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 June 30, 2022

or

☐ **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: 001-35380

Laredo Petroleum, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**45-3007926**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

15 W. Sixth Street	**Suite 900**	
Tulsa	**Oklahoma**	**74119**
(Address of principal executive offices)		(Zip code)

(918) 513-4570

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.01 par value per share	**LPI**	**New York Stock Exchange**

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, if any, 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 ☒

Number of shares of registrant's common stock outstanding as of August 2, 2022: 17,104,049

LAREDO PETROLEUM, INC.
TABLE OF CONTENTS

Glossary of Oil and Natural Gas Terms

The following terms are used throughout this Quarterly Report on Form 10-Q (this "Quarterly Report"):

"*Basin*"—A large natural depression on the earth's surface in which sediments, generally brought by water, accumulate.

"*Bbl*" or "*barrel*"—One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate, natural gas liquids or water.

"*Benchmark Prices*"—The unweighted arithmetic average first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period before differentials, as required by SEC guidelines.

"*BOE*"—One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil.

"*BOE/D*"—BOE per day.

"Brent"—A light (low density) and sweet (low sulfur) crude oil sourced from the North Sea, used as a pricing benchmark for ICE oil futures contracts.

"*Btu*"—British thermal unit, the quantity of heat required to raise the temperature of a one pound mass of water by one degree Fahrenheit.

"*Completion*"—The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

"*Developed acreage*"—The number of acres that are allocated or assignable to productive wells or wells capable of production.

"*Dry hole*"—A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

"*Exchange Act*" — The Securities Exchange Act of 1934, as amended.

"*Formation*"—A layer of rock which has distinct characteristics that differ from nearby rock.

"*Fracturing*" or "*Frac*"—The propagation of fractures in a rock layer by a pressurized fluid. This technique is used to release petroleum and natural gas for extraction.

"*GAAP*"—Generally accepted accounting principles in the United States.

"*GCM"*—Garden City Minerals, LLC.

"*Gross acres*" or "*gross wells*" — The total acres or wells, as the case may be, in which a working interest is owned.

"Henry Hub"—A natural gas pipeline delivery point in south Louisiana that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.

"*Horizon*" — A term used to denote a surface in or of rock, or a distinctive layer of rock that might be represented by a reflection in seismic data.

"*Horizontal drilling*" — A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.

"*ICE*"—The Intercontinental Exchange.

"*Initial Production*"—The measurement of production from an oil or gas well when first brought on stream. Often stated in terms of production during the first thirty days.

"*Liquids*"—Describes oil, condensate and natural gas liquids.

"*LMS*"—Laredo Midstream Services, LLC.

"*MBbl*"—One thousand barrels of crude oil, condensate or natural gas liquids.

"*MBOE*"—One thousand BOE.

"*MMBOE*"—One million BOE.

"*Mcf*"—One thousand cubic feet of natural gas.

"*MMBtu*"—One million Btu.

"*MMcf*"—One million cubic feet of natural gas.

"*Natural gas liquids*" or "*NGL*"—Components of natural gas that are separated from the gas state in the form of liquids, which include propane, butanes and ethane, among others.

"*Net acres*"—The percentage of gross acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

"*NYMEX*"—The New York Mercantile Exchange.

"*OPEC*"—The Organization of the Petroleum Exporting Countries.

"*Productive well*"—A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

"*Proved reserves*"—The estimated quantities of oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

"*Realized Prices*"—Prices which reflect adjustments to the Benchmark Prices for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point without giving effect to our commodity derivative transactions.

"*Reservoir*"—A porous and permeable underground formation containing a natural accumulation of producible oil and/or natural gas that is confined by impermeable rock or water barriers and is separate from other reservoirs.

"*Royalty interest*" — An interest that gives an owner the right to receive a portion of the resources or revenues without having to carry any development costs, which may be subject to expiration.

"*SEC*" — The Securities and Exchange Commission.

"*Securities Act*" — The Securities Act of 1933, as amended.

"*Senior Secured Credit Facility*" — The Fifth Amended and Restated Credit Agreement among Laredo Petroleum, Inc., as borrower, Wells Fargo Bank, N.A., as administrative agent, Laredo Midstream Services, LLC and Garden City Minerals, LLC, as guarantors, and the banks signatory thereto.

"*Spacing*"—The distance between wells producing from the same reservoir.

"*Standardized measure*"—Discounted future net cash flows estimated by applying Realized Prices to the estimated future production of year-end proved reserves. Future cash inflows are reduced by estimated future production and development costs based on period end costs to determine pre-tax cash inflows. Future income taxes, if applicable, are computed by applying the statutory tax rate to the excess of pre-tax cash inflows over our tax basis in the oil and natural gas properties. Future net cash inflows after income taxes are discounted using a 10% annual discount rate.

"*Undeveloped acreage*"—Lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and natural gas regardless of whether such acreage contains proved reserves.

"*Wellhead natural gas*"—Natural gas produced at or near the well.

"*Working interest*" or "*WI*"—The right granted to the lessee of a property to explore for and to produce and own crude oil, natural gas liquids, natural gas or other minerals. The working interest owners bear the exploration, development and operating costs on either a cash, penalty or carried basis.

"*WTI*"—West Texas Intermediate grade crude oil. A light (low density) and sweet (low sulfur) crude oil, used as a pricing benchmark for NYMEX oil futures contracts.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this Quarterly Report are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements include statements, projections and estimates concerning our operations, performance, business strategy, oil, NGLs and natural gas reserves, drilling program capital expenditures, liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, derivative activities and potential financing. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "could," "may," "will," "foresee," "plan," "goal," "should," "intend," "pursue," "target," "continue," "suggest" or the negative thereof or other variations thereof or other words that convey the uncertainty of future events or outcomes. Forward-looking statements are not guarantees of performance. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Among the factors that significantly impact our business and could impact our business in the future are:

- the possibility of instability and uncertainty in the U.S. and international energy, financial and consumer markets that could adversely affect the liquidity available to us and our customers and the demand for commodities, including oil, NGL and natural gas;
- changes in domestic and global production, supply and demand for oil, NGL and natural gas, including actions by OPEC members and other oil exporting nations ("OPEC+");
- the volatility of oil, NGL and natural gas prices, including in our area of operation in the Permian Basin;
- the potential impact of suspending drilling programs and completions activities or shutting in a portion of our wells, as well as costs to later restart, and co-development considerations such as horizontal spacing, vertical spacing and parent-child interactions on production of oil, NGL and natural gas from our wells;
- United States ("U.S.") and international economic conditions and legal, tax, political and administrative developments, including the effects of energy, trade and environmental policies and existing and future laws and government regulations;
- war and political instability in Ukraine and Russian efforts to destabilize the government of Ukraine and the global hydrocarbon market;
- changes in general economic, business or industry conditions, including changes in interest rates and inflation rates and concerns over a potential recession;
- the effects, duration, government response or other implications of the coronavirus ("COVID-19") pandemic, or the threat and occurrence of other epidemic or pandemic diseases;
- our ability to comply with federal, state and local regulatory requirements;
- restrictions on the use of water, including limits on the use of produced water and a moratorium on new produced water well permits recently imposed by the Railroad Commission of Texas, in an effort to control induced seismicity in the Permian Basin;
- our ability to execute our strategies, including our ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to our financial results and to successfully integrate and realize the anticipated benefits of acquired businesses, assets and properties;
- competition in the oil and natural gas industry;
- our ability to discover, estimate, develop and replace oil, NGL and natural gas reserves and inventory;
- drilling and operating risks impacting our ability to produce existing wells and/or drill and complete new wells over an extended period of time, including risks related to hydraulic fracturing activities and inclement or extreme weather;
- the long-term performance of wells that were completed using different technologies;

- revisions to our reserve estimates as a result of changes in commodity prices, decline curves and other uncertainties;
- impacts of impairment write-downs on our financial statements;
- our ability to continue to maintain the borrowing capacity under our Senior Secured Credit Facility or access other means of obtaining capital and liquidity, especially during periods of sustained low commodity prices;
- our ability to comply with restrictions contained in our debt agreements, including our Senior Secured Credit Facility and the indentures governing our senior unsecured notes, as well as debt that could be incurred in the future;
- our ability to generate sufficient cash to service our indebtedness, fund our capital requirements for our operations and projects and generate future profits;
- our ability to hedge, and regulations that affect our ability to hedge;
- the availability and costs of drilling and production equipment, supplies, labor and oil and natural gas processing and other services;
- the availability and costs of sufficient gathering, processing, storage and export capacity in the Permian Basin and refining capacity in the U.S. Gulf Coast;
- the impact of repurchases, if any, of securities from time to time;
- the effectiveness of our internal control over financial reporting and our ability to remediate a material weakness in our internal control over financial reporting;
- our ability to maintain the health and safety of, as well as recruit and retain, qualified personnel necessary to operate our business;
- risks related to the geographic concentration of our assets; and
- our ability to secure or generate sufficient electricity to produce our wells without limitations.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should, therefore, be considered in light of various factors, including those set forth under "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations", "Part II, Item 1A. Risk Factors" and elsewhere in this Quarterly Report, under "Part II, Item 1A. Risk Factors" in our first-quarter 2022 Quarterly Report, and under "Part I, Item 1A. Risk Factors" and "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report") and those set forth from time to time in our other filings with the SEC. These documents are available through our website or through the SEC's Electronic Data Gathering and Analysis Retrieval system at http://www.sec.gov. In light of such risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report, or if earlier, as of the date they were made. We do not intend to, and disclaim any obligation to, update or revise any forward-looking statements unless required by securities law.

Part I

Item 1. Consolidated Financial Statements (Unaudited)

Laredo Petroleum, Inc.
Consolidated balance sheets
(in thousands, except share data)
(Unaudited)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 147,546	$ 56,798
Accounts receivable, net	205,767	151,807
Derivatives	5,174	4,346
Other current assets	15,476	22,906
Total current assets	373,963	235,857
Property and equipment:		
Oil and natural gas properties, full cost method:		
Evaluated properties	9,318,212	8,968,668
Unevaluated properties not being depleted	124,182	170,033
Less: accumulated depletion and impairment	(7,164,277)	(7,019,670)
Oil and natural gas properties, net	2,278,117	2,119,031
Midstream service assets, net	92,690	96,528
Other fixed assets, net	36,761	34,590
Property and equipment, net	2,407,568	2,250,149
Derivatives	34,905	32,963
Other noncurrent assets, net	56,573	32,855
Total assets	$ 2,873,009	$ 2,551,824
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 62,752	$ 71,386
Accrued capital expenditures	64,758	50,585
Undistributed revenue and royalties	257,398	117,920
Derivatives	274,409	179,809
Other current liabilities	140,059	107,213
Total current liabilities	799,376	526,913
Long-term debt, net	1,291,242	1,425,858
Derivatives	2,089	—
Asset retirement obligations	70,254	69,057
Other noncurrent liabilities	30,592	16,216
Total liabilities	2,193,553	2,038,044
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized and zero issued as of June 30, 2022 and December 31, 2021	—	—
Common stock, $0.01 par value, 40,000,000 and 22,500,000 shares authorized, and 17,212,383 and 17,074,516 issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	172	171
Additional paid-in capital	2,778,538	2,788,628
Accumulated deficit	(2,099,254)	(2,275,019)
Total stockholders' equity	679,456	513,780
Total liabilities and stockholders' equity	$ 2,873,009	$ 2,551,824

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

Laredo Petroleum, Inc.
Consolidated statements of operations
(in thousands, except per share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenues:				
Oil sales	$ 410,359	$ 157,722	$ 757,802	$ 285,423
NGL sales	72,505	43,494	137,660	85,172
Natural gas sales	66,606	31,110	105,195	64,188
Midstream service revenues	1,891	1,257	4,235	2,553
Sales of purchased oil	8,795	60,788	87,659	107,265
Total revenues	560,156	294,371	1,092,551	544,601
Costs and expenses:				
Lease operating expenses	42,014	19,771	82,890	38,689
Production and ad valorem taxes	33,001	14,737	60,488	28,020
Transportation and marketing expenses	10,994	10,690	25,737	22,817
Midstream service expenses	1,733	700	3,147	1,558
Costs of purchased oil	6,780	64,737	89,744	114,653
General and administrative	16,999	21,101	38,943	34,174
Organizational restructuring expenses	—	9,800	—	9,800
Depletion, depreciation and amortization	78,135	39,976	151,627	78,085
Impairment expense	—	1,613	—	1,613
Other operating (income) expense, net	(736)	2,899	283	4,042
Total costs and expenses	188,920	186,024	452,859	333,451
Operating income	371,236	108,347	639,692	211,150
Non-operating income (expense):				
Loss on derivatives, net	(65,927)	(216,942)	(391,743)	(371,307)
Interest expense	(32,807)	(25,870)	(65,284)	(51,816)
Loss on extinguishment of debt, net	(798)	—	(798)	—
Gain (loss) on disposal of assets, net	38	66	(222)	(6)
Other income (expense), net	(2,104)	416	335	1,795
Total non-operating expense, net	(101,598)	(242,330)	(457,712)	(421,334)
Income (loss) before income taxes	269,638	(133,983)	181,980	(210,184)
Income tax (expense) benefit:				
Current	(4,513)	—	(5,731)	—
Deferred	(2,579)	1,322	(484)	2,084
Total income tax (expense) benefit	(7,092)	1,322	(6,215)	2,084
Net income (loss)	$ 262,546	$ (132,661)	$ 175,765	$ (208,100)
Net income (loss) per common share:				
Basic	$ 15.60	$ (10.47)	$ 10.46	$ (16.92)
Diluted	$ 15.41	$ (10.47)	$ 10.31	$ (16.92)
Weighted-average common shares outstanding:				
Basic	16,834	12,674	16,800	12,298
Diluted	17,039	12,674	17,040	12,298

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

Laredo Petroleum, Inc.
Consolidated statements of stockholders' equity
(in thousands)
(Unaudited)

	Common stock		Additional paid-in capital	Treasury stock (at cost)		Accumulated deficit	Total
	Shares	Amount		Shares	Amount		
Balance, March 31, 2022	17,302	$ 173	$ 2,785,415	—	$ —	$ (2,361,800)	$ 423,788
Restricted stock awards	5	—	—	—	—	—	—
Restricted stock forfeitures	(3)	—	—	—	—	—	—
Share repurchases	—	—	—	85	(9,071)	—	(9,071)
Stock exchanged for tax withholding	—	—	—	7	(742)	—	(742)
Retirement of treasury stock	(92)	(1)	(9,812)	(92)	9,813	—	—
Share-settled equity-based compensation	—	—	2,935	—	—	—	2,935
Net income	—	—	—	—	—	262,546	262,546
Balance, June 30, 2022	17,212	$ 172	$ 2,778,538	—	$ —	$ (2,099,254)	$ 679,456

	Common stock		Additional paid-in capital	Treasury stock (at cost)		Accumulated deficit	Total
	Shares	Amount		Shares	Amount		
Balance, March 31, 2021	12,900	$ 129	$ 2,426,769	—	$ —	$ (2,495,466)	$ (68,568)
Restricted stock awards	6	—	—	—	—	—	—
Restricted stock forfeitures	(40)	—	—	—	—	—	—
Stock exchanged for tax withholding	—	—	—	7	(451)	—	(451)
Retirement of treasury stock	(7)	—	(451)	(7)	451	—	—
Share-settled equity-based compensation	—	—	1,772	—	—	—	1,772
Issuance of common stock, net of costs	714	7	45,619	—	—	—	45,626
Net loss	—	—	—	—	—	(132,661)	(132,661)
Balance, June 30, 2021	13,573	$ 136	$ 2,473,709	—	$ —	$ (2,628,127)	$ (154,282)

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

Laredo Petroleum, Inc.
Consolidated statements of stockholders' equity
(in thousands)
(Unaudited)

