;
- exploitation projects or property acquisitions;
- costs of exploiting and developing our properties and conducting other operations;
- general economic conditions;
- competition in the oil and natural gas industry;
- effectiveness of our risk management activities;
- environmental liabilities;
- counterparty credit risk;
- developments in oil-producing and natural gas-producing countries;
- future operating results;
- future acquisition transactions;
- estimated future reserves and the present value of such reserves; and
- plans, objectives, expectations and intentions contained in this Quarterly Report that are not historical.

All forward-looking statements speak only at the date of the filing of this Quarterly Report. The reader should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report are reasonable, we provide no assurance that these plans, intentions or expectations will be achieved. We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report and our Annual Report on Form 10-K filed with the SEC on April 1, 2019. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf. We do not undertake any obligation to update or revise publicly any forward-looking statements except as required by law, including the securities laws of the United States and the rules and regulations of the SEC.

The following is management's discussion and analysis of the significant factors that affected the Company's financial position and results of operations during the periods included in the accompanying unaudited consolidated financial statements. You should read this in conjunction with the discussion under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018, and the unaudited consolidated financial statements included in this quarterly report.

Certain abbreviations and oil and gas industry terms used throughout this Quarterly Report are described and defined in greater detail under " Glossary of Oil And Natural Gas Terms" on page 4 of our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on April 1, 2019.

Certain capitalized terms used below but not otherwise defined, are defined in, and shall be read along with the meanings given to such terms in, the notes to the unaudited financial statements of the Company for the three and nine months ended September 30, 2019, above.

Unless the context requires otherwise, references to the "Company," "we," "us," "our," "PEDEVCO" and "PEDEVCO Corp." refer specifically to PEDEVCO Corp. and its wholly and majority-owned subsidiaries.

In addition, unless the context otherwise requires and for the purposes of this report only:

- "Bbl" refers to one stock tank barrel, or 42 U.S. gallons liquid volume, used in this report in reference to crude oil or other liquid hydrocarbons;
- "Boe" refers to barrels of oil equivalent, determined using the ratio of one Bbl of crude oil, condensate or natural gas liquids, to six Mcf of natural gas;
- "Bopd" refers to barrels of oil day;
- "Mcf" refers to a thousand cubic feet of natural gas;
- "NGL" refers to natural gas liquids;
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended;
- "SEC" or the "Commission" refers to the United States Securities and Exchange Commission; and
- "Securities Act" refers to the Securities Act of 1933, as amended.

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Exchange Act, are filed with the SEC. The Company is subject to the informational requirements of the Exchange Act and files or furnishes reports, proxy statements and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge at our website (www.pedevco.com) under "Investors" – "SEC Filings", when such reports are available on the SEC's website. The SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov. The Company periodically provides other information for investors on its corporate website, www.pedevco.com. This includes press releases and other information about financial performance, information on corporate governance and details related to the Company's annual meeting of shareholders. The information contained on the websites referenced in this Form 10-Q is not incorporated by reference into this filing. Further, the Company's references to website URLs are intended to be inactive textual references only.

General Overview

We are an oil and gas company focused on the acquisition and development of oil and natural gas assets where the latest in modern drilling and completion techniques and technologies have yet to be applied. In particular, we focus on legacy proven properties where there is a long production history, well defined geology and existing infrastructure that can be leveraged when applying modern field management technologies. Our current properties are located in the San Andres formation of the Permian Basin situated in West Texas and eastern New Mexico (the "Permian Basin") and in the Denver-Julesberg Basin ("D-J Basin") in Colorado. As of September 30, 2019, we held approximately 39,000 net Permian Basin acres located in Chaves, Roosevelt and Lea Counties, New Mexico, through our wholly-owned operating subsidiary, Pacific Energy Development Corp. ("PEDCO"), which we refer to as our "Permian Basin Asset," and approximately 11,400 net D-J Basin acres located in Weld and Morgan Counties, Colorado, through our wholly-owned operating subsidiary, Red Hawk Petroleum, LLC ("Red Hawk"), which asset we refer to as our "D-J Basin Asset." As of September 30, 2019, we held interests in 379 gross (302 net) wells in our Permian Basin Asset of which 87 are active producers, 33 are active injectors, one well is an active Salt Water Disposal well ("SWD"), all of which are held by PEDCO and operated by its wholly-owned operating subsidiaries, and interests in 66 gross (21.3 net) wells in our D-J Basin Asset, of which 18 gross (16.2 net) wells are operated by Red Hawk and currently producing, 29 gross (5.3 net) wells are non-operated, and 21 wells have an after-payout interest.

Strategy

We believe that horizontal development and exploitation of conventional assets in the Permian Basin and development of the Wattenberg and Wattenberg Extension in the D-J Basin, represent among the most economic oil and natural gas plays in the U.S. We plan to optimize our existing assets and opportunistically seek additional acreage proximate to our currently held core acreage, as well as other attractive onshore U.S. oil and gas assets that fit our acquisition criteria, that Company management believes can be developed using our technical and operating expertise and be accretive to shareholder value.

Specifically, we seek to increase shareholder value through the following strategies:

- **Grow production, cash flow and reserves by developing our operated drilling inventory and participating opportunistically in non-operated projects.** We believe our extensive inventory of drilling locations in the Permian Basin and to a lesser degree the DJ-Basin, combined with our operating expertise, will enable us to continue to deliver accretive production, cash flow and reserves growth. We have identified approximately 150 gross drilling locations across our Permian Basin acreage based on 20-acre spacing. We believe the location, concentration and scale of our core leasehold positions, coupled with our technical understanding of the reservoirs will allow us to efficiently develop our core areas and to allocate capital to maximize the value of our resource base.
- **Apply modern drilling and completion techniques and technologies.** We own and intend to own additional properties that have been historically underdeveloped and underexploited. We believe our attention to detail and application of the latest industry advances in horizontal drilling, completions design, frac intensity and locally optimal frac fluids will allow us to successfully develop our properties.
- **Optimization of well density and configuration.** We own properties that are legacy conventional oil fields characterized by widespread vertical development and geological well control. We utilize the extensive petrophysical and production data of such legacy properties to confirm optimal well spacing and configuration using modern reservoir evaluation methodologies.
- **Maintain a high degree of operational control.** We believe that by retaining high operational control, we can efficiently manage the timing and amount of our capital expenditures and operating costs, and thus key in on the optimal drilling and completions strategies, which we believe will generate higher recoveries and greater rates of return per well.
- **Leverage extensive deal flow, technical and operational experience to evaluate and execute accretive acquisition opportunities.** Our management and technical teams have an extensive track record of forming and building oil and gas businesses. We also have significant expertise in successfully sourcing, evaluating and executing acquisition opportunities. We believe our understanding of the geology, geophysics and reservoir properties of potential acquisition targets will allow us to identify and acquire highly prospective acreage in order to grow our reserve base and maximize shareholder value.
- **Preserve financial flexibility to pursue organic and external growth opportunities.** We intend to maintain a disciplined financial profile that will provide us flexibility across various commodity and market cycles. We intend to utilize our strategic partners and public currency to continuously fund development and operations.

Our strategy is to be the operator, directly or through our subsidiaries and joint ventures, in the majority of our acreage so we can dictate the pace of development in order to execute our business plan. The majority of our capital expenditure budget through 2019 will be focused on the development of our Permian Basin Asset, with a secondary focus on development of our D-J Basin Asset. Our 2019 total development plan calls for the deployment of an estimated \$50 million in capital, all of which has been raised to date. On our Permian Basin Asset, four initial horizontal wells were drilled in the first quarter of 2019, in Phase One of our development plan. Phase Two of the development program began in July 2019 and called for the drilling and completion of an additional five horizontal San Andres wells and one saltwater disposal well. To date, the five horizontal wells have been drilled and are planned to be completed in the fourth quarter of 2019 or first quarter of 2020, pending final permitting and completion of the saltwater disposal well. Our future D-J Basin Asset development plans are currently under evaluation for our operated acreage, but we anticipate deploying approximately \$1 million in capital to participate in drilling and completion operations by other operators on our non-operated acreage through 2019. We expect that we will have sufficient cash available to meet our needs over the foreseeable future, which cash we anticipate being available from (i) our projected cash flow from operations, (ii) our existing cash on hand, (iii) equity infusions or loans (which may be convertible) made available from SK Energy LLC, which is 100% owned and controlled by Dr. Simon Kukes, the Company's Chief Executive Officer and director ("SK Energy"), which funding SK Energy is under no obligation to provide, and (iv) funding through credit or loan facilities. In addition, we may seek additional funding through asset sales, farm-out arrangements, lines of credit, or public or private debt or equity financings to fund additional 2019 and 2020 capital expenditures and/or acquisitions. If market conditions are not conducive to raising additional funds, the Company may choose to extend the drilling program and associated capital expenditures further into 2020.

