

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

FORM 8-K/A

(Amendment No. 1)

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

Date of report (Date of earliest event reported): **October 31, 2023**

**VITAL ENERGY, INC.**

(Exact name of registrant as specified in charter)

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**001-35380**  
(Commission File Number)

**45-3007926**  
(I.R.S. Employer Identification No.)

**521 E. Second Street, Suite 1000, Tulsa, Oklahoma**  
(Address of principal executive offices)

**74120**  
(Zip Code)

Registrant's telephone number, including area code: **(918) 513-4570**

**Not Applicable**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Stock, \$0.01 par value	VTLE	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

## Explanatory Note

As previously disclosed in its Current Report on Form 8-K filed with the Securities and Exchange Commission on November 6, 2023 (the “Original Form 8-K”), (i) on October 31, 2023, Vital Energy, Inc. (the “Company”) completed the acquisition of oil and gas properties from Maple Energy Holdings, LLC (“Maple”), (ii) on November 5, 2023 the Company completed the acquisition of oil and gas properties (the “Henry Acquisition”) from Henry Resources, LLC, Henry Energy LP and Moriah Henry Partners LLC (collectively, “Henry”), and (iii) on November 6, 2023, the Company completed the acquisition of oil and gas properties from Tall City Property Holdings III LLC and Tall City Operations III LLC.

This Amendment to Current Report on Form 8-K is being filed to amend and supplement the Original Form 8-K, the purpose of which is to disclose the acquisition of additional working interests in producing assets associated with the Henry Acquisition and provide the financial statements and pro forma financial information required by Item 9.01, which are filed as exhibits hereto and are incorporated herein by reference. All other items in the Original Form 8-K remain the same.

### **Item 1.01 Entry into a Material Definitive Agreement.**

On December 21, 2023, the Company entered into a purchase and sale agreement (the “GR PSA”) with Granite Ridge Holdings LLC, GREP IV-A Permian, LLC and GREP IV-B Permian, LLC (collectively, the “GR Parties”), pursuant to which the Company agreed to purchase (the “GR Acquisition”) additional working interests in producing assets associated with the Henry Acquisition for consideration comprising (i) approximately 0.6 million shares of the Company’s common stock, par value \$0.01 per share (“Common Stock”), and (ii) approximately 0.8 million shares of the Company’s 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock, par value \$0.01 per share (the “Preferred Stock” and such shares of Common Stock and Preferred Stock, collectively, the “Share Consideration”) net of purchase price adjustments. The Company entered into the GR PSA as a result of the GR Parties’ exercise of their tag rights triggered by the execution of that certain Purchase and Sale Agreement by and among the Company and Henry on September 13, 2023.

The GR PSA contains customary representations and warranties, covenants and indemnification provisions for a transaction of this size and nature, provides the parties thereto with specified rights and obligations and allocates risk among them in a customary manner. The GR Acquisition closed on December 21, 2023. The foregoing description of the GR PSA does not purport to be complete and is qualified in its entirety by reference to the GR PSA filed as Exhibit 2.1 to this Current Report on Form 8-K and incorporated into this Item 1.01 by reference.

The GR PSA contains representations, warranties and other provisions that were made only for purposes of the GR PSA and as of specific dates and were solely for the benefit of the parties thereto. The GR PSA is a contractual document that establishes and governs the legal relations among the parties thereto and is not intended to be a source of factual, business or operational information about the Company or the GR Parties or the interests to be acquired from the GR Parties. The representations and warranties made by the Company and the GR Parties in the GR PSA may be (i) qualified by disclosure schedules containing information that modifies, qualifies or creates exceptions to such representations and warranties and (ii) subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Accordingly, investors and security holders should not rely on such representations and warranties as characterizations of the actual state of facts or circumstances.

The conversion of the shares of Preferred Stock into shares of Common Stock is conditioned on, and will occur mandatorily upon, the approval by the Company’s stockholders of the issuance of such shares under the New York Stock Exchange rules. The Company intends to obtain such approval at the next annual meeting of its stockholders in May 2024. The terms and conditions of the Preferred Stock to be issued as part of the Share Consideration are set forth in a Certificate of Designations, as amended by a Certificate of Amendment, copies of which were filed by the Company on Form 8-K on September 19, 2023 and November 6, 2023, respectively, and incorporated into this Item 1.01 by reference.

At the closing of the GR Acquisition, the Company entered into a registration rights agreement with Granite Ridge Vital, LLC (as designee for Granite Ridge Holdings LLC), GREP IV-A Permian, LLC and GREP IV-B Permian, LLC (collectively, the “GR Investors”) (the “GR Registration Rights Agreement”). Pursuant to the terms of the GR Registration Rights Agreement, the Company agreed to register under the Securities Act of 1933, as amended (the “Securities Act”), the resale of the shares of Common Stock issued as part of the Share Consideration and the shares of Common Stock issuable upon conversion of the shares of Preferred Stock issued as part of the Share Consideration and to grant the GR Investors certain rights to request and/or participate in underwritten offerings. The foregoing description of the GR Registration Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the form of GR Registration Rights Agreement included as Exhibit C to the GR PSA filed as Exhibit 2.1 hereto and incorporated into this Item 1.01 by reference.