	Common stock		Additional	Treasury stock (at cost)		Accumulated	
	Shares	Amount	paid-in capital	Shares	Amount	deficit	Total
Balance, December 31, 2021	17,075	$ 171	$ 2,788,628	—	$ —	$ (2,275,019)	$ 513,780
Restricted stock awards	237	2	(2)	—	—	—	—
Restricted stock forfeitures	(7)	—	—	—	—	—	—
Share repurchases	—	—	—	85	(9,071)	—	(9,071)
Stock exchanged for tax withholding	—	—	—	83	(6,589)	—	(6,589)
Retirement of treasury stock	(168)	(2)	(15,658)	(168)	15,660	—	—
Share-settled equity-based compensation	—	—	5,571	—	—	—	5,571
Performance share conversion	75	1	(1)	—	—	—	—
Net income	—	—	—	—	—	175,765	175,765
Balance, June 30, 2022	17,212	$ 172	$ 2,778,538	—	$ —	$ (2,099,254)	$ 679,456

	Common stock		Additional	Treasury stock (at cost)		Accumulated	
	Shares	Amount	paid-in capital	Shares	Amount	deficit	Total
Balance, December 31, 2020	12,020	$ 120	$ 2,398,464	—	$ —	$ (2,420,027)	$ (21,443)
Restricted stock awards	194	2	(2)	—	—	—	—
Restricted stock forfeitures	(41)	—	—	—	—	—	—
Stock exchanged for tax withholding	—	—	—	44	(1,741)	—	(1,741)
Retirement of treasury stock	(44)	—	(1,741)	(44)	1,741	—	—
Share-settled equity-based compensation	—	—	4,510	—	—	—	4,510
Issuance of common stock, net of costs	1,438	14	72,478	—	—	—	72,492
Performance share conversion	6	—	—	—	—	—	—
Net loss	—	—	—	—	—	(208,100)	(208,100)
Balance, June 30, 2021	13,573	$ 136	$ 2,473,709	—	$ —	$ (2,628,127)	$ (154,282)

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

Laredo Petroleum, Inc.
Consolidated statements of cash flows
(in thousands)
(Unaudited)

	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net income (loss)	$ 175,765	$ (208,100)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Share-settled equity-based compensation, net	4,657	3,798
Depletion, depreciation and amortization	151,627	78,085
Impairment expense	—	1,613
Mark-to-market on derivatives:		
Loss on derivatives, net	391,743	371,307
Settlements paid for matured derivatives, net	(297,824)	(98,781)
Premiums received for commodity derivatives	—	9,041
Amortization of debt issuance costs	3,214	2,099
Amortization of operating lease right-of-use assets	10,735	5,764
Loss on extinguishment of debt, net	798	—
Deferred income tax benefit (expense)	484	(2,084)
Other, net	1,345	2,497
Changes in operating assets and liabilities:		
Accounts receivable, net	(53,960)	(26,633)
Other current assets	6,844	(4,412)
Other noncurrent assets, net	(34,057)	(12,649)
Accounts payable and accrued liabilities	(8,634)	9,784
Undistributed revenue and royalties	139,460	21,557
Other current liabilities	32,819	29,952
Other noncurrent liabilities	13,991	4,859
Net cash provided by operating activities	539,007	187,697
Cash flows from investing activities:		
Acquisitions of oil and natural gas properties, net	(7,887)	—
Capital expenditures:		
Oil and natural gas properties	(282,750)	(166,077)
Midstream service assets	(689)	(1,561)
Other fixed assets	(4,263)	(1,236)
Proceeds from dispositions of capital assets, net of selling costs	2,049	307
Net cash used in investing activities	(293,540)	(168,567)
Cash flows from financing activities:		
Borrowings on Senior Secured Credit Facility	135,000	245,000
Payments on Senior Secured Credit Facility	(240,000)	(120,000)
Extinguishment of debt	(32,334)	—
Proceeds from issuance of common stock, net of offering costs	—	72,492
Share repurchases	(9,071)	—
Stock exchanged for tax withholding	(6,589)	(1,741)
Payments for debt issuance costs	(1,725)	(1,452)
Other	—	2,798
Net cash (used in) provided by financing activities	(154,719)	197,097
Net increase in cash, cash equivalents and restricted cash	90,748	216,227
Cash, cash equivalents and restricted cash, beginning of period	56,798	48,757
Cash, cash equivalents and restricted cash, end of period	$ 147,546	$ 264,984

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

Note 1—Organization and basis of presentation

Organization

Laredo Petroleum, Inc. ("Laredo"), together with its wholly-owned subsidiaries, is an independent energy company focused on the acquisition, exploration and development of oil and natural gas properties in the Permian Basin of West Texas. The Company has identified one operating segment: exploration and production. In these notes, the "Company" refers to Laredo, LMS and GCM collectively, unless the context indicates otherwise. All amounts, dollars and percentages presented in these unaudited consolidated financial statements and the related notes are rounded and, therefore, approximate.

Basis of presentation

The unaudited consolidated financial statements were derived from the historical accounting records of the Company and reflect the historical financial position, results of operations and cash flows for the periods described herein. The unaudited consolidated financial statements have been prepared in accordance with GAAP. All material intercompany transactions and account balances have been eliminated in the consolidation of accounts.

The unaudited consolidated financial statements have not been audited by the Company's independent registered public accounting firm, except that the consolidated balance sheet as of December 31, 2021 is derived from the Company's audited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements reflect all necessary adjustments to present fairly the Company's financial position as of June 30, 2022, results of operations for the three and six months ended June 30, 2022 and 2021 and cash flows for the six months ended June 30, 2022 and 2021.

Certain disclosures have been condensed or omitted from the unaudited consolidated financial statements. Accordingly, the unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the 2021 Annual Report.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. There was no impact on previously reported total assets, total liabilities, net income (loss) or stockholders' equity for the periods presented.

Significant accounting policies

There have been no material changes in the Company's significant accounting policies during the six months ended June 30, 2022. See Note 2 in the 2021 Annual Report for discussion of significant accounting policies.

Use of estimates

The preparation of the unaudited consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although management believes these estimates are reasonable, actual results could differ.

See Note 2 in the 2021 Annual Report for further information regarding the use of estimates and assumptions.

Note 2—New accounting standards

The Company considered the applicability and impact of all accounting standard updates ("ASU") issued by the Financial Accounting Standards Board to the Accounting Standards Codification ("ASC") and has determined there are no ASUs that are not yet adopted and meaningful to disclose as of June 30, 2022. Additionally, the Company did not adopt any new ASUs during the six months ended June 30, 2022.

Note 3—Acquisitions and divestitures

2021 Acquisitions and divestiture

Pioneer Acquisition

On September 17, 2021, the Company entered into a purchase and sale agreement (the "Pioneer PSA") with Pioneer Natural Resources USA, Inc ("PXD"), DE Midland III, LLC ("DEM"), Parsley Minerals, LLC ("PM") and Parsley Energy, L.P. ("PE" and collectively with PXD, DEM, and PM, the "Seller") pursuant to which the Company agreed to purchase (the "Pioneer Acquisition"), effective as of July 1, 2021, certain oil and natural gas properties in the Midland Basin, including approximately 20,000 net acres, and approximately 135 gross (121 net) operated locations, located in western Glasscock County, Texas, as well as related assets and contracts (the "Pioneer Assets").

On October 18, 2021 ("Pioneer Closing Date"), the Company closed the Pioneer Acquisition for an aggregate purchase price of $206.3 million, comprised of (i) $131.6 million in cash, (ii) 959,691 shares of the Company's common stock, par value $0.01 per share (the "common stock"), based upon the share price as of the Pioneer Closing Date and (iii) $3.8 million in transaction related expenses, inclusive of customary closing adjustments, subject to post-closing adjustments.

The Company determined that the Pioneer Acquisition was an asset acquisition, as substantially all of the gross assets acquired are concentrated in a group of similar identifiable assets. Accordingly, the consideration paid was allocated to the individual assets acquired and liabilities assumed based on their relative fair values and all transaction costs associated were capitalized.

The following table presents components of the purchase price, inclusive of customary closing adjustments:

(in thousands, except for share and share price data)		As of October 18, 2021
Shares of Company common stock		959,691
Company common stock price at the Pioneer Closing Date	$	73.90
Value of Company common stock consideration	$	70,921
Cash consideration	$	131,633
Transaction costs		3,775
Total purchase price	$	206,329

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed, based on their relative fair values, on the Pioneer Closing Date:

(in thousands)		As of October 18, 2021
Evaluated properties	$	139,859
Unevaluated properties		74,192
Revenue suspense liabilities assumed		(7,722)
Allocated purchase price	$	206,329

The Company funded the cash portion of the aggregate purchase price and related transaction costs with respect to the Pioneer Acquisition with cash on hand and borrowings under its Senior Secured Credit Facility.

During the year ended December 31, 2021, in connection with the Pioneer Acquisition, the Company acquired additional interests in the Pioneer Assets through additional sellers that exercised their "tag-along" sales rights, for total cash consideration of $2.9 million, excluding customary purchase price adjustments. These acquisitions were accounted for as asset acquisitions.

Sabalo/Shad Acquisition

On May 7, 2021, the Company entered into two separate purchase and sale agreements, one (the "Sabalo PSA") with Sabalo Energy, LLC and its subsidiary, Sabalo Operating, LLC (collectively, "Sabalo"), and the other (the "Shad PSA" and together with the Sabalo PSA, the "Sabalo/Shad PSAs") with Shad Permian, LLC ("Shad"), to acquire certain Midland Basin oil and natural gas properties, including approximately 21,000 net acres and approximately 120 gross (109 net) operated locations and approximately 150 gross (18 net) non-operated locations, located in Howard and Borden Counties, Texas, (collectively, the "Sabalo/Shad Acquisition"). Sabalo and Shad are unaffiliated, but owned interests in the same assets.

On July 1, 2021 ("Sabalo/Shad Closing Date"), the Company closed the Sabalo/Shad Acquisition, effective April 1, 2021, for an aggregate purchase price of $863.1 million, comprised of (i) $606.1 million in cash (ii) 2,506,964 shares of the Company's common stock, based upon the share price as of the Sabalo/Shad Closing Date, and (iii) $17.0 million in transaction related expenses, inclusive of post-closing adjustments.

The Sabalo/Shad Acquisition was accounted for as a single transaction because the Sabalo PSA and Shad PSA were entered into at the same time and in contemplation of one another to form a single transaction designed to achieve an overall economic effect. The Company determined that the Sabalo/Shad Acquisition was an asset acquisition, as substantially all of the gross assets acquired are concentrated in a group of similar identifiable assets. Accordingly, the consideration paid was allocated to the individual assets acquired and liabilities assumed based on their relative fair values and all transaction costs associated were capitalized.

The following table presents components of the purchase price, inclusive of customary closing adjustments:

(in thousands, except for share and share price data)	As of July 1, 2021
Shares of Company common stock	2,506,964
Company common stock price at the Sabalo/Shad Closing Date	$ 95.72
Value of Company common stock consideration	$ 239,967
Cash consideration	$ 606,126
Transaction costs	17,020
Total purchase price	$ 863,113

The following table presents the allocation of the purchase price to the assets acquired and liabilities assumed, based on their relative fair values, on the Sabalo/Shad Closing Date:

(in thousands)	As of July 1, 2021
Evaluated properties	$ 503,005
Unevaluated properties	362,977
Revenue suspense liabilities assumed	(4,269)
Inventory	1,400
Allocated purchase price	$ 863,113

The Company funded the cash portion of the aggregate purchase price and related transaction costs with respect to the Sabalo/Shad Acquisition with proceeds from borrowings under its Senior Secured Credit Facility and the Working Interest Sale described below.

Working Interest Sale

On May 7, 2021, the Company entered into a purchase and sale agreement (the "Sixth Street PSA") with Piper Investments Holdings, LLC, an affiliate of Sixth Street Partners, LLC ("Sixth Street"), to sell 37.5% of the Company's working interest in certain producing wellbores and the related properties primarily located within Glasscock and Reagan Counties, Texas, subject to certain excluded assets and title diligence procedures (the "Working Interest Sale").

On July 1, 2021 (the "Sixth Street Closing Date"), the Company closed the Working Interest Sale for cash proceeds of $405.0 million. In addition to such proceeds, the Sixth Street PSA also provided the Company with the right to receive up to a maximum of $93.7 million in additional cash consideration if certain cash flow targets related to divested oil and natural gas property operations are met ("Sixth Street Contingent Consideration"). The Sixth Street Contingent Consideration is made up of quarterly payments through June 2027 totaling up to $38.7 million and a potential balloon payment of $55.0 million in June 2027. On the Sixth Street Closing Date, the fair value of the Sixth Street Contingent Consideration was determined to be $33.8 million. The Sixth Street Contingent Consideration is accounted for as a contingent consideration derivative, with all gains and losses as a result of changes in the fair value of the contingent consideration derivative recognized in earnings in the period in which the changes occur. See Notes 8 and 9 for further discussion of the Sixth Street Contingent Consideration.

Subsequent to the Sixth Street Closing Date, the Company continues to own and operate its remaining working interest in the properties sold to Sixth Street; however, the results of operations and cash flows related to the 37.5% working interests sold were eliminated from the Company's financial statements. This divestiture did not represent a strategic shift and will not have a major effect on the Company's future operations or financial results.

Pursuant to the rules governing full cost accounting, the Company recorded a gain on the Working Interest Sale of $93.5 million, net of transaction expenses of $11.6 million, on the Company's consolidated statements of operations, inclusive of post-closing adjustments, as this divestment represented more than 25% of the Company's June 30, 2021 proved reserves. For the purposes of calculating the gain, total capitalized costs were allocated between reserves sold and reserves retained as of the Sixth Street Closing Date.

Exchange of unevaluated oil and natural gas properties

From time to time, the Company exchanges undeveloped acreage with third parties. The exchanges are recorded at fair value and the difference is accounted for as an adjustment of capitalized costs with no gain or loss recognized pursuant to the rules governing full cost accounting, unless such adjustment would significantly alter the relationship between capitalized costs and proved reserves of oil, NGL and natural gas.

Note 4—Property and equipment

The following table presents the Company's property and equipment as of the dates presented:

(in thousands)	June 30, 2022	December 31, 2021
Evaluated oil and natural gas properties	$ 9,318,212	$ 8,968,668
Less accumulated depletion and impairment	(7,164,277)	(7,019,670)
Evaluated oil and natural gas properties, net	2,153,935	1,948,998
Unevaluated oil and natural gas properties not being depleted	124,182	170,033
Midstream service assets	165,352	165,232
Less accumulated depreciation and impairment	(72,662)	(68,704)
Midstream service assets, net	92,690	96,528
Depreciable other fixed assets	46,883	43,381
Less accumulated depreciation and amortization	(29,537)	(27,692)
Depreciable other fixed assets, net	17,346	15,689
Land	19,415	18,901
Total property and equipment, net	$ 2,407,568	$ 2,250,149

See Note 9 for discussion of impairments of inventory during the six months ended June 30, 2021. See Notes 2 and 6 in the 2021 Annual Report for additional discussion of the Company's property and equipment.

The unamortized cost of evaluated oil and natural gas properties being depleted did not exceed the full cost ceiling as of June 30, 2022 and June 30, 2021. As such, no full cost ceiling impairments were recorded for the six months ended June 30, 2022 and 2021.