Current Year Events

Common Stock Issuances

In May 2019, the Company raised \$15.0 million through the sale of 6,818,181 shares of restricted common stock to SK Energy, and an additional \$3.0 million through the sale of an aggregate of 1,500,000 shares of restricted common stock to two non-affiliated purchasers. Also in September 2019, the Company raised \$13.0 million through the sale of 8,204,481 shares of restricted common stock to SK Energy, and an additional \$12.0 million through the sale of an aggregate of 8,400,000 shares of restricted common stock to a non-affiliated purchaser (for additional information, see "Part I - Financial Information" - "Item 1. Financial Statements" - "Note 11 – Shareholders' Equity", above).

Borrowings and Conversions

Information regarding recent borrowings and the conversion of such debt into common stock of the Company is described in greater detail under "Part I - Financial Information" - "Item 1. Financial Statements" - "Note 8 – Notes Payable", above.

Manzano Acquisition

On February 1, 2019, for consideration of \$700,000, the Company completed an asset purchase from Manzano, LLC and Manzano Energy Partners II, LLC, whereby the Company purchased approximately 18,000 net leasehold acres, ownership and operated production from one horizontal well currently producing from the San Andres play in the Permian Basin, ownership of three additional shut-in wells, and ownership of one saltwater disposal well. The Company subsequently drilled one Manzano well in Phase Two of its 2019 development plan, which has yet to be completed.

Red Hawk Property Rights Sale

On March 7, 2019, Red Hawk sold rights to 85.5 net acres of oil and gas leases located in Weld County, Colorado, to a third party, for aggregate proceeds of \$1.2 million. The sale agreement included a provision whereby the purchaser was required to assign Red Hawk 85 net acres of leaseholds in an area located where the Company already owns other leases in Weld County, Colorado, within nine months from the date of the sale, or to repay the Company up to \$200,000 (proportionally adjusted for the amount of leasehold delivered). The purchaser has not yet identified or assigned the required leasehold acreage to the Company.

Drilling and Workover Activities

In December 2018, we commenced drilling four San Andres horizontal wells in our Permian Basin Asset acreage acquired from Hunter Oil Company in September 2018, which wells were completed in March 2019. Also, in February 2019, we completed workover operations to reactivate a San Andres horizontal well, and in March 2019 we completed the drilling of our fifth San Andres horizontal well, both of which operations were conducted on our Permian Basin acreage acquired from Manzano in February 2019. In July 2019, we also commenced drilling four additional San Andres horizontal wells in our Permian Basin Asset, for which drilling operations were completed in September 2019. Also, in August 2019, we participated in the drilling and completion of two horizontal wells in our DJ-Basin by a third-party operator.

Additional San Andres Acquisition

Effective June 10, 2019, for consideration of \$350,000, the Company completed an asset purchase from a private operator, whereby the Company purchased approximately 2,076 net leasehold acres, ownership and operated production from 22 horizontal wells currently producing from the San Andres play in the Permian Basin and ownership of three injection wells.

Results of Operations and Financial Condition

Significant Capital Expenditures

The table below sets out the significant components of capital expenditures for the nine months ended September 30, 2019 (in thousands):

Capital Expenditures	
Leasehold Acquisitions ⁽¹⁾	\$ 342
Property Acquisitions ⁽¹⁾	862
Drilling and Facilities ⁽²⁾	27,231
Total	<u>\$ 28,435</u>

(1) Consists of amounts related to the acquisition of certain oil and gas properties in February 2019 (see "Part I – Financial Information" – "Item 1. Financial Statements" - "Note 6 - Oil and Gas Properties").

(2) Consists of amounts primarily related to the drilling of nine wells and the completion of four of the nine wells as of September 30, 2019.

Market Conditions and Commodity Prices

Our financial results depend on many factors, particularly the price of natural gas and crude oil and our ability to market our production on economically attractive terms. Commodity prices are affected by many factors outside of our control, including changes in market supply and demand, which are impacted by weather conditions, inventory storage levels, basis differentials and other factors. As a result, we cannot accurately predict future commodity prices and, therefore, we cannot determine with any degree of certainty what effect increases or decreases in these prices will have on our production volumes or revenues. In addition to production volumes and commodity prices, finding and developing sufficient amounts of natural gas and crude oil reserves at economical costs are critical to our long-term success. We expect prices to remain volatile for the remainder of the year. For information about the impact of realized commodity prices on our natural gas and crude oil and condensate revenues, refer to "Results of Operations" below.

Results of Operations

The following discussion and analysis of the results of operations for the three and nine-month periods ended September 30, 2019 and 2018, should be read in conjunction with our consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. The majority of the numbers presented below are rounded numbers and should be considered as approximate.

Three Months Ended September 30, 2019 vs. Three Months Ended September 30, 2018

We reported a net loss for the three-month period ended September 30, 2019 of \$3.9 million, or (\$0.07) per share, compared to a net loss for the three-month period ended September 30, 2018 of \$2.7 million or (\$0.19) per share. The increase in net loss of \$1.2 million was primarily due to a \$3.0 million increase in our depreciation, depletion, amortization and accretion expense, offset by an increase in revenue of \$1.8 million related to our increased production and corresponding costs, when comparing the current period to the prior year period.

Net Revenues

The following table sets forth the operating results and production data for the periods indicated:

	Three Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Sale Volumes:				
Crude Oil (Bbls)	61,441	18,870	42,571	226%
Natural Gas (Mcf)	43,725	25,858	17,867	69%
NGL (Bbls)	780	2,425	(1,645)	(68%)
Total (Boe) ⁽¹⁾	69,509	25,605	43,904	171%
Production:				
Crude Oil (Bbls per day)	668	205	462	226%
Natural Gas (Mcf per day)	475	281	194	69%
NGL (Bbls per day)	8	26	(18)	(69%)
Total (Boe per day) ⁽¹⁾	755	278	477	172%
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 49.80	\$ 62.16	\$ (12.36)	(20%)
Natural Gas (\$/Mcf)	1.57	1.95	(0.38)	(19%)
NGL (\$/Bbl)	2.10	14.94	(12.84)	(86%)
Net Operating Revenues (in thousands):				
Crude Oil	\$ 3,059	\$ 1,173	\$ 1,886	161%
Natural Gas	68	50	18	36%
NGL	2	36	(34)	(95%)
Total Revenues	\$ 3,129	\$ 1,259	\$ 1,870	149%

(1) Assumes 6 Mcf of natural gas and NGL equivalents to 1 barrel of oil.

Total crude oil and natural gas revenues for the three-month period ended September 30, 2019 increased \$1.9 million, or 149%, to \$3.1 million, compared to \$1.2 million for the same period a year ago, due primarily to a favorable volume variance of \$2.1 million, offset by an unfavorable price variance of \$0.2 million. Production increases are from our drilling and completing four wells in our Permian Basin Asset as well as our participation in the drilling and completion of two horizontal wells in our DJ-Basin by a third-party operator and workover activities during the period.