At the closing of the GR Acquisition, the Company and the GR Investors entered into an investor agreement (the “GR Investor Agreement”). Pursuant to the terms of the GR Investor Agreement, the GR Investors are subject to customary transfer restrictions. The foregoing description of the GR Investor Agreement does not purport to be complete and is qualified in its entirety by reference to the form of GR Investor Agreement included as Exhibit E to the GR PSA filed as Exhibit 2.1 hereto and incorporated into this Item 1.01 by reference.

#### **Item 2.01 Completion of Acquisition or Disposition of Assets**

The disclosure set forth in Item 1.01 is incorporated into this Item 2.01 by reference. On December 21, 2023, the Company consummated the GR Acquisition.

#### **Item 3.02 Unregistered Sales of Equity Securities.**

On December 21, 2023, the Company issued 627,026 shares of Common Stock and 595,104 shares of Preferred Stock, constituting the purchase price in the GR Acquisition. The shares were issued in reliance on the exemption from registration requirements under the Securities Act pursuant to Section 4(a) (2) thereof. The Company relied upon representations, warranties, certifications and agreements of each of the Tag Sellers, as applicable, with respect to its members in support of the satisfaction of the conditions contained in Section 4(a)(2) of the Securities Act.

#### **Item 7.01 Regulation FD Disclosure.**

On December 21, 2023, the Company issued a press release announcing the GR Acquisition. The press release is attached hereto as Exhibit 99.1 and is incorporated into this Item 7.01 by reference.

All statements in the press release, other than historical financial information, may be deemed to be forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results or developments may differ materially from those in the forward-looking statements. See the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 and the Company’s other filings with the SEC for a discussion of other risks and uncertainties. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

In accordance with General Instruction B.2 of Form 8-K, the information furnished under this Item 7.01 of this Current Report on Form 8-K and the exhibit attached hereto is deemed to be “furnished” and shall not be deemed “filed” for the purpose of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall such information and exhibit be deemed incorporated by reference in any filing under the Securities Act or the Exchange Act.

#### **Item 9.01 Financial Statements and Exhibits.**

(a) Financial statements of business to be acquired.

##### *GR Parties Financial Statements*

The (i) unaudited statements of revenue and direct operating expenses of certain properties of Granite Ridge Resources, Inc. operated by Henry Energy LP for the nine-month periods ending September 30, 2023 and 2022, and the related notes thereto, and (ii) audited statements of revenues and direct operating expenses of certain properties of Granite Ridge Resources Inc. operated by Henry Energy LP for the years ended December 31, 2022 and 2021, and the related notes thereto, are filed as Exhibit 99.2 hereto and incorporated by reference herein.

The unaudited statements of revenues and direct operating expenses of certain properties of GREP IV-A Permian, LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023, and the related notes thereto, are filed as Exhibit 99.3 hereto and incorporated by reference herein.

The unaudited statements of revenues and direct operating expenses of certain properties of GREP IV-B Permian, LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023, and the related notes thereto, are filed as Exhibit 99.4 hereto and incorporated by reference herein.

#### *Maple Financial Statements*

The unaudited financial statements of Maple, which comprise the balance sheet as of September 30, 2023, the related statements of operations, member equity, and cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes to the financial statements, are filed as Exhibit 99.5 hereto and incorporated by reference herein.

#### *Henry Financial Statements*

The condensed consolidated unaudited interim financial statements of Henry Energy LP and its subsidiaries, which comprise the condensed consolidated unaudited balance sheet as of September 30, 2023, the related condensed consolidated unaudited statements of operations, changes in partner's capital and cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes to the condensed consolidated unaudited financial statements, are filed as Exhibit 99.6 hereto and incorporated by reference herein.

#### *Tall City Financial Statements*

The unaudited consolidated financial statements of Tall City Exploration III LLC and subsidiaries, which comprise the balance sheet as of September 30, 2023, the related statements of operations, changes in members' equity and cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes to the consolidated financial statements, are filed as Exhibit 99.7 hereto and incorporated by reference herein.

#### (b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company, which comprises the balance sheet as of September 30, 2023, the related statements of operations for the nine-month period ended September 30, 2023 and year ended December 31, 2022, and the related notes thereto, is filed as Exhibit 99.8 hereto and incorporated by reference herein.

(d) Exhibits.