The following table presents incurred capital expenditures in the acquisition, exploration and development of oil and natural gas properties, with asset retirement obligations included in evaluated property acquisition costs and development costs, for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Property acquisition costs:				
Evaluated	$ —	$ —	$ 4,780	$ —
Unevaluated	17	—	3,291	—
Exploration costs	7,604	15,313	14,357	19,270
Development costs	127,892	87,509	289,507	152,001
Total oil and natural gas properties incurred capital expenditures	$ 135,513	$ 102,822	$ 311,935	$ 171,271

Total oil and natural gas properties incurred capital expenditures includes certain employee-related costs. The following table presents capitalized employee-related incurred capital expenditures in the acquisition, exploration and development of oil and natural gas properties for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Capitalized employee-related costs	$ 4,366	$ 4,848	$ 8,709	$ 9,089

Note 5—Debt

Long-term debt, net

The following table presents the Company's long-term debt and debt issuance costs, net included in "Long-term debt, net" on the unaudited consolidated balance sheets as of the dates presented:

	June 30, 2022			December 31, 2021		
(in thousands)	Long-term debt	Debt issuance costs, net	Long-term debt, net	Long-term debt	Debt issuance costs, net	Long-term debt, net
January 2025 Notes	$ 577,913	$ (5,288)	$ 572,625	$ 577,913	$ (6,345)	$ 571,568
January 2028 Notes	354,794	(4,525)	350,269	361,044	(5,024)	356,020
July 2029 Notes	374,224	(5,876)	368,348	400,000	(6,730)	393,270
Senior Secured Credit Facility[(1)]	—	—	—	105,000	—	105,000
Total	$ 1,306,931	$ (15,689)	$ 1,291,242	$ 1,443,957	$ (18,099)	$ 1,425,858

(1) Debt issuance costs, net related to the Senior Secured Credit Facility of $8.5 million and $8.1 million as of June 30, 2022 and December 31, 2021, respectively, are included in "Other noncurrent assets, net" on the unaudited consolidated balance sheets.

July 2029 Notes

On July 16, 2021, the Company completed a private offering and sale of $400.0 million in aggregate principal amount of 7.750% senior unsecured notes due 2029 (the "July 2029 Notes"). Interest for the July 2029 Notes is payable semi-annually, in cash in arrears on January 31 and July 31 of each year, commencing January 31, 2022 with interest from closing to that date. The terms of the July 2029 Notes include covenants, which are in addition to but different than similar covenants in the Senior Secured Credit Facility, which limit the Company's ability to incur indebtedness, make restricted payments, grant liens and dispose of assets. The Company was in compliance with these covenants for all periods presented.

The July 2029 Notes are fully and unconditionally guaranteed on a senior unsecured basis by LMS and GCM, and will be fully and unconditionally guaranteed by certain of the Company's future restricted subsidiaries, subject to certain automatic customary releases, including the sale, disposition or transfer of all of the capital stock or of all or substantially all of the assets of a subsidiary guarantor to one or more persons that are not the Company or a restricted subsidiary, exercise of legal defeasance or covenant defeasance options or satisfaction and discharge of the applicable indenture, designation of a subsidiary guarantor as a non-guarantor restricted subsidiary or as an unrestricted subsidiary in accordance with the applicable indenture, release from guarantee under the Senior Secured Credit Facility, or liquidation or dissolution (collectively, the "Releases").

The Company received net proceeds of approximately $392.0 million from the July 2029 Notes, after deducting underwriting discounts and commissions and estimated offering expenses. The proceeds from the offering were used for general corporate purposes, including repaying a portion of the borrowings outstanding under the Senior Secured Credit Facility.

Senior unsecured notes repurchases

During the six months ended June 30, 2022, the Company repurchased $25.8 million and $6.2 million in aggregate principal amount of the July 2029 Notes and January 2028 Notes, respectively. In connection with the repurchase of portions of the July 2029 Notes and January 2028 Notes, the Company recognized a loss on extinguishment of debt of $0.8 million, which is included in "Loss on extinguishment of debt, net" on the unaudited consolidated statement of operations. The loss on extinguishment of debt is comprised of (i) $0.5 million for the write off of debt issuance costs and (ii) $0.3 million related to the difference between the consideration paid and the net carrying amounts. See Note 17 for the Company's additional repurchases of its senior unsecured notes subsequent to June 30, 2022.

Senior Secured Credit Facility

On April 13, 2022, the Company entered into the Eighth Amendment to the Senior Secured Credit Facility (the "Eighth Amendment"). The Eighth Amendment, among other things, increased the borrowing base from $1.0 billion to $1.25 billion and the aggregate elected commitment from $725 million to $1.0 billion, increased, from closing through December 31, 2022, the $50 million bond buyback and distributions baskets to $250 million, subject to certain conditions, added an energy transition and technology commercialization investment basket of $25 million, subject to certain conditions, allows for the designation of unrestricted subsidiaries and amended certain other provisions relating to certain commercial agreements and the administration of Loans, in each case, subject to the terms of the Eighth Amendment and the Senior Secured Credit Facility.

As of June 30, 2022, the Senior Secured Credit Facility, which matures on July 16, 2025 (subject to a springing maturity date of July 29, 2024 if any of the January 2025 Notes are outstanding on such date), had a maximum credit amount of $2.0 billion, a borrowing base and an aggregate elected commitment of $1.25 billion and $1.0 billion, respectively, with no balance outstanding. The Senior Secured Credit Facility contains both financial and non-financial covenants, all of which the Company was in compliance with for all periods presented. Additionally, the Senior Secured Credit Facility provides for the issuance of letters of credit, limited to the lesser of total capacity and $80.0 million. As of December 31, 2021, the Company had a $44.1 million letter of credit outstanding under the Senior Secured Credit Facility. No letters of credit were outstanding under the Senior Secured Credit Facility as of June 30, 2022. For additional information see Note 7 in the 2021 Annual Report.

Note 6—Stockholders' equity

Authorized shares increase

On May 26, 2022, upon recommendation of the Company's board of directors, stockholders approved an amendment to the Company's Amended and Restated Certificate of Incorporation to increase the number of authorized shares of its common stock from 22,500,000 shares to 40,000,000 shares.

Share repurchase program

On May 31, 2022, the Company's board of directors authorized a $200.0 million share repurchase program. The repurchase program commenced in May 2022 and expires in May 2024. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, including under plans complying with Rule 10b5-1 of the Exchange Act, and privately negotiated transactions. The timing and actual number of share repurchases will depend upon several factors, including market conditions, business conditions, the trading price of the Company's common stock and the nature of other investment opportunities available to the Company. During the six months ended June 30, 2022, the Company repurchased 85,161 shares of its common stock on the open market at a weighted-average price of $106.50 per common share for a total of $9.1 million under this program and, upon repurchase, the shares were retired. See Note 17 for the Company's additional repurchases of its common stock subsequent to June 30, 2022.

ATM Program

On February 23, 2021, the Company entered into an equity distribution agreement (the "Equity Distribution Agreement") with Wells Fargo Securities, LLC acting as sales agent and/or principal (the "Sales Agent"), pursuant to which the Company may offer and sell, from time to time through the Sales Agent, shares of its common stock having an aggregate gross sales price of up to $75.0 million through an "at-the-market" equity program (the "ATM Program").

During the six months ended June 30, 2021, the Company sold 1,438,105 shares of its common stock pursuant to the ATM Program for net proceeds of approximately $72.5 million, after underwriting commissions and other related expenses. The ATM Program was completed during the year ended December 31, 2021. Proceeds from the share sales were utilized to reduce borrowings on the Senior Secured Credit Facility.

Note 7—Equity Incentive Plan

The Laredo Petroleum, Inc. Omnibus Equity Incentive Plan (the "Equity Incentive Plan") provides for the granting of incentive awards in the form of restricted stock awards, stock option awards, performance share awards, performance unit awards, phantom unit awards and other awards. On May 20, 2021, the Company's stockholders approved an amendment to the Equity Incentive Plan to, among other things, increase the maximum number of shares of the Company's common stock issuable under the Equity Incentive Plan from 1,492,500 to 2,432,500 shares.

See Note 9 in the 2021 Annual Report for additional discussion of the Company's equity-based compensation awards.

The following table presents activity for equity-based compensation awards for the six months ended June 30, 2022:

	Equity Awards			Liability Awards	
(in thousands)	**Restricted Stock Awards**	**Stock Option Awards**	**Performance Share Awards(1)(2)**	**Performance Unit Awards**	**Phantom Unit Awards(3)**
Outstanding as of December 31, 2021	350	7	72	209	33
Granted	237	—	62	—	—
Forfeited	(7)	—	(2)	—	—
Vested	(144)	—	(70)	—	(15)
Expired or canceled	—	(2)	—	—	—
Outstanding as of June 30, 2022	436	5	62	209	18

(1) The performance share awards granted on February 28, 2019 had a performance period of January 1, 2019 to December 31, 2021 and, as their market and performance criteria were satisfied, resulted in a 107% payout. As such, the granted awards vested and were converted into 75,107 shares of the Company's common stock during the six months ended June 30, 2022 based on this 107% payout.

(2) On February 22, 2022, the Company granted performance share awards with a performance period of January 1, 2022 through December 31, 2024. The market criteria consists of: (i) annual relative total shareholder return comparing the Company's shareholder return to the shareholder return of the exploration and production companies listed in the Russell 2000 Index and (ii) annual absolute total shareholder return. The performance criteria for these awards consists of: (i) earnings before interest, taxes, depreciation, amortization and exploration expense and three-year total debt reduction, (ii) growth in inventory and (iii) emissions reduction targets. Any shares earned are expected to be paid in equity during the first quarter following the completion of the requisite service period, based on the achievement of market and performance criteria, and the payout can range from 0% to 225%.

(3) On March 1, 2022 and March 5, 2022, the vested phantom unit awards were settled and paid out in cash at a fair value of $76.60 and $83.00 based on the Company's closing stock price on the respective vesting dates.

As of June 30, 2022, total unrecognized cost related to equity-based compensation awards was $32.7 million, of which $10.1 million was attributable to liability awards which will be settled in cash rather than shares. Such cost will be recognized on a straight-line basis over an expected weighted-average period of 2.11 years.

Equity-based compensation

The following table reflects equity-based compensation expense for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Equity awards:				
Restricted stock awards	$ 2,435	$ 1,857	$ 4,610	$ 3,820
Performance share awards	500	(85)	961	683
Stock option awards	—	—	—	7
Total share-settled equity-based compensation, gross	$ 2,935	$ 1,772	$ 5,571	$ 4,510
Less amounts capitalized	(331)	(42)	(914)	(712)
Total share-settled equity-based compensation, net	$ 2,604	$ 1,730	$ 4,657	$ 3,798
Liability awards:				
Performance unit awards	$ 340	$ 6,352	$ 5,906	$ 7,172
Phantom unit awards	270	427	879	933
Total cash-settled equity-based compensation, gross	$ 610	$ 6,779	$ 6,785	$ 8,105
Less amounts capitalized	(155)	(95)	(202)	(293)
Total cash-settled equity-based compensation, net	$ 455	$ 6,684	$ 6,583	$ 7,812
Total equity-based compensation, net	$ 3,059	$ 8,414	$ 11,240	$ 11,610

Note 8—Derivatives

The Company has two types of derivative instruments as of June 30, 2022: (i) commodity derivatives and (ii) a contingent consideration derivative. In previous periods, the Company also engaged in an interest rate swap derivative, which concluded during the quarterly period ended June 30, 2022. See Notes (i) 2 in the 2021 Annual Report for discussion of the Company's significant accounting policies for derivatives and presentation and (ii) 9 for discussion of fair value measurement of derivatives on a recurring basis. The Company's derivatives were not designated as hedges for accounting purposes, and the Company does not enter into such instruments for speculative trading purposes. Accordingly, the changes in fair value are recognized in "Loss on derivatives, net" under "Non-operating income (expense)" on the unaudited consolidated statements of operations.

The following table summarizes components of the Company's loss on derivatives, net by type of derivative instrument for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Commodity	$ (66,347)	$ (216,869)	$ (396,071)	$ (370,902)
Interest rate	1	(30)	14	(26)
Contingent consideration	419	(43)	4,314	(379)
Loss on derivatives, net	$ (65,927)	$ (216,942)	$ (391,743)	$ (371,307)

Commodity

Due to the inherent volatility in oil, NGL and natural gas prices and the sometimes wide pricing differentials between where the Company produces and where the Company sells such commodities, the Company engages in commodity derivative transactions, such as puts, swaps, collars and basis swaps, to hedge price risk associated with a portion of the Company's anticipated sales volumes. By removing a portion of the price volatility associated with future sales volumes, the Company expects to mitigate, but not eliminate, the potential effects of variability in cash flows from operations. See Note 10 in the 2021 Annual Report for discussion of transaction types and settlement indexes.

During the six months ended June 30, 2022, the Company’s derivatives were settled based on reported prices on commodity exchanges, with (i) oil derivatives settled based on WTI NYMEX and Brent ICE pricing, (ii) NGL derivatives settled based on Mont Belvieu OPIS pricing and (iii) natural gas derivatives settled based on Henry Hub NYMEX and Waha Inside FERC pricing.

During the six months ended June 30, 2021, the Company completed a hedge restructuring by (i) selling 2,254,500 calendar year 2021 $55.00 per barrel Brent ICE puts, which volumetrically offset existing calendar year 2021 $55.00 per barrel Brent ICE puts, and receiving aggregate premiums of $9.0 million at inception of the contracts and (ii) entering into 2,254,500 calendar year 2021 Brent ICE swaps at a weighted-average price of $55.09 per barrel. Associated with the aforementioned existing calendar year 2021 $55.00 per barrel Brent ICE puts, which were entered into during 2020, were $50.6 million in aggregate premiums paid at the inception of the contracts.

The following table summarizes open commodity derivative positions as of June 30, 2022, for commodity derivatives that were entered into through June 30, 2022, for the settlement periods presented:

	Remaining Year 2022	Year 2023
Oil:		
WTI NYMEX - Swaps:		
Volume (Bbl)	184,000	—
Weighted-average price ($/Bbl)	$ 64.40	$ —
WTI NYMEX - Collars:		
Volume (Bbl)	2,815,200	4,362,000
Weighted-average floor price ($/Bbl)	$ 72.65	$ 67.93
Weighted-average ceiling price ($/Bbl)	$ 86.54	$ 82.89
Brent ICE - Swaps:		
Volume (Bbl)	2,079,200	—
Weighted-average price ($/Bbl)	$ 48.34	$ —
Brent ICE - Collars:		
Volume (Bbl)	782,000	—
Weighted-average floor price ($/Bbl)	$ 56.65	$ —
Weighted-average ceiling price ($/Bbl)	$ 65.44	$ —
NGL:		
Purity Ethane - Swaps:		
Volume (Bbl)	772,800	—
Weighted-average price ($/Bbl)	$ 11.42	$ —
Non-TET Propane - Swaps:		
Volume (Bbl)	588,800	—
Weighted-average price ($/Bbl)	$ 35.91	$ —
Non-TET Normal Butane - Swaps:		
Volume (Bbl)	184,000	—
Weighted-average price ($/Bbl)	$ 41.58	$ —
Non-TET Isobutane - Swaps:		
Volume (Bbl)	55,200	—
Weighted-average price ($/Bbl)	$ 42.00	$ —
Non-TET Natural Gasoline - Swaps:		
Volume (Bbl)	184,000	—
Weighted-average price ($/Bbl)	$ 60.65	$ —
Natural gas:		
Henry Hub NYMEX - Swaps:		
Volume (MMBtu)	1,840,000	—
Weighted-average price ($/MMBtu)	$ 2.73	$ —
Henry Hub NYMEX - Collars:		
Volume (MMBtu)	14,720,000	18,250,000
Weighted-average floor price ($/MMBtu)	$ 3.09	$ 3.90
Weighted-average ceiling price ($/MMBtu)	$ 3.84	$ 8.31
Waha Inside FERC to Henry Hub NYMEX - Basis Swaps:		
Volume (MMBtu)	14,628,000	18,250,000
Weighted-average differential ($/MMBtu)	$ (0.36)	$ (1.58)

Contingent consideration

The Sixth Street PSA provides for potential contingent payments to be paid to the Company if certain cash flow targets are met related to divested oil and natural gas property operations. The Sixth Street Contingent Consideration provides the Company with the right to receive up to a maximum of $93.7 million in additional cash consideration, comprised of potential quarterly payments through June 2027 totaling up to $38.7 million and a potential balloon payment of $55.0 million in June 2027. The fair value of the Sixth Street Contingent Consideration was $35.9 million as of December 31, 2021 and $38.6 million as of June 30, 2022. See Note 3 for further discussion of the Working Interest Sale associated with the Sixth Street Contingent Consideration.

The Company's asset acquisition of oil and natural gas properties that closed on April 30, 2020 provided for potential contingent payments to be paid by the Company if the arithmetic average of the monthly settlement WTI NYMEX prices exceed certain thresholds for the contingency period beginning on January 1, 2021 and ending on the earlier of December 31, 2022 or the date the counterparty has received the maximum consideration of $1.2 million. As the maximum thresholds were met, the Company paid the maximum amount of the $1.2 million contingent consideration to the counterparty during the year ended December 31, 2021.