Net Operating and Other Income (Expenses)

The following table summarizes our production costs and operating expenses for the periods indicated (in thousands):

	Three Months Ended		Increase (Decrease)	% Increase (Decrease)
	September 30,			
	2019	2018		
Direct Lease Operating Expenses	\$ 1,081	\$ 413	\$ 668	162%
Workovers	276	340	(64)	(19%)
Other*	334	183	151	83%
Total Lease Operating Expenses	<u>1,691</u>	<u>936</u>	<u>755</u>	<u>81%</u>
Exploration Expenses	27	-	27	100%
Depreciation, Depletion, Amortization and Accretion	3,952	937	3,015	322%
General and Administrative (Cash)	\$ 1,040	\$ 1,239	\$ (199)	(16%)
Share-Based Compensation (Non-Cash)	326	383	(57)	(15%)
Total General and Administrative Expense	<u>1,366</u>	<u>1,622</u>	<u>(256)</u>	<u>(16%)</u>
Interest Expense	\$ -	\$ 497	\$ (497)	(100%)
Interest Income	\$ 15	\$ -	\$ 15	100%
Other Expense	\$ (14)	\$ -	\$ (14)	100%

*Includes severance and ad valorem taxes and marketing costs

Lease Operating Expenses. The increase of \$0.8 million was primarily due to higher direct and variable lease operating expenses associated with the higher oil volume resulting from the increased number of wells and increased oil production during the current year's period, compared to the prior year's period, due to the Permian Basin Asset acquisition in September 2018, as well as production from our recently completed wells.

Exploration Expense. There was minimal change in exploration activity undertaken by the Company in the current year's period compared to the prior year's period.

Depreciation, Depletion, Amortization and Accretion. The \$3.0 million increase was primarily the result of higher oil volume resulting from the increased number of wells and increased oil production from our four new producing wells during the current year's period, compared to the prior year's period.

General and Administrative Expenses (excluding share-based compensation). The decrease of \$0.2 million was primarily due to a one-time severance payment made to our former CEO of \$350,000 in the prior period. This was offset by additional compensation incurred by the Company's hiring of additional personnel and consultants during the current year's period, compared to the prior year's period.

Share-Based Compensation. Share-based compensation, which is included in general and administrative expenses in the Statements of Operations, decreased minimally, as there were no significant additions in awarding of employee stock-based options and compensation when comparing periods. Share-based compensation is utilized for the purpose of conserving cash resources for use in field development activities and operations.

Interest Expense. The decrease of \$0.5 million was due primarily to the Company having no debt in the current period, compared to the prior year's period.

Interest Income and Other Expense. There was minimal activity for other income and expense by the Company in the current year's period, compared to the prior year's period.

Nine Months Ended September 30, 2019 vs. Nine Months Ended September 30, 2018

We reported a net loss for the nine-month period ended September 30, 2019 of \$9.4 million, or (\$0.21) per share, compared to net income for the nine-month period ended September 30, 2018 of \$59.3 million or \$6.04 per share. The decrease in net income of \$68.7 million was primarily due to the recognition of a one-time \$70.3 million gain on debt restructuring in 2018, described in greater detail in our [Annual Report on Form 10-K](#) for the year ended December 31, 2018, under the heading "Item 1 and 2 Business and Properties" – "Business Operations" – "Restructuring". Excluding this significant non-recurring transaction, our net loss decreased by \$1.6 million due to a reduction in interest expense incurred of \$6.1 million, as a result of our debt restructuring, coupled with \$6.0 million in additional revenue, offset by additional operating expenses of \$11.2 million, from the Company's production increases, as well as the hiring of additional staff and consultants, for the nine months ended September 30, 2019, compared to the prior year's period.

Net Revenues

The following table sets forth the operating results and production data for the periods indicated:

	Nine Months Ended September 30,		Increase (Decrease)	% Increase (Decrease)
	2019	2018		
Sale Volumes:				
Crude Oil (Bbls)	163,089	41,132	121,957	297%
Natural Gas (Mcf)	81,481	62,273	19,208	31%
NGL (Bbls)	2,170	5,808	(3,638)	(63%)
Total (Boe) ⁽¹⁾	178,839	57,319	121,520	212%
Crude Oil (Bbls per day)	597	151	446	295%
Natural Gas (Mcf per day)	298	228	70	31%
NGL (Bbls per day)	8	21	(13)	(62%)
Total (Boe per day) ⁽¹⁾	655	210	445	212%
Average Sale Price:				
Crude Oil (\$/Bbl)	\$ 52.42	\$ 62.04	\$ (9.62)	(16%)
Natural Gas (\$/Mcf)	2.50	2.31	0.19	8%
NGL (\$/Bbl)	6.80	18.13	(11.33)	(62%)
Net Operating Revenues (in thousands):				
Crude Oil	\$ 8,549	\$ 2,552	\$ 5,997	235%
Natural Gas	203	144	59	41%
NGL	15	105	(90)	(86%)
Total Revenues	<u>\$ 8,767</u>	<u>\$ 2,801</u>	<u>\$ 5,966</u>	<u>213%</u>

(1) Assumes 6 Mcf of natural gas and NGL equivalents to 1 barrel of oil.

Total crude oil and natural gas revenues for the nine-month period ended September 30, 2019 increased \$6.0 million, or 213%, to \$8.8 million, compared to \$2.8 million for the same period a year ago, due primarily to a favorable volume variance of \$6.4 million, offset by an unfavorable price variance of \$0.4 million. Production increases are from our drilling and completing four wells in our Permian Basin as well as our participation in the drilling and completion of two horizontal wells in our DJ-Basin by a third-party operator and additional workover activities during the period.

Net Operating and Other Income (Expenses)

The following table summarizes our production costs and operating expenses for the periods indicated (in thousands):

	Nine Months Ended		Increase (Decrease)	% Increase (Decrease)
	September 30,			
	2019	2018		
Direct Lease Operating Expenses	\$ 2,976	\$ 1,013	\$ 1,963	194%
Workovers	956	375	581	155%
Other*	824	277	547	197%
Total Lease Operating Expenses	<u>4,756</u>	<u>1,665</u>	<u>3,091</u>	<u>186%</u>
Exploration Expenses	50	38	12	32%
Depreciation, Depletion, Amortization and Accretion	8,985	2,220	6,765	305%
General and Administrative (Cash)	\$ 3,315	\$ 2,410	\$ 905	38%
Share-Based Compensation (Non-Cash)	1,023	566	457	81%
Total General and Administrative Expense	<u>4,338</u>	<u>2,976</u>	<u>1,362</u>	<u>46%</u>
Gain on Sale of Oil and Gas Properties	\$ 920	\$ -	\$ 920	100%
Interest Expense	\$ 824	\$ 6,888	\$ (6,064)	(88%)
Interest Income	\$ 22	\$ -	\$ 22	100%
Gain on Debt Extinguishment	\$ -	\$ 70,309	\$ (70,309)	(100%)
Other Expense	\$ (117)	\$ -	\$ (117)	100%

*Includes severance and ad valorem taxes and marketing costs

Lease Operating Expenses. The increase of \$3.1 million was primarily due to \$0.6 million in increased workover expenses coupled with higher direct and variable lease operating expenses associated with the higher oil volume resulting from the increased number of wells and increased oil production during the current year's period, compared to the prior year's period, due to the Permian Basin Asset acquisition in September 2018, as well as production from our recently completed wells.

Exploration Expense. There was minimal change in exploration activity undertaken by the Company in the current year's period compared to the prior year's period.

Depreciation, Depletion, Amortization and Accretion. The \$6.8 million increase was primarily the result of higher oil volume resulting from the increased number of wells and increased oil production from our four new producing wells during the current year's period, compared to the prior year's period.

General and Administrative Expenses (excluding share-based compensation). The increase of \$0.9 million was primarily due to increases in payroll as well as other cost increases, resulting from the hiring of additional personnel and consultants during the current year's period, compared to the prior year's period.

Share-Based Compensation. Share-based compensation, which is included in general and administrative expenses in the Statements of Operations, increased by \$0.5 million primarily due to an increase in the awarding of employee stock-based options and compensation. Share-based compensation is utilized for the purpose of conserving cash resources for use in field development activities and operations.

Gain on Sale of Oil and Gas Properties. The Company sold rights to 85.5 net acres of oil and gas leases located in Weld County, Colorado, to a third party, for aggregate proceeds of \$1.2 million and recognized a gain on sale of oil and gas properties of \$0.9 million.

Interest Expense. The decrease of \$6.1 million was due primarily to the retirement of all of our outstanding debt in the first quarter of 2019, coupled with the Company's June 2018 debt restructuring, noted above, when comparing the current period to the prior period.