<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>2.1</u></a>	<a href="#"><u>Purchase and Sale Agreement, dated as of December 21, 2023, by and among Vital Energy, Inc. and Granite Ridge Holdings LLC, GREP IV-A Permian, LLC and GREP IV-B, Permian LLC.</u></a>
<a href="#"><u>3.1</u></a>	<a href="#"><u>Certificate of Designations of 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock of Vital Energy, Inc., as filed with the Secretary of State of the State of Delaware on September 13, 2023 (filed as Exhibit 3.1 to Vital Energy, Inc.'s Current Report on Form 8-K dated September 19, 2023 and incorporated herein by reference).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Certificate of Amendment to Certificate of Designations of 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock of Vital Energy, Inc. (filed as Exhibit 3.1 to Vital Energy, Inc.'s Current Report on Form 8-K dated November 6, 2023 and incorporated herein by reference).</u></a>
<a href="#"><u>23.1</u></a>	<a href="#"><u>Consent of Forvis, LLP.</u></a>
<a href="#"><u>23.2</u></a>	<a href="#"><u>Consent of Netherland, Sewell &amp; Associates, Inc.</u></a>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Press Release, dated as of December 21, 2023.</u></a>
<a href="#"><u>99.2</u></a>	<a href="#"><u>Unaudited statements of revenues and direct operating expenses of Granite Ridge Resources, Inc. operated by Henry Energy LP for the nine-month periods ending September 30, 2023 and 2022 and audited statements of revenues and direct operating expenses of Granite Ridge Resources Inc. operated by Henry Energy LP for the years ended December 31, 2022 and 2021.</u></a>
<a href="#"><u>99.3</u></a>	<a href="#"><u>Unaudited statements of revenues and direct operating expenses of certain properties of GREP IV-A Permian, LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023.</u></a>
<a href="#"><u>99.4</u></a>	<a href="#"><u>Unaudited statements of revenues and direct operating expenses of certain properties of GREP IV-B Permian, LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023.</u></a>
<a href="#"><u>99.5</u></a>	<a href="#"><u>Unaudited financial statements of Maple as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and September 30, 2022.</u></a>
<a href="#"><u>99.6</u></a>	<a href="#"><u>Condensed consolidated unaudited financial statements of Henry Energy LP and subsidiaries as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and September 30, 2022.</u></a>
<a href="#"><u>99.7</u></a>	<a href="#"><u>Unaudited consolidated financial statements of Tall City Exploration III LLC and subsidiaries as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and September 30, 2022.</u></a>
<a href="#"><u>99.8</u></a>	<a href="#"><u>Unaudited pro forma condensed combined financial information of Vital Energy, Inc. as of September 30, 2023, and for the nine-month period ended September 30, 2023 and year ended December 31, 2022.</u></a>
<a href="#"><u>99.9</u></a>	<a href="#"><u>Reserves report of Netherland, Sewell &amp; Associates, Inc. for certain oil and gas properties owned by Granite Ridge Resources, Inc. dated December 1, 2023, as of December 31, 2022.</u></a>
<a href="#"><u>99.10</u></a>	<a href="#"><u>Reserves report of Netherland, Sewell &amp; Associates, Inc. for certain oil and gas properties owned by Grey Rock Energy Fund IV-A LP dated December 1, 2023, as of December 31, 2022.</u></a>
<a href="#"><u>99.11</u></a>	<a href="#"><u>Reserves report of Netherland, Sewell &amp; Associates, Inc. for certain oil and gas properties owned by Grey Rock Energy Fund IV-B Holdings, LP dated December 1, 2023, as of December 31, 2022.</u></a>
104	Cover Page Interactive Data File (formatted as Inline XBRL).

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**VITAL ENERGY, INC.**

Date: December 22, 2023

By: /s/ Bryan J. Lemmerman

Bryan J. Lemmerman

Executive Vice President and Chief Financial Officer

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**PURCHASE AND SALE AGREEMENT**

by and among

**GRANITE RIDGE HOLDINGS LLC,**

**GREP IV-A PERMIAN LLC,**

and

**GREP IV-B PERMIAN LLC**

as Seller

and

**VITAL ENERGY, INC.**

as Purchaser

Dated December 21, 2023

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## **PURCHASE AND SALE AGREEMENT**

This Purchase and Sale Agreement (this "Agreement"), is dated as of December 21, 2023 (the "Execution Date"), by and among Granite Ridge Holdings LLC, a Delaware limited liability company ("Granite Ridge"), GREP IV-A Permian LLC, a Delaware limited liability company ("GREP-A"), GREP IV-B Permian LLC, a Delaware limited liability company ("GREP-B") and, together with GREP-A and Granite Ridge, "Seller", each a "Seller Party") and Vital Energy, Inc., a Delaware corporation ("Purchaser"). Seller, on the one hand, and Purchaser, on the other hand, are referred to herein individually, as a "Party" and collectively, as the "Parties".