At each quarterly reporting period, the Company remeasures contingent consideration with the change in fair value recognized in "Loss on derivatives, net" under "Non-operating income (expense)" on the unaudited consolidated statements of operations.

Note 9—Fair value measurements

See the beginning of Note 11 in the 2021 Annual Report for information about the fair value hierarchy levels.

Fair value measurement on a recurring basis

See Note 8 for further discussion of the Company's derivatives, and see Note 2 in the 2021 Annual Report for the Company's significant accounting policies for derivatives.

Balance sheet presentation

The following tables present the Company's derivatives by (i) balance sheet classification, (ii) derivative type and (iii) fair value hierarchy level, and provide a total, on a gross basis and a net basis reflected in "Derivatives" on the unaudited consolidated balance sheets as of the dates presented:

	June 30, 2022					
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total gross fair value**	**Amounts offset**	**Net fair value presented on the unaudited consolidated balance sheets**
Assets:						
Current:						
Commodity	$ —	$ 18,555	$ —	$ 18,555	$ (18,555)	$ —
Contingent consideration	—	—	5,174	5,174	—	5,174
Noncurrent:						
Commodity	—	6,522	—	6,522	(5,063)	1,459
Contingent consideration	—	—	33,446	33,446	—	33,446
Liabilities:						
Current:						
Commodity	—	(292,964)	—	(292,964)	18,555	(274,409)
Noncurrent:						
Commodity	—	(7,152)	—	(7,152)	5,063	(2,089)
Net derivative liability positions	$ —	$ (275,039)	$ 38,620	$ (236,419)	$ —	$ (236,419)

	December 31, 2021					
(in thousands)	**Level 1**	**Level 2**	**Level 3**	**Total gross fair value**	**Amounts offset**	**Net fair value presented on the consolidated balance sheets**
Assets:						
Current:						
Commodity	$ —	$ 21,671	$ —	$ 21,671	$ (21,671)	$ —
Contingent consideration	—	—	4,346	4,346	—	4,346
Noncurrent:						
Commodity	—	1,448	—	1,448	—	1,448
Contingent consideration	—	—	31,515	31,515	—	31,515
Liabilities:						
Current:						
Commodity	—	(201,428)	—	(201,428)	21,671	(179,757)
Interest rate	—	(52)	—	(52)	—	(52)
Noncurrent:						
Commodity	—	—	—	—	—	—
Net derivative liability positions	$ —	$ (178,361)	$ 35,861	$ (142,500)	$ —	$ (142,500)

See Note 11 in the 2021 Annual Report for discussion of the significant Level 2 inputs used in the fair value mark-to-market analysis of commodity, interest rate and contingent consideration derivatives. The Company reviewed the third-party specialist's valuations of commodity, interest rate and contingent consideration derivatives, including the related inputs, and analyzed changes in fair values between reporting dates.

The Working Interest Sale provides for potential contingent payments to be paid to the Company. The Sixth Street Contingent Consideration associated with the Working Interest Sale was categorized as Level 3 of the fair value hierarchy, as the Company utilized its own cash flow projections along with a risk-adjusted discount rate generated by a third-party valuation specialist to determine the valuation. The Company reviewed the third-party specialist's valuation, including the related inputs, and analyzed changes in fair values between the Sixth Street Closing Date and the reporting dates. The fair value of the Sixth Street Contingent Consideration was recorded as part of the basis in the oil and natural gas properties divested and as a contingent consideration asset. At each quarterly reporting period prior to the end of the contingency period, the Company will remeasure the Sixth Street Contingent Consideration with the changes in fair value recognized in the earnings for such quarter. See Note 3 for further discussion of the Working Interest Sale associated with the Sixth Street Contingent Consideration.

The following table summarizes the changes in contingent consideration derivatives classified as Level 3 measurements for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	2022	2021	2022	2021
Balance of Level 3 at beginning of period	$ 39,756	$ —	$ 35,861	$ —
Change in Sixth Street Contingent Consideration fair value	419	—	4,314	—
Settlements received	(1,555)	—	(1,555)	—
Balance of Level 3 at end of period	$ 38,620	$ —	$ 38,620	$ —

The Company's acquisition of oil and natural gas properties that closed on April 30, 2020 provided for potential contingent payments to be paid by the Company. During the year ended December 31, 2021, the maximum amount of the $1.2 million contingent consideration was distributed to the counterparty.

Fair value measurement on a nonrecurring basis

See Note 2 in the 2021 Annual Report for the Level 2 fair value hierarchy input assumptions used in estimating the net realizable value ("NRV") of inventory to determine the $1.6 million impairment expense of inventory recorded during the six months ended June 30, 2021, pertaining to line-fill and other inventories. There were no impairments of inventory recorded during the six months ended June 30, 2022.

See Note 11 in the 2021 Annual Report for the Level 3 fair value hierarchy input assumptions used in the fair value measurement of long-lived assets. There were no impairments of long-lived assets recorded during the six months ended June 30, 2022 and 2021.

Items not accounted for at fair value

The carrying amounts reported on the unaudited consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued capital expenditures, undistributed revenue and royalties and other accrued assets and liabilities approximate their fair values.

The Company has not elected to account for its debt instruments at fair value. The following table presents the carrying amounts and fair values of the Company's debt as of the dates presented:

	June 30, 2022		December 31, 2021	
(in thousands)	Carrying amount	Fair value(1)	Carrying amount	Fair value(1)
January 2025 Notes	$ 577,913	$ 572,995	$ 577,913	$ 589,471
January 2028 Notes	354,794	351,246	361,044	378,578
July 2029 Notes	374,224	340,424	400,000	390,000
Senior Secured Credit Facility	—	—	105,000	105,040
Total	$ 1,306,931	$ 1,264,665	$ 1,443,957	$ 1,463,089

(1) The fair values of the outstanding notes were determined using the Level 2 fair value hierarchy quoted market prices for each respective instrument as of June 30, 2022 and December 31, 2021. The fair value of the outstanding debt under the Senior Secured Credit Facility was estimated utilizing the Level 2 fair value hierarchy pricing model for similar instruments as of December 31, 2021.

Note 10—Net income (loss) per common share

Basic and diluted net income (loss) per common share are computed by dividing net income (loss) by the weighted-average common shares outstanding for the period. Diluted net income (loss) per common share reflects the potential dilution of non-vested restricted stock awards, outstanding stock option awards and non-vested performance share awards. See Note 9 in the 2021 Annual Report for additional discussion of these awards. For the three and six months ended June 30, 2021, all of these awards were anti-dilutive due to the Company's net loss and, therefore, were excluded from the calculation of diluted net loss per common share.

The following table reflects the calculations of basic and diluted (i) weighted-average common shares outstanding and (ii) net income (loss) per common share for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except for per share data)	2022	2021	2022	2021
Net income (loss) (numerator)	$ 262,546	$ (132,661)	$ 175,765	$ (208,100)
Weighted-average common shares outstanding (denominator):				
Basic	16,834	12,674	16,800	12,298
Dilutive non-vested restricted stock awards	205	—	216	—
Dilutive non-vested performance share awards(1)	—	—	24	—
Diluted	17,039	12,674	17,040	12,298
Net income (loss) per common share:				
Basic	$ 15.60	$ (10.47)	$ 10.46	$ (16.92)
Diluted	$ 15.41	$ (10.47)	$ 10.31	$ (16.92)

(1) The dilutive effect of the non-vested performance shares for the three and six months ended June 30, 2022 was calculated assuming the performance period ended on June 30, 2022.

Note 11—Commitments and contingencies

From time to time, the Company is subject to various legal proceedings arising in the ordinary course of business, including those that arise from interpretation of federal, state and local laws and regulations affecting the oil and natural gas industry, personal injury claims, title disputes, royalty disputes, contract claims, contamination claims relating to oil and natural gas exploration and development and environmental claims, including claims involving assets previously sold to third parties and no longer part of the Company's current operations. The Company may not have insurance coverage for some of these proceedings and failure to comply with applicable laws and regulations can result in substantial penalties. While many of these matters involve inherent uncertainty, as of the date hereof, the Company believes that any such legal proceedings, if ultimately decided adversely, will not have a material adverse effect on the Company's business, financial position, results of operations or liquidity. See Note 15 in the 2021 Annual Report for further discussion of litigation and environmental and federal, state and local regulations.

Drilling rig contracts

The Company enters into drilling rig contracts to ensure availability of desired rigs to facilitate drilling plans. The Company has multiple operating leases for terms of multiple months, all of which contain early termination clauses that require the Company to potentially pay penalties to the third party should the Company cease drilling efforts. These penalties would negatively impact the Company's financial statements upon early contract termination. There were no penalties incurred for early contract termination for either of the six months ended June 30, 2022 or 2021. As these drilling rig contracts are operating leases with an initial term greater than 12 months, the present value of the future commitment as of June 30, 2022 is included in current and noncurrent "Other liabilities" on the unaudited consolidated balance sheet as of June 30, 2022. See Note 5 in the 2021 Annual Report for additional discussion of the Company's leases.

Firm sale and transportation commitments

The Company has committed to deliver, for sale or transportation, fixed volumes of product under certain contractual arrangements that specify the delivery of a fixed and determinable quantity. If not fulfilled, the Company is subject to firm transportation payments on excess pipeline capacity and other contractual penalties. These commitments are normal and customary for the Company's business. In certain instances, the Company has used spot market purchases to meet its commitments in certain locations or due to favorable pricing. A portion of the Company's commitments are related to transportation commitments with a certain pipeline pertaining to the gathering of the Company's production from established acreage that extends into 2024. The Company was unable to satisfy a portion of this particular commitment with produced or purchased oil, therefore, the Company expensed firm transportation payments on excess capacity of $3.5 million and $1.1 million during the six months ended June 30, 2022 and 2021, respectively, which are recorded in "Transportation and marketing expenses" on the unaudited consolidated statement of operations. The Company's estimated aggregate liability of firm transportation payments on excess capacity is $5.6 million as of June 30, 2022, and is included in "Accounts payable and accrued liabilities" on the unaudited consolidated balance sheet. As of June 30, 2022, future firm sale and transportation commitments of $189.6 million are expected to be satisfied and, as such, are not recorded as a liability on the unaudited consolidated balance sheet.

Sand purchase commitment

During the year ended December 31, 2021, the Company renegotiated an agreement to take delivery of processed sand at a fixed price for one year, which is utilized in the Company's completions activities, from its sand mine that is operated by a third-party contractor. As of June 30, 2022, under the terms of this agreement, the Company is required to purchase a certain volume remaining under its commitment or it will incur a shortfall payment of $2.2 million at the end of the contract period.

Note 12—Supplemental cash flow and non-cash information

The following table presents supplemental cash flow and non-cash information for the periods presented:

(in thousands)	Six months ended June 30, 2022	2021
Supplemental cash flow information:		
Cash paid for interest, net of $2,606 and $890 of capitalized interest, respectively	$ 67,995	$ 49,966
Restricted cash	$ —	$ 71,441
Supplemental non-cash investing information:		
Change in accrued capital expenditures	$ 14,173	$ 4,366
Capitalized share-settled equity-based compensation	$ 914	$ 712
Capitalized asset retirement cost	$ 217	$ 730

The following table presents supplemental non-cash adjustments information related to operating leases for the periods presented:

(in thousands)	Six months ended June 30, 2022	2021
Right-of-use assets obtained in exchange for operating lease liabilities(1)	$ 33,985	$ 7,532

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(1) See Note 5 in the 2021 Annual Report for additional discussion of the Company's leases.

Note 13—Asset retirement obligations

See Note 2 in the 2021 Annual Report for discussion of the Company's significant accounting policies for asset retirement obligations. The following table reconciles the Company's asset retirement obligation liability associated with tangible long-lived assets for the periods presented:

(in thousands)	Six months ended June 30, 2022	2021
Liability at beginning of period	$ 72,003	$ 68,326
Liabilities added due to acquisitions, drilling, midstream service asset construction and other	217	730
Accretion expense(1)	1,992	2,301
Liabilities settled due to plugging and abandonment or removed due to sale	(986)	(151)
Liability at end of period	$ 73,226	$ 71,206

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(1) Accretion expense is included in "Other operating income (expense), net" on the unaudited consolidated statements of operations.

Note 14—Income taxes

The Company is subject to federal and state income taxes and the Texas franchise tax. As of June 30, 2022, the Company had federal net operating loss ("NOL") carryforwards totaling $1.9 billion, $1.5 billion of which will begin to expire in 2028 and $376.2 million of which will not expire but may be limited in future periods, and state of Oklahoma net operating loss carryforwards totaling $34.4 million that will begin to expire in 2032. If the Company were to experience an "ownership change" as determined under Section 382 of the Internal Revenue Code, the Company's ability to offset taxable income arising after the ownership change with net operating losses arising prior to the ownership change would be limited. For the three and six months ended June 30, 2022, the Company recorded current tax expense of $4.5 million and $5.7 million for Texas franchise taxes, respectively.

As of June 30, 2022, the Company believes it is more likely than not that a portion of the net operating loss carryforwards are not fully realizable. The Company continues to consider new evidence, both positive and negative, in determining whether, based on the weight of that evidence, a valuation allowance is needed. Such consideration includes projected future cash flows from its oil, NGL and natural gas reserves (including the timing of those cash flows), the reversal of deferred tax liabilities recorded as of June 30, 2022 and the Company's ability to capitalize intangible drilling costs, rather than expensing these costs and future projections of taxable income. As of June 30, 2022, a total valuation allowance of $398.2 million has been recorded to offset the Company's federal and Oklahoma net deferred tax assets, resulting in a $1.3 million Texas net deferred liability, which is included in "Other noncurrent liabilities" on the unaudited consolidated balance sheets.

Since September 30, 2015, the Company has recorded a full valuation allowance against its federal and Oklahoma net deferred tax position. As such, the Company's effective tax rate is 2%, due to the Texas franchise tax. The Company's effective tax rate is affected by changes in valuation allowances, recurring permanent differences and discrete items that may occur in any given year, but are not consistent from year to year.

Note 15—Related parties

Halliburton

The Chairman of the Company's board of directors is on the board of directors of Halliburton Company ("Halliburton"). Halliburton provides drilling and completions services to the Company.

The following table presents the capital expenditures for oil and natural gas properties paid to Halliburton included in the unaudited consolidated statements of cash flows for the periods presented:

	Six months ended June 30,	
(in thousands)	2022	2021
Capital expenditures for oil and natural gas properties	$ 56,620	$ 25,657

Note 16—Organizational restructurings

On June 29, 2021 (the "Effective Date"), the Company committed to a company-wide reorganization effort (the “Reorganization Plan”) that included a workforce reduction of 14 individuals, or approximately 5% of the workforce. The reduction in workforce was communicated to employees on the Effective Date and implemented immediately, subject to certain administrative procedures. The Company put the Reorganization Plan in place in order to better position the Company for the future. In connection with the Reorganization Plan, the Company incurred an aggregate of $9.8 million of one-time charges during the three months ended June 30, 2021 comprising of compensation, tax, professional, outplacement and insurance related expenses. All equity-based compensation awards held by the affected employees were forfeited and the corresponding equity-based compensation totaling $1.1 million was reversed during the three months ended June 30, 2021.

Note 17—Subsequent events

Senior unsecured notes repurchases

Subsequent to June 30, 2022, the Company repurchased $11.0 million, $22.5 million and $25.9 million in aggregate principal amount of the January 2025 Notes, January 2028 Notes and July 2029 Notes, respectively, through August 2, 2022. See Note 5 for additional discussion of the Company's senior unsecured notes repurchases.

Share repurchase program

Subsequent to June 30, 2022, the Company repurchased 99,012 shares of its common stock on the open market at a weighted-average price of $71.38 per common share for a total of $7.0 million under the share repurchase program through August 2, 2022. See Note 6 for additional discussion of the Company's share repurchases under this program.