Gain on Debt Extinguishment. The Company recognized a gain of \$70.3 million on the Company's debt restructuring, which occurred in June 2018, described in greater detail in our Annual Report on Form 10-K for the year ended December 31, 2018, under the heading "Item 1 and 2 Business and Properties" – "Business Operations" – "Restructuring".

Interest Income and Other Expense. In the current period, the Company wrote-off a \$0.1 million third party option related to the option to acquire shares of Caspian Energy, described in greater detail under "Part I - Financial Information" - "Item 1. Financial Statements" - "Note 7 – Other Current Assets", which expired unexercised as of May 12, 2019.

Liquidity and Capital Resources

The primary sources of cash for the Company during the nine-month period ended September 30, 2019 were funds borrowed pursuant to convertible promissory notes (which were subsequently converted into common stock) and the sale of restricted common stock, which funds primarily came from SK Energy, which is owned and controlled by Dr. Kukes, our Chief Executive Officer and a member of the Board of Directors and Mr. Viktor Tkachev, an investor who purchased \$12.0 million of restricted common stock, and sales of crude oil and natural gas. The primary uses of cash were funds used for development costs and operations.

Working Capital

At September 30, 2019, the Company's total current assets of \$36.1 million exceeded its total current liabilities of \$10.3 million, resulting in a working capital surplus of \$25.8 million, which included a reclassification of \$3.3 million of restricted cash from current to other assets, as it was determined that the restricted cash, which is used as collateral for surety bonds in our New Mexico operations, would be long-term in nature. See "Part I – Financial Information" – "Item 1. Financial Statements" - "Note 5 – Restricted Cash". At December 31, 2018, the Company's total current liabilities of \$8.9 million exceeded its total current assets of \$6.8 million, resulting in a working capital deficit of \$2.1 million. The \$27.9 million increase in our working capital surplus is primarily related to cash borrowed under convertible notes (subsequently converted into common stock) and the sale of common stock during the period, which amounts were in excess of amounts used to fund payables and accrued expenses related to our capital drilling projects.

Financing

A summary of our financing transactions and other recent funding transactions can be found at "Part I – Financial Information" – "Item 1. Financial Statements" - "Note 8 – Notes Payable" and "Note 11 – Shareholders' Equity".

Cash Flows (in thousands)

	Nine Months Ended September 30,	
	2019	2018
Cash flows provided by (used in) operating activities	\$ 6,494	\$ (704)
Cash flows used in investing activities	(33,031)	(19,911)
Cash flows provided by financing activities	58,000	22,474
Net increase in cash and restricted cash	\$ 31,463	\$ 1,859

Cash Flows provided by Operating Activities. Net cash provided by operating activities increased by \$7.2 million for the current year's period, when compared to the prior year's period, primarily due to a decrease in our net loss of \$1.6 million, when not factoring in our \$70.3 million gain on debt restructuring which occurred in the prior period, coupled with a \$3.8 million decrease in capitalized and deferred interest expense and net increases to our other components of working capital, which are related to our increased revenue and production levels from our drilling and completion activity in the current period.

Cash Flows used in Investing Activities. Net cash used in investing activities increased by \$13.1 million for the current year's period, when compared to the prior year's period, primarily due to \$33.0 million of drilling and completion activities in the current period, offset by a \$1.2 million property sale in current period and \$18.7 million in additional acquisition costs in the prior period compared to the current period.

Cash Flows provided by Financing Activities. Net cash provided by financing activities increased by \$35.5 million primarily due to \$43.0 million in proceeds from the sale of common stock in the current period, offset by a decrease in net proceeds from the issuance of notes payable from the prior period compared to the current period of \$15.9 million. There was also \$7.8 million of repayment of notes payable and a \$1.1 million warrant repurchase, offset by \$0.4 million in proceeds from the issuance of a note payable in the prior period, which contributed to the increase in the current period, when compared to the prior period.

Off-Balance Sheet Arrangements

The Company does not participate in financial transactions that generate relationships with unconsolidated entities or financial partnerships. As of September 30, 2019, we did not have any off-balance sheet arrangements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. See our Form 10-K for further discussion of our critical accounting policies.

Recently Adopted and Recently Issued Accounting Pronouncements

Refer to "[Part I – Financial Information](#)" – "[Item 1. Financial Statements](#)" - "[Note 3 – Summary of Significant Accounting Policies](#)" - "[Recently Adopted Accounting Pronouncements](#)", for a discussion of new accounting pronouncements that affect us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Pursuant to Item 305(e) of Regulation S-K (§ 229.305(e)), the Company is not required to provide the information required by this Item as it is a "[smaller reporting company](#)," as defined by Rule 229.10(f)(1).

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure 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 period specified in the SEC's rules and forms and is accumulated and communicated to the Company's management, as appropriate, in order to allow timely decisions in connection with required disclosure.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO")(the Principal Executive Officer) and Chief Accounting Officer ("CAO")(the Principal Financial/Accounting Officer), we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report. Based on this evaluation, our CEO and CAO concluded as of September 30, 2019, that our disclosure controls and procedures were effective. The Company will perform an additional assessment as of December 31, 2019 for year-end reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three and nine months ended September 30, 2019, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting, including any corrective actions regarding significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any material legal proceeding. In addition, we are not aware of any material legal or governmental proceedings against us or contemplated to be brought against us.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, filed with the Commission on April 1, 2019, under the heading "Item 1A. Risk Factors", other than as set forth below, and investors are encouraged to review such risk factors in the Annual Report and below, prior to making an investment in the Company.

The risk factor entitled "New or amended environmental legislation or regulatory initiatives could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us." from the Form 10-K is replaced and superseded by the following:

New or amended environmental legislation or regulatory initiatives could result in increased costs, additional operating restrictions, or delays, or have other adverse effects on us.

The environmental laws and regulations to which we are subject change frequently, often to become more burdensome and/or to increase the risk that we will be subject to significant liabilities. New or amended federal, state, or local laws or implementing regulations or orders imposing new environmental obligations on, or otherwise limiting, our operations could make it more difficult and more expensive to complete oil and natural gas wells, increase our costs of compliance and doing business, delay or prevent the development of resources (especially from shale formations that are not commercial without the use of hydraulic fracturing), or alter the demand for and consumption of our products. Any such outcome could have a material and adverse impact on our cash flows and results of operations.

For example, in 2014, 2016 and 2018, opponents of hydraulic fracturing sought statewide ballot initiatives in Colorado that would have restricted oil and gas development in Colorado and could have had materially adverse impacts on us. One of the proposed initiatives would have made the vast majority of the surface area of the state ineligible for drilling, including substantially all of our planned future drilling locations. By further example, in April 2019, Colorado Senate Bill 19-181 (the "Bill") was passed into law, which prioritizes the protection of public safety, health, welfare, and the environment in the regulation of the oil and gas industry by modifying the State's oil and gas statutes and clarifying, reinforcing, and establishing local governments' regulatory authority over the surface impacts of oil and gas development in Colorado. This Bill, among other things, gives more power to local government entities in making land use decisions about oil and gas development and regulation, and directs the Colorado Oil & Gas Conservation Commission ("COGCC") to promulgate rules to ensure, among other things, proper wellbore integrity, allow public disclosure of flowline information, and evaluate when inactive or shut-in wells must be inspected before being put into production or used for injection. In addition, the Bill requires that owners of more than 50% of the mineral interests in lands to be pooled must have joined in the application for a pooling order and that the application must include proof that the applicant received approval for the facilities from the affected local government or that the affected local government does not regulate such facilities. In addition, the Bill provides that an operator cannot use the surface owned by a nonconsenting owner without permission from the nonconsenting owner, and increases nonconsenting owners' royalty rates during a well's pay-back period from 12.5% to 13.0%. The COGCC is currently working to issue objective criteria, after public comment, on how the COGCC will begin implementing this new law, with local governments expected to follow. We anticipate that the Bill may make it more difficult and more costly for us to undertake oil and gas development activities in Colorado.

Similar to the Bill described above, proposals are made from time to time to adopt new, or amend existing, laws and regulations to address hydraulic fracturing or climate change concerns through further regulation of exploration and development activities. Please read "Part I" – "Item 1 and 2. Business and Properties" — "Regulation of the Oil and Gas Industry" and "Regulation of Environmental and Occupational Safety and Health Matters" of our Annual Report on Form 10-K for the year ended December 31, 2018, which is incorporated by reference herein, for a further description of the laws and regulations that affect us. We cannot predict the nature, outcome, or effect on us of future regulatory initiatives, but such initiatives could materially impact our results of operations, production, reserves, and other aspects of our business.