### **RECITALS:**

Seller desires to sell, and Purchaser desires to purchase, those certain oil and gas properties, rights, and related assets that are defined and described as "Assets" herein.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations, warranties, covenants, conditions, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

### **ARTICLE 1 PURCHASE AND SALE**

**1.1 Purchase and Sale.** On the terms and conditions contained in this Agreement, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase, accept, and pay for, the Assets.

**1.2 Certain Definitions.** As used herein:

(a) "8/8ths Properties" means the assets described in subsection (i) of the definition of "Assets", provided, however, that such assets are not limited by the Applicable Percentages of Seller's right, title and interest, but rather are one-hundred percent (100%) of Seller's right, title and interest in and to the assets described in subsections 1.2(f)(i)(A) through 1.2(f)(i)(L) of the definition of "Assets";

(b) "Affiliate" means, with respect to any Person, a Person that directly or indirectly controls, is controlled by, or is under common control with, such Person. "Control" and derivatives of such term, as used in this definition, means having the ability, whether or not exercised, to direct the management or policies of a Person through ownership of voting shares or other securities, pursuant to a written agreement, or otherwise.

(c) "Applicable Depth" means, as to any Subject Well: (i) if such Subject Well is currently producing, those formations from which such Subject Well is currently producing; (ii) if such Subject Well is a Well that is not currently producing, the last depth or formation at which it produced; or (iii) if such Subject Well is a Well Location, the formation identified on Exhibit A-2 or Schedule 2.2 for such Well Location, in each case, as the context requires.

(d) "Applicable Percentage" means, with respect to each Prospect, the undivided interest expressed as a percentage for such Prospect as described in Exhibit A-8 and denoted as "Applicable Percentage".

(e) “Asset Taxes” means ad valorem, property, excise, severance, production, sales, use and similar Taxes based upon the acquisition, operation or ownership of the Assets or the production of Hydrocarbons therefrom, but excluding, for the avoidance of doubt, Income Taxes and Transfer Taxes.

(f) “Assets” means the following, individually and in the aggregate:

(i) the Applicable Percentage, on a Prospect-by-Prospect basis, of each Seller’s right, title, and interest in and to the following (but excluding in all cases any Excluded Assets):

(A) the Leases located within each Prospect (for the avoidance of doubt, if a Lease covers lands located within multiple Prospects, then the Lease shall be further divided as there shall be multiple Applicable Percentages attributable to such Lease: each Applicable Percentage shall correspond with that portion of the Lease INsofar AND ONLY INsofar as such Lease covers the lands corresponding to each Prospect);

(B) all Wells attributable to such Prospect;

(C) all Units attributable to such Prospect;

(D) all fee mineral interests in the applicable Prospect, including those identified or described on Exhibit A-4 (the “Fee Minerals”) (such Applicable Percentage interest, respectively, in the Leases, the Subject Wells, the Units and the Fee Minerals, in each of the Prospects shall collectively be referred to as the “Energy Properties”);

(E) all Hydrocarbons produced from, or attributable to, the Energy Properties from and after the Effective Date; all Hydrocarbon inventories from or attributable to the Energy Properties that are in storage or existing in stock tanks, pipelines and/or plants on the Effective Date (including inventory and line fill); and, to the extent related or attributable to the other Assets, all production, plant, and transportation imbalances (provided, however, that Purchaser’s rights to the inventories and imbalances described in this subsection 1.2(f)(i)(E) shall be satisfied solely pursuant to Sections 2.3(c) and 2.3(d)); and

(F) except to the extent related to any of the Retained Obligations, all (A) trade credits, accounts receivable, take-or-pay amounts receivable, and other receivables and general intangibles, to the extent attributable to the other Assets for periods of time from and after the Effective Date or related to any Assumed Obligation hereunder, (B) liens and security interests in favor of Seller or any of its Affiliates under any Law or Contract to the extent arising from, or relating to, the ownership, operation, or sale or other disposition on or after the Effective Date of any of the other Assets or to the extent arising in favor of Seller with respect to any other Asset or any Assumed Obligation for which Purchaser is providing indemnification hereunder, (C) indemnity, contribution, and other such rights in favor of Seller or any of its Affiliates arising under any of the other Assets to the extent attributable to such other Assets for periods of time from and after the Effective Date or related to any Assumed Obligation hereunder, including rights to contribution under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, breaches of statutory or implied warranties, nuisance or other tort actions, rights to punitive damages, common Law rights of contribution and all rights and remedies of any kind arising under or with respect to any Contracts ((1) whether related to periods of time occurring before, on or after the Effective Date and (2) including audit and other similar rights (including, for purposes of clarity, the right to receive adjustments, refunds or other proceeds related to or payable in connection with the exercise of any such rights)) and (D) rights, remedies, claims, demands, interests or causes of action whatsoever, at Law or in equity, known or unknown, of Seller or any of its Affiliates against any third Person to the extent related to (1) the Assets for periods of time from and after the Effective Date or (2) any Assumed Obligation, and, where necessary to give effect to the assignment, conveyance and/or transfer of any of the foregoing matters described in this Section 1.2(f)(i)(E), Seller grants to Purchaser the right to be subrogated thereto, except, in each case, to the extent relating to any of the Retained Obligations;