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

The following discussion and analysis of our financial condition and results of operations is for the three and six months ended June 30, 2022 and 2021, and should be read in conjunction with our unaudited consolidated financial statements and condensed notes thereto included elsewhere in this Quarterly Report as well as our audited consolidated financial statements and notes thereto included in our 2021 Annual Report. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" and "Part II, Item 1A. Risk Factors." Except for purposes of the unaudited consolidated financial statements and condensed notes thereto included elsewhere in this Quarterly Report, references in this Quarterly Report to "Laredo," "we," "us," "our" or similar terms refer to Laredo, LMS and GCM collectively, unless the context otherwise indicates or requires. Unless otherwise specified, references to "average sales price" refer to average sales price excluding the effects of our derivative transactions. All amounts, dollars and percentages presented in this Quarterly Report are rounded and therefore approximate.

Executive overview

We are an independent energy company focused on the acquisition, exploration and development of oil and natural gas properties in the Permian Basin of West Texas. The oil and liquids-rich Permian Basin is characterized by multiple target horizons, extensive production histories, long-lived reserves, high drilling success rates and high initial production rates. We have grown primarily through our drilling program, coupled with select strategic acquisitions. As of June 30, 2022, we had assembled 165,511 net acres in the Permian Basin.

We are currently operating two drilling rigs and one completions crew and expect to maintain two drilling rigs and one completions crew for the remainder of 2022. Our planned capital expenditures for 2022 are expected to be approximately $550.0 million. However, we will continue to monitor commodity prices and service costs and adjust activity levels in order to proactively manage our cash flows and preserve liquidity. Below is a summary and comparative analysis of our financial and operating performance for the periods presented:

	Three months ended June 30,		2022 compared to 2021	
(in thousands)	2022	2021	Change (#)	Change (%)
Oil sales volumes (MBbl)	3,690	2,406	1,284	53 %
Oil equivalents sales volumes (MBOE)	7,920	7,819	101	1 %
Oil, NGL and natural gas sales[(1)]	$ 549,470	$ 232,326	$ 317,144	137 %
Net income (loss)	$ 262,546	$ (132,661)	$ 395,207	298 %
Net cash provided by operating activities	$ 368,125	$ 116,546	$ 251,579	216 %
Free Cash Flow (a non-GAAP financial measure)[(2)]	$ 110,475	$ (31,191)	$ 141,666	454 %
Adjusted EBITDA (a non-GAAP financial measure)[(2)]	$ 278,390	$ 96,991	$ 181,399	187 %

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(1) Our oil, NGL and natural gas sales increased as a result of a 134% increase in average sales price per BOE and a 53% increase in oil sales volumes.

(2) See pages 39-40 for discussion and calculations of these non-GAAP financial measures.

(in thousands)	Six months ended June 30, 2022		Six months ended June 30, 2021		2022 compared to 2021 Change (#)		2022 compared to 2021 Change (%)
Oil sales volumes (MBbl)		7,317		4,590		2,727	59 %
Oil equivalents sales volumes (MBOE)		15,581		14,928		653	4 %
Oil, NGL and natural gas sales[1]	$	1,000,657	$	434,783	$	565,874	130 %
Net income (loss)	$	175,765	$	(208,100)	$	383,865	184 %
Net cash provided by operating activities	$	539,007	$	187,697	$	351,310	187 %
Free Cash Flow (a non-GAAP financial measure)[2]	$	133,682	$	(9,431)	$	143,113	1,517 %
Adjusted EBITDA (a non-GAAP financial measure)[2]	$	500,479	$	190,314	$	310,165	163 %

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(1) Our oil, NGL and natural gas sales increased as a result of a 120% increase in average sales price per BOE and a 59% increase in oil sales volumes.

(2) See pages 39-40 for discussion and calculations of these non-GAAP financial measures.

Recent developments

Volatility in commodity prices

Commodity prices remained strong during the second quarter of 2022, sustaining levels reached at the end of the first quarter as increased commodity demand has continued to outpace increased supply. Worldwide commodity demand continues to exceed pre-pandemic levels as the impact from COVID-19 has subsided and economies have returned to a more normal level of activity. Supply has been constrained and pricing has been affected, in part, by the impact of the Russian-Ukrainian military conflict on global commodity and financial markets, and the resulting effect of sanctions by the European Union, United Kingdom and U.S. on imports of oil and gas from Russia. Supply has also been restrained, to a degree, by the continued cooperation of OPEC+ and its commitment to steady and predictable production increases throughout 2022. However, because any of the above factors could suddenly change or reverse, global commodity and financial markets remain subject to heightened levels of uncertainty and volatility, and future disruptions and industry-specific impacts could result.

Rising inflation and interest rates

While certain drilling and completions costs and costs of oilfield services, equipment, and materials decreased in recent years, as service providers reduced their costs in response to reduced demand arising from historically low crude oil prices, such costs began to rise in 2021 and have continued to persist in 2022 in conjunction with the significant increase in commodity prices, labor tightening, and heightened levels of inflation. In addition to the effect of inflationary pressures on our costs of operations, rising interest rates as a result of the Federal Reserve's tightening monetary policy have the potential to increase our borrowing costs on debt under our Senior Secured Credit Facility. We remain committed to our ongoing efforts to increase the efficiency of our operations and improve costs, which may, in part, offset cost increases from inflation and reduce our borrowing needs.

Senior unsecured notes repurchases

Subsequent to June 30, 2022 we repurchased $11.0 million, $22.5 million and $25.9 million in aggregate principal of the January 2025 Notes, January 2028 Notes and July 2029 Notes, respectively, through August 2, 2022. See Note 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our senior unsecured notes repurchases.

Share repurchase program

Subsequent to June 30, 2022, we repurchased 99,012 shares of our common stock on the open market at a weighted-average price of $71.38 per common share for a total of $7.0 million under our share repurchase program through August 2, 2022. See Note 6 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our share repurchases.

Pricing and reserves

Our results of operations are heavily influenced by oil, NGL and natural gas prices. Historically, commodity prices have experienced significant fluctuations; however, the volatility in prices has substantially increased in recent years. We maintain an active, multi-year commodity derivatives strategy to minimize commodity price volatility and support cash flows needed for operations. We have entered into a number of commodity derivative contracts that have enabled us to offset a portion of the changes in our cash flow caused by fluctuations in price and basis differentials for our sales of oil, NGL and natural gas, as discussed in "Item 3. Quantitative and Qualitative Disclosures About Market Risk." See Notes 8 and 9 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our commodity derivatives. Notwithstanding our derivatives strategy, another collapse in commodity prices may affect the economic viability of, and our ability to fund, our drilling projects, as well as the economic recovery of oil, NGL and natural gas reserves. See "Critical accounting estimates" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2021 Annual Report for further discussion of our oil, NGL and natural gas reserve quantities and standardized measure of discounted future net cash flows.

Our reserves are reported in three streams: oil, NGL and natural gas. The Realized Prices, which are utilized to value our proved reserves and calculated using the average first-day-of-the-month prices for each month within the 12-month period prior to the end of the reporting period, adjusted for factors affecting price received at the delivery point, as of June 30, 2022 were $86.39 for oil, $31.27 for NGL and $3.72 for natural gas. The unamortized cost of evaluated oil and natural gas properties being depleted did not exceed the full cost ceiling as of June 30, 2022 and June 30, 2021. As such, no full cost ceiling impairments were recorded during the six months ending June 30, 2022 and June 30, 2021. Additionally, if prices remain at current levels we do not anticipate recording any full cost ceiling impairments for the foreseeable future. See Notes 2 and 6 in our 2021 Annual Report for discussion of the full cost method of accounting and our Realized Prices.

Results of operations

Revenues

Sources of our revenue

Our revenues are derived from the sale of produced oil, NGL and natural gas, the sale of purchased oil and providing midstream services to third parties, all within the continental U.S. and do not include the effects of derivatives. See Note 2 in our 2021 Annual Report for additional information regarding our revenue recognition policies.

The following tables present our sources of revenue as a percentage of total revenues for the periods presented and the corresponding changes for such periods:

	Three months ended June 30,		2022 compared to 2021	
	2022	2021	Change (#)	Change (%)
Oil sales	73 %	54 %	19	35 %
NGL sales	13 %	15 %	(2)	(13)%
Natural gas sales	12 %	11 %	1	9 %
Midstream service revenues	— %	— %	—	— %
Sales of purchased oil	2 %	20 %	(18)	(90)%
Total	100 %	100 %		

	Six months ended June 30,		2022 compared to 2021	
	2022	2021	Change (#)	Change (%)
Oil sales	69 %	52 %	17	33 %
NGL sales	13 %	16 %	(3)	(19)%
Natural gas sales	10 %	12 %	(2)	(17)%
Midstream service revenues	— %	— %	—	— %
Sales of purchased oil	8 %	20 %	(12)	(60)%
Total	100 %	100 %		

Oil, NGL and natural gas sales volumes, revenues and prices

The following tables present information regarding our oil, NGL and natural gas sales volumes, sales revenues and average sales prices for the periods presented and the corresponding changes for such periods:

	Three months ended June 30,		2022 compared to 2021	
	2022	2021	Change (#)	Change (%)
Sales volumes:				
Oil (MBbl)	3,690	2,406	1,284	53 %
NGL (MBbl)	2,100	2,551	(451)	(18)%
Natural gas (MMcf)	12,774	17,169	(4,395)	(26)%
Oil equivalents (MBOE)[(1)(2)]	7,920	7,819	101	1 %
Average daily oil equivalent sales volumes (BOE/D)[(2)]	87,032	85,924	1,108	1 %
Average daily oil sales volumes (Bbl/D)[(2)]	40,553	26,440	14,113	53 %
Sales revenues (in thousands):				
Oil	$ 410,359	$ 157,722	$ 252,637	160 %
NGL	72,505	43,494	29,011	67 %
Natural gas	66,606	31,110	35,496	114 %
Total oil, NGL and natural gas sales revenues	$ 549,470	$ 232,326	$ 317,144	137 %
Average sales prices[(2)]:				
Oil ($/Bbl)[(3)]	$ 111.20	$ 65.55	$ 45.65	70 %
NGL ($/Bbl)[(3)]	$ 34.52	$ 17.05	$ 17.47	102 %
Natural gas ($/Mcf)[(3)]	$ 5.21	$ 1.81	$ 3.40	188 %
Average sales price ($/BOE)[(3)]	$ 69.38	$ 29.71	$ 39.67	134 %
Oil, with commodity derivatives ($/Bbl)[(4)]	$ 74.72	$ 47.00	$ 27.72	59 %
NGL, with commodity derivatives ($/Bbl)[(4)]	$ 27.24	$ 10.40	$ 16.84	162 %
Natural gas, with commodity derivatives ($/Mcf)[(4)]	$ 3.33	$ 1.46	$ 1.87	128 %
Average sales price, with commodity derivatives ($/BOE)[(4)]	$ 47.41	$ 21.05	$ 26.36	125 %

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(1) BOE is calculated using a conversion rate of six Mcf per one Bbl.

(2) The numbers presented in the three months ended June 30, 2022 and 2021 columns are based on actual amounts and are not calculated using the rounded numbers presented in the table above or the table below.

(3) Price reflects the average of actual sales prices received when control passes to the purchaser/customer adjusted for quality, certain transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point.

(4) Price reflects the after-effects of our commodity derivative transactions on our average sales prices. Our calculation of such after-effects includes settlements of matured commodity derivatives during the respective periods in accordance with GAAP and an adjustment to reflect premiums incurred previously or upon settlement that are attributable to commodity derivatives that settled during the respective periods.

	Six months ended June 30, 2022	Six months ended June 30, 2021	2022 compared to 2021 Change (#)	2022 compared to 2021 Change (%)
Sales volumes:				
Oil (MBbl)	7,317	4,590	2,727	59 %
NGL (MBbl)	4,094	4,872	(778)	(16)%
Natural gas (MMcf)	25,017	32,799	(7,782)	(24)%
Oil equivalents (MBOE)(1)(2)	15,581	14,928	653	4 %
Average daily oil equivalent sales volumes (BOE/D)(2)	86,080	82,475	3,605	4 %
Average daily oil sales volumes (Bbl/D)(2)	40,424	25,357	15,067	59 %
Sales revenues (in thousands):				
Oil	$ 757,802	$ 285,423	$ 472,379	166 %
NGL	137,660	85,172	52,488	62 %
Natural gas	105,195	64,188	41,007	64 %
Total oil, NGL and natural gas sales revenues	$ 1,000,657	$ 434,783	$ 565,874	130 %
Average sales prices(2):				
Oil ($/Bbl)(3)	$ 103.57	$ 62.19	$ 41.38	67 %
NGL ($/Bbl)(3)	$ 33.62	$ 17.48	$ 16.14	92 %
Natural gas ($/Mcf)(3)	$ 4.20	$ 1.96	$ 2.24	114 %
Average sales price ($/BOE)(3)	$ 64.22	$ 29.13	$ 35.09	120 %
Oil, with commodity derivatives ($/Bbl)(4)	$ 71.01	$ 46.06	$ 24.95	54 %
NGL, with commodity derivatives ($/Bbl)(4)	$ 26.65	$ 10.81	$ 15.84	147 %
Natural gas, with commodity derivatives ($/Mcf)(4)	$ 2.90	$ 1.55	$ 1.35	87 %
Average sales price, with commodity derivatives ($/BOE)(4)	$ 45.01	$ 21.10	$ 23.91	113 %

(1) BOE is calculated using a conversion rate of six Mcf per one Bbl.

(2) The numbers presented in the six months ended June 30, 2022 and 2021 columns are based on actual amounts and are not calculated using the rounded numbers presented in the table above or the table below.

(3) Price reflects the average of actual sales prices received when control passes to the purchaser/customer adjusted for quality, certain transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point.

(4) Price reflects the after-effects of our commodity derivative transactions on our average sales prices. Our calculation of such after-effects includes settlements of matured commodity derivatives during the respective periods in accordance with GAAP and an adjustment to reflect premiums incurred previously or upon settlement that are attributable to commodity derivatives that settled during the respective periods.

The following tables present net settlements paid for matured commodity derivatives and net premiums paid previously or upon settlement attributable to commodity derivatives that matured during the periods utilized in our calculation of the average sales prices, with commodity derivatives, for the periods presented and the corresponding changes for such periods:

	Three months ended June 30,		2022 compared to 2021	
(in thousands)	**2022**	**2021**	**Change ($)**	**Change (%)**
Net settlements paid for matured commodity derivatives:				
Oil	$ (134,631)	$ (34,466)	$ (100,165)	(291)%
NGL	(15,294)	(16,953)	1,659	10 %
Natural gas	(24,090)	(6,126)	(17,964)	(293)%
Total	$ (174,015)	$ (57,545)	$ (116,470)	(202)%
Net premiums paid previously or upon settlement attributable to commodity derivatives that matured during the respective period:				
Oil	$ —	$ (10,183)	$ 10,183	100 %

	Six months ended June 30,		2022 compared to 2021	
(in thousands)	**2022**	**2021**	**Change ($)**	**Change (%)**
Net settlements paid for matured commodity derivatives:				
Oil	$ (238,244)	$ (52,837)	$ (185,407)	(351)%
NGL	(28,533)	(32,529)	3,996	12 %
Natural gas	(32,564)	(13,299)	(19,265)	(145)%
Total	$ (299,341)	$ (98,665)	$ (200,676)	(203)%
Net premiums paid previously or upon settlement attributable to commodity derivatives that matured during the respective period:				
Oil	$ —	$ (21,188)	$ 21,188	100 %

Changes in average sales prices and sales volumes caused the following changes to our oil, NGL and natural gas revenues between the six months ended June 30, 2022 and 2021:

(in thousands)	**Oil**	**NGL**	**Natural gas**	**Total**
Second-quarter 2021 Revenues	$ 157,722	$ 43,494	$ 31,110	$ 232,326
Effect of changes in average sales prices	168,450	36,696	43,460	248,606
Effect of changes in sales volumes	84,187	(7,685)	(7,964)	68,538
Second-quarter 2022 Revenues	$ 410,359	$ 72,505	$ 66,606	$ 549,470
Change ($)	$ 252,637	$ 29,011	$ 35,496	$ 317,144
Change (%)	160 %	67 %	114 %	137 %

(in thousands)	**Oil**	**NGL**	**Natural gas**	**Total**
First-half 2021 Revenues	$ 285,423	$ 85,172	$ 64,188	$ 434,783
Effect of changes in average sales prices	329,149	61,681	56,236	447,066
Effect of changes in sales volumes	143,230	(9,193)	(15,229)	118,808
First-half 2022 Revenues	$ 757,802	$ 137,660	$ 105,195	$ 1,000,657
Change ($)	$ 472,379	$ 52,488	$ 41,007	$ 565,874
Change (%)	166 %	62 %	64 %	130 %

The increase in our second-quarter and first-half 2022 oil revenues as compared to the same periods in 2021 is primarily due to (i) an increase in oil price and (ii) the Sabalo/Shad Acquisition and Pioneer Acquisition, both of which occurred during the second half of 2021, and the related increase in our oil sales volumes. The increase in our second-quarter and first-half 2022 NGL and natural gas revenues as compared to the same periods in 2021 is primarily due to increases in NGL and natural gas prices, partially offset by the Working Interest Sale, which occurred during the second half of 2021, and the related decrease in our NGL and natural gas sales volumes.