The risk factor entitled "Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities." from the Form 10-K is replaced and superseded by the following:

Shareholders may be diluted significantly through our efforts to obtain financing and satisfy obligations through the issuance of securities.

Wherever possible, our board of directors will attempt to use non-cash consideration to satisfy obligations. In many instances, we believe that the non-cash consideration will consist of shares of our common stock, preferred stock or warrants to purchase shares of our common stock. Our board of directors has authority, without action or vote of the shareholders, subject to the requirements of the NYSE American (which generally require shareholder approval for any transactions which would result in the issuance of more than 20% of our then outstanding shares of common stock or voting rights representing over 20% of our then outstanding shares of stock, subject to certain exceptions, including sales in a public offering and/or sales which are undertaken at or above the lower of the closing price immediately preceding the signing of the binding agreement or the average closing price for the five trading days immediately preceding the signing of the binding agreement), to issue all or part of the authorized but unissued shares of common stock, preferred stock or warrants to purchase such shares of common stock. In addition, we may attempt to raise capital by selling shares of our common stock, possibly at a discount to market in the future. These actions will result in dilution of the ownership interests of existing shareholders and may further dilute common stock book value, and that dilution may be material. Such issuances may also serve to enhance existing management's ability to maintain control of us, because the shares may be issued to parties or entities committed to supporting existing management.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company did not issue or sell any unregistered equity securities during the quarter ended September 30, 2019, and through the date of the filing of this Report, which were not previously disclosed in a prior Quarterly Report on Form 10-Q, Annual Report on Form 10-K or in a Current Report on Form 8-K.

Use of Proceeds From Sale of Registered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

Effective on November 1, 2019, the Company subleased approximately 300 square feet of office space at its current headquarters to SK Energy, which is owned and controlled by Dr. Kukes, our Chief Executive Officer and a member of the Board of Directors. The lease renews on a monthly basis and may be terminated by either party at any time upon prior written notice delivered to the other party and has a monthly base rent of \$1,200.

Effective November 8, 2019, the Company entered into an Advisory Agreement and Restricted Shares Grant Agreement with Viktor Tkachev, a greater than 10% shareholder of the Company (who acquired \$12 million of shares of common stock on September 17, 2019), under which Mr. Tkachev agreed to provide strategic planning and business development services, and pursuant to which 100,000 shares of restricted common stock were awarded to Mr. Tkachev under the Company's Amended and Restated 2012 Equity Incentive Plan (the "Plan"), vesting in full on the six-month anniversary of the grant date, subject to his continued service with the Company, in consideration for advisory services to be provided by Mr. Tkachev to the Company. The Advisory Agreement contains customary confidentiality, indemnification and no conflict language, and may be terminated by the Company or the advisor with 15 days prior written notice for any reason.

Effective November 8, 2019, the Company entered into an Advisory Agreement with Ivar Siem, a member of the Board of Directors, pursuant to which the 50,000 restricted shares of common stock previously awarded to Mr. Siem on August 28, 2019 under the Plan continue to vest, with 100% vesting on July 12, 2020, subject to Mr. Siem continuing to provide advisory services to the Company on such vesting date, and subject to the terms and conditions of a Restricted Shares Grant Agreement entered into by and between the Company and Mr. Siem on August 28, 2019. The Advisory Agreement contains customary confidentiality, indemnification and no conflict language; and may be terminated by the Company or the advisor with 15 days prior written notice for any reason.

ITEM 6. EXHIBITS

See the Exhibit Index following the signature page to this Quarterly Report on Form 10-Q for a list of exhibits filed or furnished with this report, which Exhibit Index is incorporated herein by reference.

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, thereunto duly authorized.

PEDEVCO Corp.

November 8, 2019

By: /s/ Dr. Simon Kukes
Dr. Simon Kukes
Chief Executive Officer
(Principal Executive Officer)

PEDEVCO Corp.

November 8, 2019

By: /s/ Paul A. Pinkston
Paul A. Pinkston
Chief Accounting Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference			
		Form	Exhibit	Filing Date/Period End Date	File Number
2.1#	Purchase and Sale Agreement dated January 11, 2019, by and between Manzano, LLC and Manzano Energy Partners, II, LLC, as seller and Pacific Energy Development Corp., as purchaser	8-K	2.1	January 14, 2019	001-35922
10.1***	Separation and General Release Agreement, dated December 31, 2018, between Pacific Energy Development Corp. and Gregory Overholtzer	8-K	10.1	January 4, 2019	001-35922
10.2***	Consulting Agreement, dated January 1, 2019, between Gregory Overholtzer and Pacific Energy Development Corp.	8-K	10.2	January 4, 2019	001-35922
10.3	\$15,000,000 Convertible Promissory Note between PEDEVCO Corp., as borrower and SK Energy LLC as lender, dated January 11, 2019	8-K	10.1	January 14, 2019	001-35922
10.4	First Amendment to Convertible Promissory Notes, dated February 15, 2019, entered into by and between PEDEVCO Corp. and SK Energy LLC	8-K	10.4	February 19, 2019	001-35922
10.5	First Amendment to Promissory Note, dated March 1, 2019, entered into by and between PEDEVCO Corp. and SK Energy LLC	8-K	10.1	March 4, 2019	001-35922
10.6	\$14,999,998.20 Common Stock Subscription Agreement between PEDEVCO Corp. and SK Energy LLC, dated May 21, 2019	8-K/A	10.1	August 12, 2019	001-35922
10.7	PEDEVCO Corp. 2012 Amended and Restated Equity Incentive Plan**	S-8	4.1	August 29, 2019	333-233525
10.8	Pacific Energy Development Corp. 2012 Plan - Form of Restricted Shares Grant Agreement**	S-8	4.2	October 31, 2013	333-192002
10.9	Pacific Energy Development Corp. 2012 Plan - Form of Stock Option Agreement **	S-8	4.2	October 31, 2013	333-192002
10.10	\$12,000,000 Common Stock Subscription Agreement between PEDEVCO Corp. and Viktor Tkachev, dated September 17, 2019	8-K	10.1	September 18, 2019	001-35922
10.11	\$13,000,000.14 Common Stock Subscription Agreement between PEDEVCO Corp. and SK Energy LLC, dated September 17, 2019	8-K	10.2	September 18, 2019	001-35922
10.12*	Advisory Agreement, dated November 8, 2019, entered into by and between PEDEVCO Corp. and Ivar Siem				
10.13*	Sublease Letter Agreement, dated November 8, 2019, entered into by and between PEDEVCO Corp. and SK Energy, LLC				
10.14*	Advisory Agreement, dated November 8, 2019, entered into by and between PEDEVCO Corp. and Viktor Tkachev				
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema Document				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document				

* Filed herewith.

** Furnished herewith.

*** Management contract or compensatory plan, contract or arrangement.

Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request; provided, however that PEDEVCO Corp. may request confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended, for any schedule or exhibit so furnished.

ADVISORY AGREEMENT

This Advisory Agreement is made and entered into, as of November 8, 2019 (“**Effective Date**”), by and between PEDEVCO Corp., a Texas corporation (“**Company**”), having a principal place of business at 575 N. Dairy Ashford, Energy Center II, Suite 210, Houston, Texas 77079 and Ivar Siem, a(n) individual, partnership, limited liability partnership, corporation, limited liability company (check the appropriate box), having a principal place of business at 105 Sage Road, Houston, Texas 77056 (“**Advisor**”).

1. Engagement of Services

. Company engages Advisor to provide the services set forth on Schedule A attached hereto. Schedule A can be amended from time to time should the scope of services change at any time.

2. Compensation; Timing

. Company will pay Advisor the fee set forth on Schedule A. Company will reimburse Advisor's expenses which have been approved beforehand in writing by Company (email acceptable) no later than thirty (30) days after Company's receipt of Advisor's invoice, provided that reimbursement for expenses may be delayed until such time as Advisor has furnished reasonable documentation for authorized expenses as Company may reasonably request. Upon termination of this Agreement for any reason, Advisor will be (a) paid fees on the basis stated on Schedule A and (b) reimbursed only for expenses that are incurred pursuant to this Section 2 prior to termination of this Agreement.