(G) all Rights of Way applicable to such Prospect (for the avoidance of doubt, if a Right of Way covers lands located within multiple Prospects, then the Right of Way shall be further divided as there shall be multiple Applicable Percentages attributable to such Right of Way: each Applicable Percentage shall correspond with that portion of the Right of Way INsofar AND ONLY INsofar as such Right of Way covers the lands corresponding to each Prospect);

(H) all Contracts applicable to such Prospect (for the avoidance of doubt, if a Contract covers lands located within multiple Prospects, then the Contract shall be further divided as there shall be multiple Applicable Percentages attributable to such Contract: each Applicable Percentage shall correspond with that portion of the Contract INsofar AND ONLY INsofar as such Contract covers the lands corresponding to each Prospect);

(I) all Equipment applicable to such Prospect;

(J) those certain surface fee estates located in the applicable Prospect and described on Exhibit A-6 (“Surface Fee Estates”);

(K) all currently existing Permits, to the extent related to the applicable Prospect and other Assets and to the extent transferrable; and

(L) originals, to the extent available, otherwise copies (including electronic copies) of all Records applicable to such Prospect.

(g) “barrel” means forty-two (42) U.S. gallons.

(h) “Benefit Plan” means any welfare plan (as defined in Section 3(1) of ERISA), pension plan (as defined in Section 3(2) of ERISA) or any bonus, incentive, deferred compensation, employment, consulting, severance, change in control, retention, termination or other compensation or benefit plan, program, policy, agreement or arrangement, in each case whether or not reduced to writing, and in each case that is sponsored, maintained, contributed to or required to be maintained or contributed to by the Seller Parties or any of the Affiliates or with respect to which the Seller Parties or any of their Affiliates has an actual or contingent liability.

(i) “Benefit Plan Liabilities” means all obligations, responsibilities and liabilities under or with respect to the Benefit Plans.

(j) “Business Day” means any day other than a Saturday, a Sunday, or a day on which banks are closed for business in Dallas, Texas or Tulsa, OK, United States of America.

(k) “Code” means the United States Internal Revenue Code of 1986, as amended.

(l) “Contracts” means all currently existing contracts, agreements, and instruments pertaining to the Assets, including operating agreements; unitization, pooling, and communitization agreements; declarations and orders; area of mutual interest agreements; farmin and farmout agreements; exchange agreements; compressor agreements; rental agreements (to the extent freely transferrable without payment of a fee or other consideration, unless Purchaser has agreed in writing to pay such fee or consideration); gathering agreements; agreements for the sale and purchase of Hydrocarbons; disposal agreements; transportation agreements; and processing agreements; provided, however, that the term “Contracts” shall not include (x) the Leases, the Rights of Way and other instruments constituting Seller’s chain of title to the applicable Leases or Rights of Way, or (y) any master services agreements, drilling contracts and other similar service contracts.

(m) “Cut-Off Date” means five o’clock p.m. in Houston, Texas on the date that is twelve (12) months following the Closing Date.

(n) “Effective Date” means 7:00 a.m. in Houston, Texas on August 1, 2023.

(o) “Employee Liabilities” means all obligations and liabilities to or in respect of any current or former officers, directors, employees and individual independent contractor service providers of the Seller Parties or any of their Affiliates.

(p) “Environmental Laws” means the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; the Clean Air Act, 42 U.S.C. § 7401 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. § 5101 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 through 2629; the Oil Pollution Act, 33 U.S.C. § 2701 et seq.; the Emergency Planning and Community Right to Know Act, 42 U.S.C. § 11001 et seq.; and the Safe Drinking Water Act, 42 U.S.C. §§ 300f through 300j, in each case as amended to the date hereof, and all similar Laws, including common law, as of the Execution Date of any Governmental Authority having jurisdiction over the property in question addressing pollution or protection of the environment, biological or cultural resources, exposure to pollution or chemicals in the environment or protection of occupational safety, including those Laws relating to the storage, handling and use of Hazardous Substances and Laws relating to the generation, processing, treatment, storage, transportation, disposal or management thereof and all regulations implementing the foregoing.

(q) “Environmental Matters” means (i) the terms of Article 3, (ii) Seller’s representations and warranties in Sections 4.2 and 4.15, (iii) the Retained Obligations and (iv) Seller’s liability and indemnification obligations with respect to (including, for purposes of clarity, Purchaser’s right to indemnification pursuant to Article 11 with respect to) any (A) breach or inaccuracy, as applicable, of any such representations and warranties, covenants or agreements or (B) any Retained Obligations (including, for purposes of clarity, any and all Damages caused by, arising out of, resulting from or related to any of the foregoing matters described in this definition).