The following tables present midstream service revenues and sales of purchased oil for the periods presented and the corresponding changes for such periods:

	Three months ended June 30,		2022 compared to 2021	
(in thousands)	2022	2021	Change ($)	Change (%)
Midstream service revenues	$ 1,891	$ 1,257	$ 634	50 %
Sales of purchased oil	$ 8,795	$ 60,788	$ (51,993)	(86)%

	Six months ended June 30,		2022 compared to 2021	
(in thousands)	2022	2021	Change ($)	Change (%)
Midstream service revenues	$ 4,235	$ 2,553	$ 1,682	66 %
Sales of purchased oil	$ 87,659	$ 107,265	$ (19,606)	(18)%

Midstream service revenues. Our midstream service revenues increased for the three and six months ended June 30, 2022 compared to the same period in 2021. Midstream service revenues are generated by oil throughput fees and services provided to third parties for (i) integrated oil and natural gas gathering and transportation systems and related facilities, (ii) natural gas lift, fuel for drilling and completions activities and centralized compression infrastructure and (iii) water storage, recycling and transportation infrastructure, and are recognized over time as the customer benefits from these services when provided. These revenues vary and will fluctuate due to oil throughput fees and the level of services provided to third parties.

Sales of purchased oil. Sales of purchased oil are a function of the volumes and prices of purchased oil sold to customers and are offset by the volumes and costs of purchased oil. During the three and six months ended June 30, 2022, we were a firm shipper on the Gray Oak pipeline and we utilized purchased oil to fulfill portions of our commitments. In previous periods, we also utilized purchased oil to fulfill portions of our Bridgetex pipeline commitment, which ended during the first quarter of 2022. The continuance of this practice in the future is based upon, among other factors, our pipeline capacity as a firm shipper and the quantity of our lease production which may contribute to our pipeline commitments. Sales of purchased oil decreased during the three and six months ended June 30, 2022 compared to the same periods in 2021 primarily due to a decrease in the volumes of purchased oil as our Bridgetex pipeline commitment ended during the first quarter of 2022, partially offset by an increase in sales prices.

We enter into purchase transactions with third parties and separate sale transactions. These transactions are presented on a gross basis as we act as the principal in the transaction by assuming control of the commodities purchased and the responsibility to deliver the commodities sold. Revenue is recognized when control transfers to the purchaser/customer at the delivery point based on the price received. The transportation costs associated with these transactions are presented as a component of costs of purchased oil. See "—Costs and expenses - Costs of purchased oil."

Costs and expenses

The following tables present information regarding costs and expenses and selected average costs and expenses per BOE sold for the periods presented and the corresponding changes for such periods:

	Three months ended June 30,		2022 compared to 2021	
(in thousands except for per BOE sold data)	**2022**	**2021**	**Change ($)**	**Change (%)**
Costs and expenses:				
Lease operating expenses	$ 42,014	$ 19,771	$ 22,243	113 %
Production and ad valorem taxes	33,001	14,737	18,264	124 %
Transportation and marketing expenses	10,994	10,690	304	3 %
Midstream service expenses	1,733	700	1,033	148 %
Costs of purchased oil	6,780	64,737	(57,957)	(90)%
General and administrative (excluding LTIP)	13,505	12,512	993	8 %
General and administrative (LTIP):				
LTIP cash	889	7,220	(6,331)	(88)%
LTIP non-cash	2,605	1,369	1,236	90 %
Organizational restructuring expenses	—	9,800	(9,800)	(100)%
Depletion, depreciation and amortization	78,135	39,976	38,159	95 %
Impairment expense	—	1,613	(1,613)	(100)%
Other operating (income) expense, net	(736)	2,899	(3,635)	(125)%
Total costs and expenses	$ 188,920	$ 186,024	$ 2,896	2 %
Selected average costs and expenses per BOE sold[1]:				
Lease operating expenses	$ 5.30	$ 2.53	$ 2.77	109 %
Production and ad valorem taxes	4.17	1.88	2.29	122 %
Transportation and marketing expenses	1.39	1.37	0.02	1 %
Midstream service expenses	0.22	0.09	0.13	144 %
General and administrative (excluding LTIP)	1.71	1.60	0.11	7 %
Total selected operating expenses	$ 12.79	$ 7.47	$ 5.32	71 %
General and administrative (LTIP):				
LTIP cash	$ 0.11	$ 0.92	$ (0.81)	(88)%
LTIP non-cash	$ 0.33	$ 0.18	$ 0.15	83 %
Depletion, depreciation and amortization	$ 9.87	$ 5.11	$ 4.76	93 %

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(1) Selected average costs and expenses per BOE sold are based on actual amounts and are not calculated using the rounded numbers presented in the table above.

(in thousands except for per BOE sold data)	Six months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Costs and expenses:				
Lease operating expenses	$ 82,890	$ 38,689	$ 44,201	114 %
Production and ad valorem taxes	60,488	28,020	32,468	116 %
Transportation and marketing expenses	25,737	22,817	2,920	13 %
Midstream service expenses	3,147	1,558	1,589	102 %
Costs of purchased oil	89,744	114,653	(24,909)	(22)%
General and administrative (excluding LTIP)	26,898	22,147	4,751	21 %
General and administrative (LTIP):				
LTIP cash	7,388	8,840	(1,452)	(16)%
LTIP non-cash	4,657	3,187	1,470	46 %
Organizational restructuring expenses	—	9,800	(9,800)	(100)%
Depletion, depreciation and amortization	151,627	78,085	73,542	94 %
Impairment expense	—	1,613	(1,613)	(100)%
Other operating (income) expense, net	283	4,042	(3,759)	(93)%
Total costs and expenses	$ 452,859	$ 333,451	$ 119,408	36 %
Selected average costs and expenses per BOE sold[1]:				
Lease operating expenses	$ 5.32	$ 2.59	$ 2.73	105 %
Production and ad valorem taxes	3.88	1.88	2.00	106 %
Transportation and marketing expenses	1.65	1.53	0.12	8 %
Midstream service expenses	0.20	0.10	0.10	100 %
General and administrative (excluding LTIP)	1.73	1.48	0.25	17 %
Total selected operating expenses	$ 12.78	$ 7.58	$ 5.20	69 %
General and administrative (LTIP):				
LTIP cash	$ 0.47	$ 0.59	$ (0.12)	(20)%
LTIP non-cash	$ 0.30	$ 0.21	$ 0.09	43 %
Depletion, depreciation and amortization	$ 9.73	$ 5.23	$ 4.50	86 %

(1) Selected average costs and expenses per BOE sold are based on actual amounts and are not calculated using the rounded numbers presented in the table above.

Lease operating expenses ("LOE"). LOE, which includes workover expenses, increased for the three and six months ended June 30, 2022, compared to the same periods in 2021. LOE are daily expenses incurred to bring oil, NGL and natural gas out of the ground and to market, together with the daily expenses incurred to maintain our producing properties. Such costs also include maintenance, repairs and non-routine workover expenses related to our oil and natural gas properties. LOE increased in the first half of 2022 due to inflationary pressures and costs associated with integrating our recently acquired assets from the Sabalo/Shad Acquisition and Pioneer Acquisition, primarily driven by costs related to artificial lift and flowback management. We continue to focus on economic efficiencies associated with the usage and procurement of products and services related to LOE. Total LOE is expected to remain relatively flat for the remainder of the year, with unit LOE increasing slightly as total volumes are expected to decline.

Production and ad valorem taxes. Production and ad valorem taxes increased for the three and six months ended June 30, 2022, compared to the same periods in 2021, due to increased oil, NGL and natural gas sales revenues. Production taxes are based on and fluctuate in proportion to our oil, NGL and natural gas sales revenues, and are established by federal, state or local taxing authorities. We take full advantage of all credits and exemptions in our various taxing jurisdictions. Ad valorem taxes are based on and fluctuate in proportion to the taxable value assessed by the various counties where our oil and natural gas properties are located.

Transportation and marketing expenses. Transportation and marketing expenses increased slightly for the three and six months ended June 30, 2022, compared to the same periods in 2021. These are expenses incurred for the delivery of produced oil to customers in the U.S. Gulf Coast market via the Gray Oak pipeline and, in previous periods, the Bridgetex pipeline. We ship the majority of our produced oil to the U.S. Gulf Coast, which we believe provides a long-term pricing advantage versus the Midland market. Additionally, firm transportation payments on excess pipeline capacity associated with transportation agreements are included in transportation and marketing expenses. See Note 11 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our transportation commitments.

Midstream service expenses. Midstream service expenses increased for the three and six months ended June 30, 2022, compared to the same periods in 2021. These are expenses incurred to operate and maintain our (i) integrated oil and natural gas gathering and transportation systems and related facilities, (ii) centralized oil storage tanks, (iii) natural gas lift, fuel for drilling and completion activities and centralized compression infrastructure and (iv) water storage, recycling and transportation facilities.

Costs of purchased oil. During the three and six months ended June 30, 2022, we were a firm shipper on the Gray Oak pipeline and we utilized purchased oil to fulfill portions of our commitments. In previous periods, we also utilized purchased oil to fulfill portions of our Bridgetex pipeline commitment, which ended during the first quarter of 2022. In the event our long-haul transportation capacity on the Gray Oak pipeline is expected to exceed our net production, consistent with our historic practice, we expect to continue to purchase third-party oil at the trading hubs to satisfy the deficit in our associated long-haul transportation commitments. Costs of purchased oil decreased for the three and six months ended June 30, 2022, compared to the same periods in 2021 primarily due to a decrease in the volumes of purchased oil on pipelines as our Bridgetex pipeline commitment ended during the first quarter of 2022, partially offset by an increase in sales prices.

General and administrative ("G&A"). G&A, excluding employee compensation expenses from our long-term incentive plan ("LTIP"), increased for the three and six months ended June 30, 2022, compared to the same period in 2021, mainly due to (i) increases in workforce and professional expenses and (ii) inflationary pressures.

LTIP cash expense decreased for the three and six months ended June 30, 2022, compared to the same periods in 2021. The fair values of our cash-settled performance unit awards and phantom unit awards, granted in prior years, decreased significantly during the second quarter of 2022, mainly due to the performance of our stock during the period.

LTIP non-cash expense increased for the three and six months ended June 30, 2022, compared to the same periods in 2021, mainly due to new restricted stock awards and performance share awards granted to our employees during the second half of 2021 and the first half of 2022. See Note 7 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for information regarding our equity-based compensation.

Organizational restructuring. These expenses represent the one-time charges comprising of compensation, tax, professional, outplacement and insurance related expenses for the workforce reduction that occurred in during the first half of 2021.

Depletion, depreciation and amortization ("DD&A"). The following tables present the components of our DD&A and depletion expense per BOE sold for the periods presented and the corresponding changes for such periods:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	2022 compared to 2021 Change ($)	2022 compared to 2021 Change (%)
Depletion of evaluated oil and natural gas properties	$ 75,011	$ 36,650	$ 38,361	105 %
Depreciation of midstream service assets	2,205	2,381	(176)	(7)%
Depreciation and amortization of other fixed assets	919	945	(26)	(3)%
Total DD&A	$ 78,135	$ 39,976	$ 38,159	95 %
Depletion expense per BOE sold	$ 9.47	$ 4.69	$ 4.78	102 %

(in thousands)	Six months ended June 30, 2022	Six months ended June 30, 2021	2022 compared to 2021 Change ($)	2022 compared to 2021 Change (%)
Depletion of evaluated oil and natural gas properties	$ 144,933	$ 71,375	$ 73,558	103 %
Depreciation of midstream service assets	4,411	4,803	(392)	(8)%
Depreciation and amortization of other fixed assets	2,283	1,907	376	20 %
Total DD&A	$ 151,627	$ 78,085	$ 73,542	94 %
Depletion expense per BOE sold	$ 9.30	$ 4.78	$ 4.52	95 %

Depletion expense per BOE increased for the three and six months ended June 30, 2022, compared to the same periods in 2021, primarily due to (i) an increase in the book value of our oil and natural gas properties as a result of the Sabalo/Shad Acquisition and Pioneer Acquisition and the associated development costs and (ii) inflationary pressures. See Note 6 to our consolidated financial statements included in our 2021 Annual Report and "—Pricing and reserves" for additional information regarding the full cost method of accounting.

Impairment expense. During the three and six months ended June 30, 2021, we recorded inventory impairment expense of $1.6 million. No such impairment expense was recorded during the three and six months ended June 30, 2022. See Note 9 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion regarding the fair value measurement of our inventory and long-lived assets.

Other operating (income) expense, net. Notable items include (i) accretion expense due to the passage of time on our asset retirement obligations, (ii) transaction expenses which represent incurred costs associated with our Working Interest Sale in the second half of 2021 and (iii) the gain on sale of pipeline line-fill during the second quarter of 2022. See Note 2 in our 2021 Annual report for additional information regarding our asset retirement obligations and Note 13 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

Non-operating income (expense)

The following tables present the components of non-operating income (expense), net for the periods presented and the corresponding changes for such periods:

(in thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	2022 compared to 2021 Change ($)	2022 compared to 2021 Change (%)
Loss on derivatives, net	$ (65,927)	$ (216,942)	$ 151,015	70 %
Interest expense	(32,807)	(25,870)	(6,937)	(27)%
Loss on extinguishment of debt, net	(798)	—	(798)	(100)%
Gain on disposal of assets, net	38	66	(28)	(42)%
Other income (expense), net	(2,104)	416	(2,520)	(606)%
Total non-operating expense, net	$ (101,598)	$ (242,330)	$ 140,732	58 %

(in thousands)	Six months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Loss on derivatives, net	$ (391,743)	$ (371,307)	$ (20,436)	(6)%
Interest expense	(65,284)	(51,816)	(13,468)	(26)%
Loss on extinguishment of debt, net	(798)	—	(798)	(100)%
Loss on disposal of assets, net	(222)	(6)	(216)	(3,600)%
Other income, net	335	1,795	(1,460)	(81)%
Total non-operating expense, net	$ (457,712)	$ (421,334)	$ (36,378)	(9)%

Loss on derivatives, net. The following tables present the changes in the components of loss on derivatives, net for the periods presented and the corresponding changes for such periods:

(in thousands)	Three months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Non-cash gain (loss) on derivatives, net	$ 106,527	$ (159,335)	$ 265,862	167 %
Settlements paid for matured derivatives, net	(172,454)	(57,607)	(114,847)	(199)%
Loss on derivatives, net	$ (65,927)	$ (216,942)	$ 151,015	70 %

(in thousands)	Six months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Non-cash loss on derivatives, net	$ (93,919)	$ (281,567)	$ 187,648	67 %
Settlements paid for matured derivatives, net	(297,824)	(98,781)	(199,043)	(201)%
Premiums received for commodity derivatives	—	9,041	(9,041)	(100)%
Loss on derivatives, net	$ (391,743)	$ (371,307)	$ (20,436)	(6)%

Non-cash loss on derivatives, net is the result of (i) new and matured contracts, including contingent consideration derivatives for the period subsequent to the initial valuation date and through the end of the contingency period, and the changing relationship between our outstanding contract prices and the future market prices in the forward curves, which we use to calculate the fair value of our derivatives and (ii) matured interest rate swaps and the changing relationship between the contract interest rate and the LIBOR interest rate forward curve. In general, if outstanding commodity contracts are held constant, we experience gains during periods of decreasing market prices and losses during periods of increasing market prices. Settlements paid or received for matured derivatives are for our (i) commodity derivative contracts, which are based on the settlement prices compared to the prices specified in the derivative contracts, (ii) interest rate derivative and (iii) contingent consideration derivatives.