3. Independent Contractor Relationship

(a) Advisor's relationship with Company is that of an independent contractor, and nothing in this Agreement is intended to, or shall be construed to, create a partnership, agency, joint venture, employment or similar relationship. Advisor will not be entitled to any of the benefits that Company may make available to its employees, including, but not limited to, group health or life insurance, profit-sharing or retirement benefits, vacation days, sick days, or holidays. Advisor is not authorized to make any representation, contract or commitment on behalf of Company unless specifically requested or authorized in writing to do so by a Company manager. Advisor is solely responsible for, and will file, on a timely basis, all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Agreement. Advisor is solely responsible for, and must maintain adequate records of, expenses incurred in the course of performing services under this Agreement. No part of Advisor's compensation will be subject to withholding by Company for the payment of any social security, federal, state or any other employee payroll taxes. Advisor is solely responsible for and assumes full responsibility for (as applicable) the payment of FICA, FUTA and income taxes and compliance with any other international, federal, state, or local laws, rules and regulations. Company will regularly report amounts paid to Advisor by filing Form 1099-MISC with the Internal Revenue Service as required by law.

(b) Company understands and agrees that Advisor shall render services in whatever manner deemed appropriate by Advisor. During the term of this Agreement, Advisor agrees to perform the services on a professional best-efforts basis, in accordance with all applicable laws and regulations and in accordance with the highest applicable industry standards.

(c) Company shall not control or direct, nor shall the Company have any right to control or direct, the result of or the details, methods, manner or means by which Advisor performs his or her business or services, except that Advisor shall coordinate services with the Company, shall provide services in accordance with generally accepted industry standards and in compliance with all international, federal, state, and local laws.

(d) Advisor has and will at all times retain the exclusive right to control and direct the method, details, and means of performing the services under this Agreement. Company shall not specify the amount of time required to perform individual aspects of the services. Advisor's services are not exclusive to the Company, and Advisor may render services for other business entities.

4. Reserved

5. Confidentiality

(a) Definition of Confidential Information

“**Confidential Information**” means (a) any technical and non-technical information related to Company’s business and current, future and proposed products and services of Company, including for example and without limitation, Company Property (as defined in [Section 5\(d\)](#)), and Company’s information concerning research, development, design details and specifications, financial information, procurement requirements, engineering and manufacturing information, customer lists, business forecasts, sales information and marketing plans and (b) any information that may be made known to Advisor and that Company has received from others that Company is obligated to treat as confidential or proprietary.

(b) Non-Disclosure and Nonuse Obligations

During Advisor’s independent contractor relationship under this Agreement, Company shall provide to Advisor Confidential Information. In exchange for the Company’s promise to provide Advisor with Confidential Information, and except as permitted in this [Section 5\(b\)](#), Advisor shall not use, disseminate or in any way disclose the Confidential Information. Advisor may use the Confidential Information solely to perform services pursuant to this Agreement for the benefit of Company. Advisor shall treat all Confidential Information with the same degree of care as Advisor accords to Advisor’s own confidential information, but in no case shall Advisor use less than reasonable care. If Advisor is not an individual, Advisor shall disclose Confidential Information only to those of Advisor’s employees who have a need to know such information. Advisor certifies that each such employee will have agreed, either as a condition of employment or in order to obtain the Confidential Information, to be bound by terms and conditions at least as protective as those terms and conditions applicable to Advisor under this Agreement. Advisor shall immediately give notice to Company of any unauthorized use or disclosure of the Confidential Information. Advisor shall assist Company in remedying any such unauthorized use or disclosure of the Confidential Information. Advisor agrees not to communicate any information to Company in violation of the proprietary rights of any third party.

(c) Exclusions from Non-Disclosure and Nonuse Obligations

Advisor’s obligations under [Section \(b\)](#) shall not apply to any Confidential Information that Advisor can demonstrate (a) was in the public domain at or subsequent to the time such Confidential Information was communicated to Advisor by Company through no fault of Advisor; (b) was rightfully in Advisor’s possession free of any obligation of confidence at or subsequent to the time such Confidential Information was communicated to Advisor by Company; or (c) was developed by employees of Advisor independently of and without reference to any Confidential Information communicated to Advisor by Company. A disclosure of any Confidential Information by Advisor (a) in response to a valid order by a court or other governmental body or (b) as otherwise required by law shall not be considered to be a breach of this Agreement or a waiver of confidentiality for other purposes; provided, however, that Advisor shall provide prompt prior written notice thereof to Company to enable Company to seek a protective order or otherwise prevent such disclosure.

(d) Ownership and Return of Confidential Information and Company Property

All Confidential Information and any materials (including, without limitation, documents, drawings, papers, diskettes, tapes, models, apparatus, sketches, designs and lists) furnished to Advisor by Company, whether delivered to Advisor by Company or made by Advisor in the performance of services under this Agreement and whether or not they contain or disclose Confidential Information (collectively, the “**Company Property**”), are the sole and exclusive property of Company or Company’s suppliers or customers. Advisor agrees to keep all Company Property at Advisor’s premises unless otherwise permitted in writing by Company. Within five (5) days after any request by Company, Advisor shall destroy or deliver to Company, at Company’s option, (a) all Company Property and (b) all materials in Advisor’s possession or control that contain or disclose any Confidential Information. Advisor will provide Company a written certification of Advisor’s compliance with Advisor’s obligations under this [Section 5\(d\)](#).

6. Indemnification

Advisor will indemnify and hold harmless Company from and against any and all third party claims, suits, actions, demands and proceedings against Company and all losses, costs and liabilities related thereto arising out of or related to (i) an allegation that any item, material and other deliverable delivered by Advisor under this Agreement infringes any intellectual property rights or publicity rights of a third party or (ii) any negligence by Advisor or any other act or omission of Advisor, including without limitation any breach of this Agreement by Advisor.

7. Observance of Company Rules

At all times while on Company’s premises, Advisor will observe Company’s rules and regulations with respect to conduct, health, safety and protection of persons and property.

8. No Conflict of Interest

During the term of this Agreement, Advisor will not accept work, enter into a contract or accept an obligation inconsistent or incompatible with Advisor’s obligations, or the scope of services to be rendered for Company, under this Agreement. Advisor warrants that, to the best of Advisor’s knowledge, there is no other existing contract or duty on Advisor’s part that conflicts with or is inconsistent with this Agreement. Advisor agrees to indemnify Company from any and all loss or liability incurred by reason of the alleged breach by Advisor of any services agreement with any third party.

9. Reserved.

10. Term and Termination

(a) Term

. This Agreement is effective as of the Effective Date set forth above and shall continue indefinitely unless and until terminated by either party as set forth below.

(b) Termination by Company

. Company may terminate this Agreement without cause at any time, with termination effective fifteen (15) days after Company's delivery to Advisor of written notice of termination (email acceptable). Company also may terminate this Agreement immediately for a material breach by Advisor if Advisor's material breach of any provision of this Agreement is not cured within ten (10) days after the date of Company's written notice of breach (email acceptable).

(c) Termination by Advisor

. Advisor may terminate this Agreement without cause at any time, with termination effective fifteen (15) days after Advisor's delivery to Company of written notice of termination (email acceptable). Advisor also may terminate this Agreement immediately for a material breach by Company if Company's material breach of any provision of this Agreement is not cured within ten (10) days after the date of Advisor's written notice of breach (email acceptable).

(d) Effect of Expiration or Termination

. Upon expiration or termination of this Agreement, Company shall pay Advisor for services performed under this Agreement as set forth on Schedule A. The definitions contained in this Agreement and the rights and obligations contained in this Section 10(d) and Sections 5 and 11 will survive any termination or expiration of this Agreement.

11. General Provisions

(a) Successors and Assigns

. Advisor may not subcontract or otherwise delegate Advisor's obligations under this Agreement without Company's prior written consent. Subject to the foregoing, this Agreement will be for the benefit of Company's successors and assigns, and will be binding on Advisor's assignees.