(r) “Equipment” means all surface and subsurface equipment, machinery, fixtures, and other tangible personal property and improvements, whether owned or leased, that are (i) if owned by Seller, located at, on or under any of the lands covered by or attributable to any of the Properties, Surface Fee Estates or are used or held for use in connection with the ownership or operation of the Properties or any of the other Assets or the production, treatment, storage, disposal, or transportation of Hydrocarbons or other substances thereon or therefrom (including all Well and wellhead equipment, casing rods, boilers, tubing, motors, fixtures, pumps, pumping units, Hydrocarbon measurement facilities, flowlines, gathering systems, piping, pipelines, compressors, Hydrocarbons measurement facilities, metering facilities, interconnections, tanks, tank batteries, treatment facilities, injection facilities, disposal facilities, compression facilities, processing and separation facilities, platforms, SCADA equipment, frac tanks and ponds and other materials, supplies, inventory, facilities, machinery, equipment and similar personal property (both surface and subsurface)).

(s) “Exchange Act” means the United States Securities Exchange Act of 1934, as amended.

(t) “Excluded Records” means:

(i) all corporate, financial, Tax, and legal data and records of Seller that relate to Seller’s business generally (whether or not relating to the Assets) or to Seller’s business, operations, assets, and properties to the extent not related to or part of the Assets;

(ii) any data, software, and records to the extent disclosure or transfer is prohibited or subjected to payment of a fee or other consideration by any license agreement or other agreement, or by applicable Law, and for which no consent to transfer has been received and/or for which Purchaser has not agreed in writing to pay the fee or other consideration, as applicable;

(iii) all legal records and legal files of Seller, including all work product of, and attorney-client communications with, Seller’s legal counsel (other than Leases, title opinions, and Contracts, which shall, for purposes of clarity, be included in the Assets);

(iv) data and records relating to the sale of the Assets, including communications with the advisors or other Representatives of Seller or any member of Seller Group;

(v) any data and records, to the extent relating to the other Excluded Assets or assets and properties to the extent they do not constitute Assets under this Agreement; and

(vi) those original data and records retained by Seller pursuant to Section 12.5.

(u) “Fraud” means actual and intentional fraud by a Party with respect to the making of the representations and warranties pursuant to Article 4 or Article 5 (as applicable); provided, that such actual and intentional fraud of such Party shall only be deemed to exist if any of the individuals included on Subpart 1 of Schedule K (in the case of Seller) or Subpart 2 of Schedule K (in the case of Purchaser) had Knowledge of the breach or inaccuracy of any such representation(s) and/or warranty(ies) when made by such Party pursuant to Article 4 or Article 5 (as applicable), with the intent of inducing the other Party to enter into this Agreement and upon which such other Party has relied to its detriment (as opposed to any fraud claim based on constructive knowledge, negligent misrepresentation or a similar theory under applicable Law).

(v) “G&G Data” means all geological or geophysical information constituting proprietary data, studies, core samples, maps, related technical data and any other geological or geophysical information (in each case excluding any interpretations of Seller made with respect to such information as well as any seismic information of Seller) covering the Properties that Seller is not prohibited by agreement from transferring (directly or indirectly) to Purchaser (other than any such information licensed from non-Affiliate Persons that cannot be transferred without additional consideration to such non-Affiliate Persons and for which Purchaser has not agreed (in its sole discretion) to pay such additional consideration).

(w) “GAAP” means United States generally accepted accounting principles, consistently applied.

(x) “Governmental Authority” means any national, state, county, federal, municipal, or multinational government and/or government of any political subdivision, and departments, courts, commissions, boards, bureaus, ministries, agencies, administrative body, legislature, executive or other authority or regulatory body or other instrumentalities of any of them.

(y) “Hazardous Substance” shall mean any pollutants, contaminants, toxic or hazardous or extremely hazardous substances, materials, wastes, constituents, compounds or chemicals that are regulated by, or may form the basis of liability under, any Environmental Laws, including NORM, petroleum and any fraction thereof and any other substances referenced in Section 3.4(c).

(z) “Hedge” means any future derivative, swap, collar, put, call, cap, option or other contract that is intended to benefit from, relate to, or reduce or eliminate the risk of fluctuations in interest rates, basis risk or the price of commodities, including Hydrocarbons or securities.

(aa) “Hydrocarbons” means crude oil, gas, casinghead gas, condensate, natural gas liquids, and other gaseous or liquid hydrocarbons (including ethane, propane, iso-butane, nor-butane, gasoline, and scrubber liquids) of any type and chemical composition.

(bb) “Income Taxes” means any U.S. federal, state or local or foreign income Tax or Tax based on profits, net profits, margin, revenues, gross receipts or similar measure.