See Notes 8 and 9 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for additional information regarding our derivatives.

Interest expense. Interest expense increased for the three months ended June 30, 2022, compared to the same period in 2021. See Notes 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding our long-term debt.

Income tax (expense) benefit

The following tables present income tax (expense) benefit for the periods presented and the corresponding changes for such periods:

(in thousands)	Three months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Current	$ (4,513)	$ —	$ (4,513)	(100)%
Deferred	$ (2,579)	$ 1,322	$ (3,901)	(295)%

(in thousands)	Six months ended June 30, 2022	2021	2022 compared to 2021 Change ($)	Change (%)
Current	$ (5,731)	$ —	$ (5,731)	(100)%
Deferred	$ (484)	$ 2,084	$ (2,568)	(123)%

We are subject to federal and state income taxes and the Texas franchise tax. The income tax expense for the three and six months ended June 30, 2022 is attributed to Texas franchise tax. With the rise in oil prices and the addition of oily, high- margin inventory, we have recently seen positive indications that we will use a portion of our NOLs. However, as of June 30, 2022, we believe it is more likely than not that a portion of the NOL loss carryforwards are not fully realizable. We continue to consider new evidence, both positive and negative, in determining whether, based on the weight of that evidence, a valuation allowance is needed. Such consideration includes projected future cash flows from our oil, NGL and natural gas reserves (including the timing of those cash flows), the reversal of deferred tax liabilities recorded as of June 30, 2022, and our ability to capitalize intangible drilling costs, rather than expensing these costs and future projections of Oklahoma sourced income. As of June 30, 2022, a total valuation allowance of $398.2 million has been recorded to offset our federal and Oklahoma net deferred tax assets, resulting in a $1.3 million Texas net deferred liability. The effective tax rate for our operations was 2%, due to the Texas franchise tax. Our effective tax rate is affected by changes in valuation allowances, recurring permanent differences and discrete items that may occur in any given year, but are not consistent from year to year.

Issuances, sales and/or exchanges of our common stock, taken together with prior transactions with respect to our common stock, could trigger an ownership change and therefore a limitation on our ability to utilize our net operating loss carryforwards which could result in taxable income in future years. For additional discussion of our income taxes, see Note 14 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

Liquidity and capital resources

Historically, our primary sources of liquidity have been cash flows from operations, proceeds from equity offerings, proceeds from senior unsecured note offerings, borrowings under our Senior Secured Credit Facility and proceeds from asset dispositions. Our primary operational uses of capital have been for the acquisition, exploration and development of oil and natural gas properties and infrastructure development. During the second quarter of 2022, we have utilized our cash flows to fund the repurchase of portions of our senior unsecured notes and our share repurchase program. For additional discussion of the repurchase of our senior unsecured notes and our share repurchase program, see Notes 5 and 6, respectively, to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

We continually seek to maintain a financial profile that provides operational flexibility and monitor the markets to consider which financing alternatives, including debt and equity capital resources, joint ventures and asset sales, are available to meet our future planned capital expenditures, a significant portion of which we are able to adjust and manage. We also continually evaluate opportunities with respect to our capital structure, including issuances of new securities, as well as transactions involving our outstanding senior notes, which could take the form of open market or private repurchases, exchange or tender offers, or other similar transactions, and our common stock, which could take the form of open market or private repurchases. We may make changes to our capital structure from time to time, with the goal of maintaining financial flexibility, preserving or improving liquidity and/or achieving cost efficiency. Such financing alternatives, or combination of alternatives, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. We continuously look for other opportunities to maximize shareholder value. For further discussion of our financing activities related to debt instruments, see Notes 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

Due to the inherent volatility in the prices of oil, NGL and natural gas and the sometimes wide pricing differentials between where we produce and sell such commodities, we engage in commodity derivative transactions to hedge price risk associated with a portion of our anticipated sales volumes. Due to the inherent volatility in interest rates, we will, from time to time, enter into interest rate derivative swaps to hedge interest rate risk associated with our debt under the Senior Secured Credit Facility. By removing a portion of the (i) price volatility associated with future sales volumes and (ii) interest rate volatility associated with anticipated outstanding debt, we expect to mitigate, but not eliminate, the potential effects of variability in cash flows from operations. See "Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk" below. See Note 9 to our consolidated financial statements included elsewhere in this Quarterly Report for discussion of our open commodity positions.

As of June 30, 2022, we had cash and cash equivalents of $147.5 million and available capacity under the Senior Secured Credit Facility of $1.0 billion, resulting in total liquidity of $1.1 billion. As of August 2, 2022, we had cash and cash equivalents of $113.9 million and available capacity under the Senior Secured Credit Facility of $1.0 billion, resulting in total liquidity of $1.1 billion. We believe that our operating cash flows and the aforementioned liquidity sources provide us with sufficient liquidity and financial resources to manage our cash needs and contractual obligations, to implement our currently planned capital expenditure budget and, at our discretion, to fund any share repurchases, pay down, repurchase or refinance debt or adjust our planned capital expenditure budget.

Cash requirements for known contractual and other obligations

The following table presents significant cash requirements for known contractual and other obligations as of June 30, 2022:

(in thousands)	Short-term[(1)]	Long-term	Total
Senior unsecured notes[(2)]	$ 119,818	$ 1,784,396	$ 1,904,214
Asset retirement obligations[(3)]	2,972	70,254	73,226
Firm transportation commitments[(4)]	17,230	64,672	81,902
Performance unit award cash payouts[(5)]	11,656	11,719	23,375
Lease commitments[(6)]	22,563	18,451	41,014
Total	$ 174,239	$ 1,949,492	$ 2,123,731

(1) We expect to satisfy our short-term contractual and other obligations with cash flows from operations.

(2) Amounts presented include both our principal and interest obligations. The July 2029 Notes consist of $374.2 million principal and interest payments totaling $29.0 million each year with interest payments due semi-annually on January 31 and July 31 of each year until July 31, 2029. The January 2025 Notes and January 2028 Notes consist of $577.9 million and $354.8 million in principal, respectively, and interest payments totaling $54.9 million and $35.9 million each year, respectively, with interest payments due semi-annually on January 15 and July 15 of each year until January 15, 2025 and January 15, 2028, respectively.

(3) Asset retirement obligations represent future costs associated with the retirement of tangible long-lived assets. See Note 13 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our asset retirement obligations.

(4) Amounts represent commitments to deliver, for sale or transportation, fixed volumes of product under certain contractual arrangements that specify the delivery of a fixed and determinable quantity. See Note 11 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our firm transportation commitments.

(5) Amounts represent the estimated cash payouts as of June 30, 2022 for our performance unit awards granted on March 5, 2020 and March 9, 2021, utilizing our June 30, 2022 closing stock price. See Note 9 to our consolidated financial statements included in our 2021 Annual Report for additional discussion of our performance unit awards.

(6) Lease commitment amounts represent our minimum lease payments for our operating lease liabilities. We have committed to drilling rig contracts with third parties to facilitate our drilling plans. Amounts presented include the gross amount we are committed to pay for the drilling rig contract. However, we will record our proportionate share based on our working interest in our consolidated financial statements as incurred. Management does not currently anticipate the early termination of these contracts in 2022. See Note 5 to our consolidated financial statements included in our 2021 Annual Report for additional discussion of our leases and Note 11 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our drilling rig contracts.

Cash flows

The following table presents our cash flows for the periods presented and the corresponding changes for such periods:

	Six months ended June 30,		2022 compared to 2021	
(in thousands)	2022	2021	Change ($)	Change (%)
Net cash provided by operating activities	$ 539,007	$ 187,697	$ 351,310	187 %
Net cash used in investing activities	(293,540)	(168,567)	(124,973)	(74)%
Net cash (used in) provided by financing activities	(154,719)	197,097	(351,816)	(178)%
Net increase in cash, cash equivalents and restricted cash	$ 90,748	$ 216,227	$ (125,479)	(58)%

Cash flows from operating activities

Net cash provided by operating activities increased during the six months ended June 30, 2022, compared to the same period in 2021. Notable cash changes include (i) an increase in total oil, NGL and natural gas sales revenues of $565.9 million, (ii) a decrease of $208.1 million due to changes in net settlements for matured derivatives, net of premiums, mainly due to increases in commodity prices and (iii) an increase of $74.0 million due to net changes in operating assets and liabilities. Other significant changes include an increase in lease operating expense and production and ad valorem taxes. The increase in total oil, NGL and natural gas sales revenues was due to a 120% increase in average sales price per BOE and a 59% increase in oil volumes sold. For additional information, see "—Results of operations."

Our operating cash flows are sensitive to a number of variables, the most significant of which are the volatility of oil, NGL and natural gas prices, mitigated to the extent of our commodity derivatives' exposure, and sales volume levels. Regional and worldwide economic activity, weather, infrastructure, transportation capacity to reach markets, costs of operations, legislation and regulations, including potential government production curtailments, and other variable factors significantly impact the prices of these commodities. For additional information on risks related to our business, see "Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II. Item 1A. Risk Factors" included elsewhere in this Quarterly Report and "Part I. Item 1A. Risk Factors" in our 2021 Annual Report.

Cash flows from investing activities

Net cash used in investing activities increased for the six months ended June 30, 2022, compared to the same period in 2021, mainly due to increases in inflationary pressures and non-operated capital expenditures related to oil and natural gas properties. See Note 4 to our unaudited consolidated financial statements included elsewhere in the Quarterly Report for discussion of our incurred capital expenditures, on an accrual basis, in the exploration and development of oil and natural gas properties.

The amount, timing and allocation of capital expenditures are largely discretionary and within management's control. If oil, NGL and natural gas prices are below our acceptable levels, or costs are above our acceptable levels, we may choose to defer a portion of our capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. Subject to financing alternatives, we may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We continually monitor and may adjust our projected capital expenditures in response to world developments, as well as success or lack of success in drilling activities, changes in prices, availability of financing and joint venture opportunities, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs and supplies, changes in service costs, contractual obligations, internally generated cash flow and other factors both within and outside our control.

Cash flows from financing activities

For the six months ended June 30, 2022, $154.7 million of net cash was used in financing activities compared to $197.1 million of net cash that was provided by financing activities for the same period in 2021. Notable 2022 activity that comprised part of the $351.8 million change included (i) borrowings on our Senior Secured Credit Facility of $135.0 million, (ii) payments on our Senior Secured Credit Facility of $240.0 million, (iii) extinguishment of debt on our senior unsecured notes of $32.3 million, (iv) share repurchases of $9.1 million and (v) stock exchanged for tax withholding of $6.6 million. For further discussion of our financing activities related to debt instruments and share repurchases, see Notes 5 and 6, respectively, to our unaudited consolidated financial statements included elsewhere in this Quarterly Report.

Sources of Liquidity

Senior Secured Credit Facility

As of June 30, 2022, the Senior Secured Credit Facility, which matures on July 16, 2025, had a maximum credit amount of $2.0 billion, a borrowing base and an aggregate elected commitment of $1.25 billion and $1.0 billion, respectively, with no amounts outstanding as of that date. The Senior Secured Credit Facility contains both financial and non-financial covenants, all of which we were in compliance with for all periods presented. Additionally, the Senior Secured Credit Facility provides for the issuance of letters of credit, limited to the lesser of total capacity or $80.0 million. As of December 31, 2021, we had a $44.1 million letter of credit outstanding under the Senior Secured Credit Facility. There were no outstanding letters of credit as of June 30, 2022. The Senior Secured Credit Facility is fully and unconditionally guaranteed by LMS and GCM. On April 13, 2022, we entered into the Eighth Amendment to our Senior Secured Credit Facility which, among other things, (i) increased the borrowing base and aggregate elected commitment under our Senior Secured Credit Facility to $1.25 billion and $1.0 billion, respectively, (ii) increased, from closing through December 31, 2022, the $50.0 million bond buyback and distributions baskets to $250.0 million, subject to certain conditions, (iii) added an energy transition and technology commercialization investment basket of $25.0 million, subject to certain conditions, (iv) allowed for the designation of unrestricted subsidiaries and (v) amended certain other provisions relating to certain commercial agreements and the administration of our loans, in each case, subject to the terms of the Eighth Amendment and the Senior Secured Credit Facility.

See Note 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our Senior Secured Credit Facility.

January 2025 Notes, January 2028 Notes and July 2029 Notes

The following table presents principal amounts and applicable interest rates for our outstanding January 2025 Notes, January 2028 Notes and July 2029 Notes as of June 30, 2022:

(in millions, except for interest rates)	Principal	Interest rate
January 2025 Notes	$ 577.9	9.500 %
January 2028 Notes	354.8	10.125 %
July 2029 Notes	374.2	7.750 %
Total senior unsecured notes	$ 1,306.9	

On July 16, 2021, we closed a private offering and sale of $400.0 million in aggregate principal amount of our 7.750% senior unsecured notes due 2029. See Note 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our senior unsecured notes.

During the six months ended June 30, 2022, we repurchased $25.8 million and $6.2 million in aggregate principal amount of the July 2029 Notes and January 2028 Notes, respectively. In connection with these repurchases, we recognized a loss on extinguishment of $0.8 million, comprised of (i) $0.5 million for the write off of debt issuance costs and (ii) $0.3 million related to the difference between the consideration paid and the net carrying amounts.

Supplemental Guarantor information

As discussed in Note 5 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report, on January 24, 2020, we issued $600.0 million in aggregate principal amount of the January 2025 Notes and $400.0 million in aggregate principal amount of the January 2028 Notes. On July 16, 2021, we issued $400.0 million in aggregate principal amount of the July 2029 Notes. As of June 30, 2022, $1.3 billion of our senior unsecured notes remained outstanding. Our wholly owned subsidiaries, LMS and GCM (each, a "Guarantor," and together, the "Guarantors"), jointly and severally, and fully and unconditionally, guarantees the January 2025 Notes, January 2028 Notes and July 2029 Notes.

The guarantees are senior unsecured obligations of each Guarantor and rank equally in right of payment with other existing and future senior indebtedness of such Guarantor, and senior in right of payment to all existing and future subordinated indebtedness of such Guarantor. The guarantees of the senior unsecured notes by the Guarantors are subject to certain Releases. The obligations of each Guarantor under its note guarantee are limited as necessary to prevent such note guarantee from constituting a fraudulent conveyance under applicable law. Further, the rights of holders of the senior unsecured notes against the Guarantors may be limited under the U.S. Bankruptcy Code or state fraudulent transfer or conveyance law. Laredo is not restricted from making investments in the Guarantors and the Guarantors are not restricted from making intercompany distributions to Laredo or each other.

The assets, liabilities and results of operations of the combined issuer and Guarantors are not materially different than the corresponding amounts presented in our unaudited consolidated financial statements included elsewhere in this Quarterly Report. Accordingly, we have omitted the summarized financial information of the issuer and the Guarantors that would otherwise be required.

Non-GAAP financial measures

The non-GAAP financial measures of Free Cash Flow and Adjusted EBITDA, as defined by us, may not be comparable to similarly titled measures used by other companies. Furthermore, these non-GAAP financial measures should not be considered in isolation or as a substitute for GAAP measures of liquidity or financial performance, but rather should be considered in conjunction with GAAP measures, such as net income or loss, operating income or loss or cash flows from operating activities.