(b) Injunctive Relief

. Advisor's obligations under this Agreement are of a unique character that gives them particular value; Advisor's breach of any of such obligations will result in irreparable and continuing damage to Company for which money damages are insufficient, and Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including money damages if appropriate).

(c) Notices

. Any and all notices, requests, demands, or other communications provided for hereunder, shall be given in writing by personal service, by registered or certified mail, postage prepaid, overnight delivery service, delivery charges prepaid, or by email, facsimile or other electronic means addressed to the intended recipients. A notice shall be deemed to have been received when personally served or delivered or five (5) days after being mailed, or one (1) day after being sent by overnight delivery service or by email, facsimile or other electronic means.

(d) Governing Law; Forum

. This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of Texas, as such laws are applied to agreements entered into and to be performed entirely within Texas between Texas residents. Each of the parties irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in Texas, as applicable, for any matter arising out of or relating to this Agreement, except that in actions seeking to enforce any order or any judgment of such federal or state courts located in Texas, such personal jurisdiction shall be nonexclusive. Additionally, notwithstanding anything in the foregoing to the contrary, a claim for equitable relief arising out of or related to this Agreement may be brought in any court of competent jurisdiction.

(e) Severability

. If a court of law holds any provision of this Agreement to be illegal, invalid or unenforceable, (a) that provision shall be deemed amended to achieve an economic effect that is as near as possible to that provided by the original provision and (b) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(f) Waiver; Modification

. If Company waives any term, provision or Advisor's breach of this Agreement, such waiver shall not be effective unless it is in writing and signed by Company. No waiver by a party of a breach of this Agreement shall constitute a waiver of any other or subsequent breach by Advisor. This Agreement may be modified only by mutual written agreement of authorized representatives of the parties.

(g) Entire Agreement

. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous agreements concerning such subject matter, written or oral.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY

PEDEVCO CORP.

By: /s/ Clark R. Moore

Name: Clark R. Moore

Title: EVP and General Counsel

ADVISOR

IVAR SIEM

By: /s/ Ivar Siem

SSN: On File

Address: 105 Sage Road, Houston, TX 77056

SCHEDULE A

SERVICES

Technical advisory services.

FEES

The Company shall provide the following compensation to Advisor under this Agreement:

- a. Continued vesting of 50,000 shares of Company restricted common stock granted to Consultant for advisory services on August 28, 2019 under the Company's 2012 Equity Incentive Plan, as amended, such vesting subject to continued service of Advisor to the Company under this Agreement.
 - b. Such other compensation as agreed upon from time to time between the Company and Advisor.
-



Via Electronic Mail

November 8, 2019

Dear SK Energy, LLC:

Pursuant to our discussion, effective and commencing November 1, 2019, SK Energy, LLC agrees to sublease one (1) office from PEDEVCO Corp. at its headquarters located at 575 N. Dairy Ashford, Energy Center II, Suite 210, Houston, Texas 77079, such office to be mutually agreed upon by SK Energy, LLC and PEDEVCO Corp., for a monthly lease amount of \$1,200, payable monthly in advance by the 10th of each month. This sublease may be terminated by either party at any time upon prior written notice delivered to the other party.

Thank you,

PEDEVCO CORP.

/s/ Clark R. Moore

Name: Clark R. Moore

Title: EVP and General Counsel

Agreed and Acknowledged:

SK Energy, LLC

/s/ Simon Kukes

Dr. Simon Kukes, CEO and Owner

ADVISORY AGREEMENT

This Advisory Agreement is made and entered into, as of November 8, 2019 (“**Effective Date**”), by and between PEDEVCO Corp., a Texas corporation (“**Company**”), having a principal place of business at 575 N. Dairy Ashford, Energy Center II, Suite 210, Houston, Texas 77079 and Viktor Tkachev, a(n) individual, partnership, limited liability partnership, corporation, limited liability company (check the appropriate box), having a principal place of business at Arhitektora Vlasova street, 22, apt. 93, Moscow 117393, Russia (“**Advisor**”).

1. Engagement of Services

. Company engages Advisor to provide the services set forth on Schedule A attached hereto. Schedule A can be amended from time to time should the scope of services change at any time.

2. Compensation; Timing

. Company will pay Advisor the fee set forth on Schedule A. Company will reimburse Advisor's expenses which have been approved beforehand in writing by Company (email acceptable) no later than thirty (30) days after Company's receipt of Advisor's invoice, provided that reimbursement for expenses may be delayed until such time as Advisor has furnished reasonable documentation for authorized expenses as Company may reasonably request. Upon termination of this Agreement for any reason, Advisor will be (a) paid fees on the basis stated on Schedule A and (b) reimbursed only for expenses that are incurred pursuant to this Section 2 prior to termination of this Agreement.

3. Independent Contractor Relationship

(a) Advisor's relationship with Company is that of an independent contractor, and nothing in this Agreement is intended to, or shall be construed to, create a partnership, agency, joint venture, employment or similar relationship. Advisor will not be entitled to any of the benefits that Company may make available to its employees, including, but not limited to, group health or life insurance, profit-sharing or retirement benefits, vacation days, sick days, or holidays. Advisor is not authorized to make any representation, contract or commitment on behalf of Company unless specifically requested or authorized in writing to do so by a Company manager. Advisor is solely responsible for, and will file, on a timely basis, all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Agreement. Advisor is solely responsible for, and must maintain adequate records of, expenses incurred in the course of performing services under this Agreement. No part of Advisor's compensation will be subject to withholding by Company for the payment of any social security, federal, state or any other employee payroll taxes. Advisor is solely responsible for and assumes full responsibility for (as applicable) the payment of FICA, FUTA and income taxes and compliance with any other international, federal, state, or local laws, rules and regulations. Company will regularly report amounts paid to Advisor by filing Form 1099-MISC with the Internal Revenue Service as required by law.

(b) Company understands and agrees that Advisor shall render services in whatever manner deemed appropriate by Advisor. During the term of this Agreement, Advisor agrees to perform the services on a professional best-efforts basis, in accordance with all applicable laws and regulations and in accordance with the highest applicable industry standards.

(c) Company shall not control or direct, nor shall the Company have any right to control or direct, the result of or the details, methods, manner or means by which Advisor performs his or her business or services, except that Advisor shall coordinate services with the Company, shall provide services in accordance with generally accepted industry standards and in compliance with all international, federal, state, and local laws.

(d) Advisor has and will at all times retain the exclusive right to control and direct the method, details, and means of performing the services under this Agreement. Company shall not specify the amount of time required to perform individual aspects of the services. Advisor's services are not exclusive to the Company, and Advisor may render services for other business entities.

4. Reserved

5. Confidentiality

(a) Definition of Confidential Information

“**Confidential Information**” means (a) any technical and non-technical information related to Company’s business and current, future and proposed products and services of Company, including for example and without limitation, Company Property (as defined in [Section 5\(d\)](#)), and Company’s information concerning research, development, design details and specifications, financial information, procurement requirements, engineering and manufacturing information, customer lists, business forecasts, sales information and marketing plans and (b) any information that may be made known to Advisor and that Company has received from others that Company is obligated to treat as confidential or proprietary.

(b) Non-Disclosure and Nonuse Obligations

During Advisor’s independent contractor relationship under this Agreement, Company shall provide to Advisor Confidential Information. In exchange for the Company’s promise to provide Advisor with Confidential Information, and except as permitted in this [Section 5\(b\)](#), Advisor shall not use, disseminate or in any way disclose the Confidential Information. Advisor may use the Confidential Information solely to perform services pursuant to this Agreement for the benefit of Company. Advisor shall treat all Confidential Information with the same degree of care as Advisor accords to Advisor’s own confidential information, but in no case shall Advisor use less than reasonable care. If Advisor is not an individual, Advisor shall disclose Confidential Information only to those of Advisor’s employees who have a need to know such information. Advisor certifies that each such employee will have agreed, either as a condition of employment or in order to obtain the Confidential Information, to be bound by terms and conditions at least as protective as those terms and conditions applicable to Advisor under this Agreement. Advisor shall immediately give notice to Company of any unauthorized use or disclosure of the Confidential Information. Advisor shall assist Company in remedying any such unauthorized use or disclosure of the Confidential Information. Advisor agrees not to communicate any information to Company in violation of the proprietary rights of any third party.