(cc) “Income Tax Return” means any Tax Return with respect to the Income Taxes.

(dd) “Investor Agreement” means the Investor Agreement, substantially in the form attached hereto as Exhibit E to be executed and delivered by Purchaser and Seller at Closing.

(ee) “Knowledge” (or “knowledge” or “known” or other derivatives thereof) means, whether or not capitalized, (i) with respect to Seller, the actual knowledge, without any duty of inquiry or investigation, of any of the individuals listed in Subpart 1 of Schedule K and (ii) with respect to Purchaser the actual knowledge, without any duty of inquiry or investigation, of any of the individuals listed in Subpart 2 of Schedule K.

(ff) “Laws” means any federal, state, local or foreign or multinational law, statute, act, code, ruling, award, writ, ordinance, rule, regulation, judgment, order, injunction, decree, decision or agency requirement of any Governmental Authority, including common law.

(gg) “Leases” means the oil and gas leases, oil, gas, and mineral leases and subleases, carried interests, operating rights, record title interests and other interests owned or held by Seller and located within the Prospects, including those identified or described on Exhibit A-1, and, without limiting the foregoing, all other rights (of whatever character, whether legal or equitable, vested or contingent, and whether or not the same are expired or terminated) in and to the Hydrocarbons in, on, under, and that may be produced from or are otherwise attributable the Prospects, including the lands covered by the leases, subleases, interests and rights described on Exhibit A-1, and any renewals, modifications, supplements, ratifications or amendments to such leases, subleases, interests and rights described on Exhibit A-1.

(hh) “Material Consent” means a Consent by a third Person (i) that if not obtained prior to the direct or indirect assignment of an Asset, (A) voids or nullifies (automatically or at the election of the holder thereof) the assignment, conveyance or transfer of an Asset, (B) terminates (or gives the holder thereof the right to terminate) any material rights in the Asset subject to such consent, or (C) requires payment of a fee or liquidated damages or (ii) that has affirmatively been denied in writing (except for any such consent that is otherwise waived in writing by Purchaser); provided, however, that “Material Consent” does not include (x) any consent or approval of Governmental Authorities customarily obtained after Closing for the transfer of the Assets or (y) any Consent which by its express terms cannot be unreasonably withheld, unless such Consent has been affirmatively denied in writing.

(ii) “Material Contract” means, to the extent binding on the Assets, any Contract which is one or more of the following types (provided, however, that the term “Material Contract” shall not include any Contract to which Purchaser is a party prior to the Execution Date):

(i) Contracts between Seller, on the one hand, and any Affiliate of Seller, on the other hand, which will be binding on or otherwise burden Purchaser or any of the Assets after the Closing;

(ii) Contracts for the sale, purchase, exchange, or other disposition of Hydrocarbons produced from or allocable to the Properties which are not cancelable without penalty to, or material payment by Seller, its Affiliates, or its or their permitted successors and assigns, on sixty (60) days’ or less prior written notice;

(iii) To the extent currently pending, Contracts to sell, lease, farmout, exchange, or otherwise dispose of all or any part of the Assets at any time from and after the Effective Date, but excluding conventional rights of reassignment upon intent to abandon any Asset;

(iv) Contracts for the gathering, treatment, processing, storage or transportation of Hydrocarbons, which are not cancelable without penalty to or material payment by Seller, its Affiliates, or its or their permitted successors and assigns, on sixty (60) days’ or less prior written notice;

(v) Contracts that are joint operating agreements, unit operating agreements, exploration agreements, development agreements, participation agreements, joint venture agreements, area of mutual interest agreements (or that contain area of mutual interest agreements or similar provisions), farmin agreements, farmout agreements, non-compete agreements, production sharing agreements, exchange agreements, pooling agreements or other similar agreements, including any agreement with any express drilling or development obligations to the extent the same have not been fully performed or fulfilled and would be binding on Purchaser and/or the Assets after Closing;

(vi) Contracts requiring Seller or its Affiliates to post guarantees, bonds, letters of credit or similar financial agreements;

(vii) Contracts that provide for a call upon, option to purchase or similar right with respect to any of the Assets (including any Hydrocarbons produced therefrom or allocated thereto);

(viii) Contracts that are sale lease-back agreements, indentures, loan agreements, credit agreements, security agreements, mortgages, promissory notes or similar financial agreements that will be binding on, or result in a lien or other encumbrance on, any of the Assets after the Closing;

(ix) Contracts for salt water or fresh water disposal, gathering, processing, transportation or other similar agreements, or any water rights or water source agreements, which are not cancelable without penalty to or material payment by Seller, its Affiliates, or its or their permitted successors and assigns, on sixty (60) days’ or less prior written notice;

(x) Contracts containing “tag-along” or “drag-along” rights, preferential rights or other similar rights of, or applicable to, any Person, including, without limitation, any “change of control” or other similar provision;