Free Cash Flow

Free Cash Flow is a non-GAAP financial measure that we define as net cash provided by operating activities (GAAP) before changes in operating assets and liabilities, net, less incurred capital expenditures, excluding non-budgeted acquisition costs. Management believes Free Cash Flow is useful to management and investors in evaluating operating trends in our business that are affected by production, commodity prices, operating costs and other related factors. There are significant limitations to the use of Free Cash Flow as a measure of performance, including the lack of comparability due to the different methods of calculating Free Cash Flow reported by different companies.

The following table presents a reconciliation of net cash provided by operating activities (GAAP) to Free Cash Flow (non-GAAP) for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net cash provided by operating activities	$ 368,125	$ 116,546	$ 539,007	$ 187,697
Less:				
Change in current assets and liabilities, net	128,514	47,507	116,529	30,248
Change in noncurrent assets and liabilities, net	(8,827)	(4,515)	(20,066)	(7,790)
Cash flows from operating activities before changes in operating assets and liabilities, net	248,438	73,554	442,544	165,239
Less incurred capital expenditures, excluding non-budgeted acquisition costs:				
Oil and natural gas properties(1)	135,496	102,822	303,864	171,271
Midstream service assets(1)	267	979	726	1,855
Other fixed assets	2,200	944	4,272	1,544
Total incurred capital expenditures, excluding non-budgeted acquisition costs	137,963	104,745	308,862	174,670
Free Cash Flow (non-GAAP)	$ 110,475	$ (31,191)	$ 133,682	$ (9,431)

(1) Includes capitalized share-settled equity-based compensation and asset retirement costs.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that we define as net income or loss (GAAP) plus adjustments for share-settled equity-based compensation, depletion, depreciation and amortization, impairment expense, mark-to-market on derivatives, premiums paid or received for commodity derivatives that matured during the period, accretion expense, gains or losses on disposal of assets, interest expense, income taxes and other non-recurring income and expenses. Adjusted EBITDA provides no information regarding a company's capital structure, borrowings, interest costs, capital expenditures, working capital movement or tax position. Adjusted EBITDA does not represent funds available for future discretionary use because it excludes funds required for debt service, capital expenditures, working capital, income taxes, franchise taxes and other commitments and obligations. However, our management believes Adjusted EBITDA is useful to an investor in evaluating our operating performance because this measure:

- is widely used by investors in the oil and natural gas industry to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon accounting methods, the book value of assets, capital structure and the method by which assets were acquired, among other factors;
- helps investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating structure; and
- is used by our management for various purposes, including as a measure of operating performance, in presentations to our board of directors and as a basis for strategic planning and forecasting.

There are significant limitations to the use of Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss and the lack of comparability of results of operations to different companies due to the different methods of calculating Adjusted EBITDA reported by different companies. Our measurements of Adjusted EBITDA for financial reporting as compared to compliance under our debt agreements differ.

The following table presents a reconciliation of net income (loss) (GAAP) to Adjusted EBITDA (non-GAAP) for the periods presented:

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2022**	**2021**	**2022**	**2021**
Net income (loss)	$ 262,546	$ (132,661)	$ 175,765	$ (208,100)
Plus:				
Share-settled equity-based compensation, net	2,604	1,730	4,657	3,798
Depletion, depreciation and amortization	78,135	39,976	151,627	78,085
Impairment expense	—	1,613	—	1,613
Organizational restructuring expenses	—	9,800	—	9,800
Transaction Expense	—	1,741	—	1,741
Mark-to-market on derivatives:				
Loss on derivatives, net	65,927	216,942	391,743	371,307
Settlements paid for matured derivatives, net	(172,454)	(57,607)	(297,824)	(98,781)
Net premiums paid for commodity derivatives that matured during the period(1)	—	(10,183)	—	(21,188)
Accretion expense	973	1,158	1,992	2,301
(Gain) loss on disposal of assets, net	(38)	(66)	222	6
Interest expense	32,807	25,870	65,284	51,816
Loss on extinguishment of debt, net	798	—	798	—
Income tax expense (benefit)	7,092	(1,322)	6,215	(2,084)
Adjusted EBITDA (non-GAAP)	$ 278,390	$ 96,991	$ 500,479	$ 190,314

(1) Reflects net premiums paid previously or upon settlement that are attributable to derivatives settled in the respective periods presented.

Critical accounting estimates

The discussion and analysis of our financial condition and results of operations are based upon our unaudited consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our unaudited consolidated financial statements.

There have been no material changes in our critical accounting estimates during the six months ended June 30, 2022. See our critical accounting estimates in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2021 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term "market risk," in our case, refers to the risk of loss arising from adverse changes in oil, NGL and natural gas prices and in interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of how we view and manage our ongoing market risk exposures. All of our market risk-sensitive derivative instruments were entered into for hedging purposes, rather than for speculative trading.

Oil, NGL and natural gas price exposure

Due to the inherent volatility in oil, NGL and natural gas prices and the sometimes wide pricing differentials between where we produce and sell such commodities, we engage in commodity derivative transactions, such as puts, swaps, collars and basis swaps, to hedge price risk associated with a portion of our anticipated sales volumes. By removing a portion of the price volatility associated with future sales volumes, we expect to mitigate, but not eliminate, the potential effects of variability in cash flows from operations.

The fair values of our open commodity and contingent consideration derivative positions are largely determined by the relevant forward commodity price curves of the indexes associated with our open derivative positions. We had a $275.0 million net liability position from the fair values of our open commodity derivatives and a $38.6 million asset position from our contingent consideration derivative as of June 30, 2022. The following table provides a sensitivity analysis of the projected incremental effect on income (loss) before income taxes of a hypothetical 10% change in the relevant forward commodity price curves of the indexes associated with our open commodity and contingent consideration derivative positions as of June 30, 2022:

(in thousands)	10% Increase	10% Decrease
Commodity	$ (90,709)	$ 104,861
Contingent consideration	6,940	(8,019)
Total	$ (83,769)	$ 96,842

See Notes 8 and 9 to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our commodity and contingent consideration derivatives. For additional discussion of our quantitative and qualitative disclosures about market risk, see "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2021 Annual Report.

Interest rate risk

Our Senior Secured Credit Facility bears interest at a floating rate and our senior unsecured notes bear interest at fixed rates. The current interest rate applicable to potential borrowings on our Senior Secured Credit Facility ranges from approximately 3% to 4%, dependent upon the ratio of amounts outstanding to our borrowing base. See Notes 5 and to our unaudited consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our debt.

Customer performance risk

In the current market environment, we believe that the inability or failure of any one of our major customers to physically take possession of our oil would have an adverse effect on our financial condition and potentially our results of operations. See Note 14 in the 2021 Annual Report for additional discussion of our customer performance risk.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of Laredo's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), was performed under the supervision and with the participation of Laredo's management, including our principal executive officer and principal financial officer. Based on that evaluation, these officers concluded that Laredo's disclosure controls and procedures were effective as of June 30, 2022. Our disclosure controls and other procedures are designed to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Laredo's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of changes in internal control over financial reporting

During the quarter ended June 30, 2022, we implemented a major portion of a new enterprise resource planning ("ERP") system. Although the ERP functions as an integral part of our processes and system of internal controls, we concluded that, as of the end of the period covered in this report, there have been no changes that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Other than discussed above, there have been no changes in our internal controls over financial reporting (as defined in Rule 13(a)-15(f) of the Exchange Act) during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II

Item 1. Legal Proceedings

From time to time, we are subject to various legal proceedings arising in the ordinary course of business, including proceedings for which we may not have insurance coverage. While many of these matters involve inherent uncertainty as of the date hereof, we do not currently believe that any such legal proceedings will have a material adverse effect on our business, financial position, results of operations or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risks discussed in our first-quarter 2022 Quarterly Report, our 2021 Annual Report and those set forth from time to time in our other filings with the SEC. There have been no material changes in our risk factors from those described in our 2021 Annual Report and our first-quarter 2022 Quarterly Report. The risks described in such reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or future results.

Item 2. Purchases of Equity Securities

The following table summarizes purchases of common stock by Laredo for the periods presented:

Period	Total number of shares purchased[(1)]	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced plans[(2)]	Maximum value that may yet be purchased under the program as of the respective period-end date[(2)]
April 1, 2022 - April 30, 2022	—	$ —	—	$ —
May 1, 2022 - May 31, 2022	—	$ —	—	$ 200,000,000
June 1, 2022 - June 30, 2022	92,093	$ 106.56	85,161	$ 190,928,751
Total	92,093		85,161	

(1) Includes shares that were withheld by us to satisfy tax withholding obligations that arose upon the lapse of restrictions on equity-based compensation awards.

(2) In May 2022, our board of directors authorized a $200 million share repurchase program commencing in May 2022. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, including under plans complying with Rule 10b5-1 of the Exchange Act, and privately negotiated transactions. During the three months ended June, 30, 2022, we repurchased 85,161 shares under this program at a cost of $9.1 million.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

The operation of our Howard County, Texas sand mine is subject to regulation by the Federal Mine Safety and Health Administration (the "MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). The MSHA may inspect our Howard County mine and may issue citations and orders when it believes a violation has occurred under the Mine Act. While we contract the mining operations of the Howard County mine to an independent contractor, we may be considered an "operator" for purpose of the Mine Act and may be issued notices or citations if MSHA believes that we are responsible for violations.

The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Quarterly Report.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit	Description	Incorporated by reference (File No. 001-35380, unless otherwise indicated) Form	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Laredo Petroleum Holdings, Inc.	8-K	3.1	12/22/2011
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Laredo Petroleum Holdings, Inc.	8-K	3.1	6/1/2020
3.3	Second Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Laredo Petroleum, Inc.	8-K	3.1	5/26/2022
3.4	Certificate of Ownership and Merger, dated as of December 30, 2013.	8-K	3.1	1/6/2014
3.5	Third Amended and Restated Bylaws of Laredo Petroleum, Inc., effective March 3, 2021.	8-K	3.1	3/4/2021
4.1	Form of Common Stock Certificate.	8-A12B/A	4.1	1/7/2014
10.1#	Eighth Amendment to the Fifth Amended and Restated Credit Agreement, dated as of April 13, 2022, among Laredo Petroleum, Inc., as borrower, Wells Fargo Bank, N.A., as administrative agent, Laredo Midstream Services, LLC and Garden City Minerals, LLC, as guarantors and the banks signatory thereto.	8-K	10.2	4/19/2022
10.2	Form of 2022 Performance Share Unit Award Agreement.	10-Q	10.2	5/5/2022
10.3	Form of 2022 Restricted Share Unit Award Agreement.	10-Q	10.3	5/5/2022
10.4*	Amendment to the Laredo Petroleum, Inc. Omnibus Equity Incentive Plan, as amended and restated as of May 20, 2021.			
22.1	List of Issuers and Guarantor Subsidiaries.	10-Q	22.1	5/7/2020
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.			
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.			
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
95.1*	Mine Safety Disclosures.			
101	The following financial information from Laredo's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Condensed Notes to the Consolidated Financial Statements.			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			

* Filed herewith.
** Furnished herewith.
# Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission on request.

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.

LAREDO PETROLEUM, INC.

Date: August 4, 2022	By:	/s/ Jason Pigott Jason Pigott *President and Chief Executive Officer* *(principal executive officer)*
Date: August 4, 2022	By:	/s/ Bryan J. Lemmerman Bryan J. Lemmerman *Senior Vice President and Chief Financial Officer* *(principal financial officer)*
Date: August 4, 2022	By:	/s/ Jessica R. Wren Jessica R. Wren *Senior Director of Financial Accounting and SEC Reporting* *(principal accounting officer)*

AMENDMENT
TO THE
LAREDO PETROLEUM, INC.
OMNIBUS EQUITY INCENTIVE PLAN
(amended and restated as of May 20, 2021)

This Amendment to the Laredo Petroleum, Inc. Omnibus Equity Incentive Plan, as amended and restated as of May 20, 2021 (the "Plan"), made pursuant to the right to amend reserved in Section 13(a) of the Plan, amends the Plan as follows, effective immediately upon adoption by the Board of Directors:

1. Section 5(b) of the Plan shall be amended and replaced in its entirety with the following:

> "(b) The Committee may, from time to time, grant Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Stock Bonus Awards and/or Performance Compensation Awards to one or more Eligible Persons selected in its sole discretion. An Eligible Person may be granted more than one Award under the Plan, and Awards may be granted at any time or times during the term of the Plan. The grant of an Award to an Eligible Person shall not be deemed either to entitle that individual to, or to disqualify that individual from, participation in any other grant of Awards under the Plan. Notwithstanding anything in this subsection (b) to the contrary, the Committee may, in its sole discretion, grant a Stock Bonus Award to a director of the Company or an Affiliate in the name of a partnership or limited liability company designated by the director to receive such Award and in which the director owns 100% of the equity interests."

All other terms and conditions of the Plan shall be unchanged and remain in full force and effect, except to the extent modified by the foregoing.

EXHIBIT 31.1

CERTIFICATION

I, Jason Pigott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Laredo Petroleum, Inc.;
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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of 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 our 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: August 4, 2022

/s/ Jason Pigott

Jason Pigott
President and Chief Executive Officer

CERTIFICATION

I, Bryan J. Lemmerman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Laredo Petroleum, Inc.;
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, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of 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 our 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: August 4, 2022

/s/ Bryan J. Lemmerman

Bryan J. Lemmerman
Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Jason Pigott, President and Chief Executive Officer of Laredo Petroleum, Inc. (the "Company"), and Bryan J. Lemmerman, Senior Vice President and Chief Financial Officer of the Company, certify that, to their knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the period ending June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (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 result of operations of the Company.

August 4, 2022

/s/ Jason Pigott
Jason Pigott
President and Chief Executive Officer

August 4, 2022

/s/ Bryan J. Lemmerman
Bryan J. Lemmerman

Senior Vice President and Chief Financial Officer

Mine Safety Disclosures

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and Item 104 of Regulation S-K (17 CFR 229.104) require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (as amended by the Mine Improvement and New Emergency Response Act of 2006, the "Mine Act").

Laredo Petroleum, Inc., (“Laredo”), on April 15, 2020, acquired surface and sand rights on approximately 628 acres in Howard County, Texas, and in October 2020 entered into an agreement with Hi-Crush, Inc. and its subsidiary OnCore Processing, LLC (“OnCore”) to construct and operate an in-field sand mine to support Laredo’s exploration and development operations. Operations began in November 2020 and are subject to regulation by the U.S. Federal Mine Safety and Health Administration ("MSHA").

MSHA inspects mining facilities on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Citations and orders may be appealed with the potential of reduced or dismissed penalties. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K (17 CFR 229.104) are outlined below.

Mine Safety Data

The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- *Section 104 Significant Substantial (“S&S”) Citations:* Citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- *Section 104(b) Orders:* Orders which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- *Section 104(d) Citations and Orders:* Citations and orders for an unwarrantable failure to comply with mandatory health or safety standards.
- *Section 110(b)(2) Violations:* Flagrant violations.
- *Section 107(a) Orders:* Orders for situations in which MSHA determined an "imminent danger" (as defined by MSHA) existed.
- *Notice of Pattern of Violations*: Notice of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act.
- *Notice of Potential Pattern of Violations*: Notice of the potential to have a pattern of violations under section 104(e).
- *Pending Legal Actions*: Legal actions before the Federal Mine Safety and Health Review Commission ("FMSHRC") initiated.

For the quarter ended June 30, 2022

Citation, Order, Violation or Action	OnCore[(a)]
Section 104 S&S citations (#)	4
Section 104(b) orders (#)	None
Section 104(d) citations and orders (#)	None
Section 110(b)(2) violations (#)	None
Section 107(a) orders (#)	None
Proposed assessments under MSHA ($)[(b)]	$3,629
Mining-related fatalities (#)	None
Notice of pattern of violations (yes/no)	None
Notice of potential pattern of violations (yes/no)	None
Pending legal actions (#)	None

(a) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.

(b) Represents the total dollar value of the proposed assessment from MSHA under the Mine Act pursuant to the citations and/ or orders preceding such dollar value in the corresponding row.