(c) Exclusions from Non-Disclosure and Nonuse Obligations

Advisor’s obligations under [Section \(b\)](#) shall not apply to any Confidential Information that Advisor can demonstrate (a) was in the public domain at or subsequent to the time such Confidential Information was communicated to Advisor by Company through no fault of Advisor; (b) was rightfully in Advisor’s possession free of any obligation of confidence at or subsequent to the time such Confidential Information was communicated to Advisor by Company; or (c) was developed by employees of Advisor independently of and without reference to any Confidential Information communicated to Advisor by Company. A disclosure of any Confidential Information by Advisor (a) in response to a valid order by a court or other governmental body or (b) as otherwise required by law shall not be considered to be a breach of this Agreement or a waiver of confidentiality for other purposes; provided, however, that Advisor shall provide prompt prior written notice thereof to Company to enable Company to seek a protective order or otherwise prevent such disclosure.

(d) Ownership and Return of Confidential Information and Company Property

All Confidential Information and any materials (including, without limitation, documents, drawings, papers, diskettes, tapes, models, apparatus, sketches, designs and lists) furnished to Advisor by Company, whether delivered to Advisor by Company or made by Advisor in the performance of services under this Agreement and whether or not they contain or disclose Confidential Information (collectively, the “**Company Property**”), are the sole and exclusive property of Company or Company’s suppliers or customers. Advisor agrees to keep all Company Property at Advisor’s premises unless otherwise permitted in writing by Company. Within five (5) days after any request by Company, Advisor shall destroy or deliver to Company, at Company’s option, (a) all Company Property and (b) all materials in Advisor’s possession or control that contain or disclose any Confidential Information. Advisor will provide Company a written certification of Advisor’s compliance with Advisor’s obligations under this [Section 5\(d\)](#).

6. Indemnification

Advisor will indemnify and hold harmless Company from and against any and all third party claims, suits, actions, demands and proceedings against Company and all losses, costs and liabilities related thereto arising out of or related to (i) an allegation that any item, material and other deliverable delivered by Advisor under this Agreement infringes any intellectual property rights or publicity rights of a third party or (ii) any negligence by Advisor or any other act or omission of Advisor, including without limitation any breach of this Agreement by Advisor.

7. Observance of Company Rules

At all times while on Company’s premises, Advisor will observe Company’s rules and regulations with respect to conduct, health, safety and protection of persons and property.

8. No Conflict of Interest

During the term of this Agreement, Advisor will not accept work, enter into a contract or accept an obligation inconsistent or incompatible with Advisor’s obligations, or the scope of services to be rendered for Company, under this Agreement. Advisor warrants that, to the best of Advisor’s knowledge, there is no other existing contract or duty on Advisor’s part that conflicts with or is inconsistent with this Agreement. Advisor agrees to indemnify Company from any and all loss or liability incurred by reason of the alleged breach by Advisor of any services agreement with any third party.

9. Reserved.

10. Term and Termination

(a) Term

. This Agreement is effective as of the Effective Date set forth above and shall continue indefinitely unless and until terminated by either party as set forth below.

(b) Termination by Company

. Company may terminate this Agreement without cause at any time, with termination effective fifteen (15) days after Company's delivery to Advisor of written notice of termination (email acceptable). Company also may terminate this Agreement immediately for a material breach by Advisor if Advisor's material breach of any provision of this Agreement is not cured within ten (10) days after the date of Company's written notice of breach (email acceptable).

(c) Termination by Advisor

. Advisor may terminate this Agreement without cause at any time, with termination effective fifteen (15) days after Advisor's delivery to Company of written notice of termination (email acceptable). Advisor also may terminate this Agreement immediately for a material breach by Company if Company's material breach of any provision of this Agreement is not cured within ten (10) days after the date of Advisor's written notice of breach (email acceptable).

(d) Effect of Expiration or Termination

. Upon expiration or termination of this Agreement, Company shall pay Advisor for services performed under this Agreement as set forth on Schedule A. The definitions contained in this Agreement and the rights and obligations contained in this Section 10(d) and Sections 5 and 11 will survive any termination or expiration of this Agreement.

11. General Provisions

(a) Successors and Assigns

. Advisor may not subcontract or otherwise delegate Advisor's obligations under this Agreement without Company's prior written consent. Subject to the foregoing, this Agreement will be for the benefit of Company's successors and assigns, and will be binding on Advisor's assignees.

(b) Injunctive Relief

. Advisor's obligations under this Agreement are of a unique character that gives them particular value; Advisor's breach of any of such obligations will result in irreparable and continuing damage to Company for which money damages are insufficient, and Company shall be entitled to injunctive relief and/or a decree for specific performance, and such other relief as may be proper (including money damages if appropriate).

(c) Notices

. Any and all notices, requests, demands, or other communications provided for hereunder, shall be given in writing by personal service, by registered or certified mail, postage prepaid, overnight delivery service, delivery charges prepaid, or by email, facsimile or other electronic means addressed to the intended recipients. A notice shall be deemed to have been received when personally served or delivered or five (5) days after being mailed, or one (1) day after being sent by overnight delivery service or by email, facsimile or other electronic means.

(d) Governing Law; Forum

. This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the State of Texas, as such laws are applied to agreements entered into and to be performed entirely within Texas between Texas residents. Each of the parties irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in Texas, as applicable, for any matter arising out of or relating to this Agreement, except that in actions seeking to enforce any order or any judgment of such federal or state courts located in Texas, such personal jurisdiction shall be nonexclusive. Additionally, notwithstanding anything in the foregoing to the contrary, a claim for equitable relief arising out of or related to this Agreement may be brought in any court of competent jurisdiction.

(e) Severability

. If a court of law holds any provision of this Agreement to be illegal, invalid or unenforceable, (a) that provision shall be deemed amended to achieve an economic effect that is as near as possible to that provided by the original provision and (b) the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

(f) Waiver; Modification

. If Company waives any term, provision or Advisor's breach of this Agreement, such waiver shall not be effective unless it is in writing and signed by Company. No waiver by a party of a breach of this Agreement shall constitute a waiver of any other or subsequent breach by Advisor. This Agreement may be modified only by mutual written agreement of authorized representatives of the parties.

(g) Entire Agreement

. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous agreements concerning such subject matter, written or oral.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

COMPANY

PEDEVCO CORP.

By: /s/ Clark R. Moore

Name: Clark R. Moore

Title: EVP and General Counsel

ADVISOR

VIKTOR TKACHEV

By: /s/ Viktor Tkachev

SSN: On File

Address: Arhitektora Vlasova street, 22, apt. 93, Moscow 117393, Russia

SCHEDULE A

SERVICES

Advisory services related to strategic planning and business development.

FEES

The Company shall provide the following compensation to Advisor under this Agreement:

- a. Grant of 100,000 shares of Company restricted common stock under the Company's 2012 Equity Incentive Plan, as amended, vesting on the date six (6) months following the date of grant, subject to continued service of Advisor to the Company.
- b. Such other compensation as agreed upon from time to time between the Company and Advisor.

CERTIFICATION

I, Dr. Simon Kukes, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PEDEVCO Corp.;
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 the registrant 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 Rules 13a-15(f) and 15d-15(f)) for the registrant 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 the registrant 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 the registrant'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 the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Dr. Simon Kukes

Dr. Simon Kukes

Chief Executive Officer and Director

(Principal Executive Officer)

CERTIFICATION

I, Paul A. Pinkston, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PEDEVCO Corp.;
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 the registrant 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 Rules 13a-15(f) and 15d-15(f)) for the registrant 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 the registrant 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 the registrant'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 the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 the registrant'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 the registrant's internal control over financial reporting.

Date: November 8, 2019

/s/ Paul A. Pinkston

Paul A. Pinkston

Chief Accounting Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PEDEVCO Corp. on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. Simon Kukes, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Dr. Simon Kukes

Dr. Simon Kukes
Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 8, 2019

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of PEDEVCO Corp. on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul A. Pinkston, Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief: (1) the Report 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 the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul A. Pinkston

Paul A. Pinkston

Chief Accounting Officer

(Principal Financial and Accounting Officer)

Date: November 8, 2019

The foregoing certification is not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.