(xi) Contracts that constitute a lease under which Seller is the lessor or the lessee of real or personal property which lease (A) cannot be terminated by Seller without penalty or material payment upon sixty (60) days’ or less prior written notice and (B) involves (x) an annual base rental of more than One Hundred Thousand Dollars (\$100,000) or (y) the payment of more than One Hundred Thousand Dollars (\$100,000) in the aggregate (net to Seller’s interest);

(xii) All other Contracts that can reasonably be expected to involve aggregate payments by, or aggregate proceeds or revenues to, Seller or any of its Affiliates in excess of One Hundred Thousand Dollars (\$100,000) during the current year or any subsequent fiscal year; and

(xiii) All Contracts with respect to G&G Data.

(jj) "Net Revenue Interest" means, with respect to any Subject Well, Seller's (as of the Closing Date) interest (expressed as a percentage or a decimal) in and to the Hydrocarbons produced and saved or sold from or allocated to such Subject Well from the Applicable Depths, in each case after giving effect to all Royalties.

(kk) [Intentionally Omitted]

(ll) "NYSE" means the New York Stock Exchange.

(mm) "Overhead Costs" means \$0 per month.

(nn) "Per Share Common Value" means Fifty-Four Dollars and Ninety-Six Cents (\$54.96).

(oo) "Per Share Preferred Value" means Fifty-Four Dollars and Ninety-Six Cents (\$54.96).

(pp) "Person" means any individual, corporation, partnership, limited liability company, trust, estate, Governmental Authority, or any other entity.

(qq) [Intentionally Omitted].

(rr) "Properties" means the Energy Properties.

(ss) "Property Costs" means, without duplication, all ordinary course operating expenses (including costs of insurance (solely to the extent any such insurance costs are premiums that are paid with respect to the period of time between the Effective Date and the Closing Date), and overhead costs charged by any Third Party operator of any of the Assets) pursuant to an applicable joint operating agreement and capital expenditures, in each case, paid or payable to Third Parties and incurred in the ownership and operation of the Assets in the ordinary course of business, but excluding (without limitation), in each case, any and all liabilities, losses, costs, expenses, and Damages arising out of or otherwise attributable or related to:

(i) claims, investigations, administrative proceedings, arbitration or litigation directly or indirectly arising out of or resulting from actual or claimed personal injury, illness or death; property damage; environmental damage or contamination; other torts; private rights of action given under any Law; or violation of any Law;

(ii) obligations to plug and/or abandon wells, dismantle, decommission or remove facilities or any other Asset;

(iii) obligations to remediate any contamination of groundwater, surface water, soil, sediments, or Equipment or that otherwise affect or relate to any of the Assets;

(iv) (A) all title examination and curative matters (including any title examination and/or curative costs) paid or incurred in connection with, or with respect to, any special warranty claims made pursuant to the Assignment and Bill of Sale or Mineral Deed or with respect to curing any breach of any of Seller's representations or warranties, including claims that Leases have terminated, and (B) all environmental matters, claims and/or obligations, including to remediate any contamination of water or personal property, or restore the surface around such wells, facilities or personal property, including under applicable Environmental Laws;

(v) obligations to pay working interests, Royalties, and other revenues or proceeds attributable to sale of Hydrocarbons to Third Parties, as well as claims of improper calculation or payment of same;

(vi) gas balancing and other production balancing obligations;

(vii) any Casualty Loss (including any mitigation, repair, replacement or restoration costs related thereto);

(viii) Taxes (including Asset Taxes);

(ix) obligations with respect to Hedges;

(x) obligations to pay (A) any rentals, shut-in royalties or other similar lease maintenance payments, (B) any bonuses, broker fees and other Lease acquisition costs, costs of drilling and completing wells and costs of acquiring equipment that are not paid and (C) any transfer or similar fees associated with the assignment of the Assets from Seller to Purchaser pursuant to this Agreement;

(xi) any of the Retained Obligations (except any such Retained Obligation described in Section 11.2(b) that results in an adjustment to the Purchase Price pursuant to Section 2.3 or a turnover obligation pursuant to Section 2.4) or any other matters for which Seller has an indemnity obligation under this Agreement;

(xii) any general and administrative and/or overhead costs that are not (A) charged by Third Parties pursuant to an applicable joint operating agreement or (B) covered by the Overhead Costs adjustment contained in Section 2.3(f)(ii); and

(xiii) any claims for indemnification, contribution, or reimbursement from any Third Party with respect to liabilities, losses, costs, expenses and Damages of the type described in preceding clauses (i) through (xii), whether such claims are made pursuant to contract or otherwise.

(tt) "Prospect" means the prospects described on Exhibit A-8 and the area of land allocated to each of the Prospects as set forth on Exhibit A-8.

(uu) "Purchase Price" means the Unadjusted Purchase Price, as adjusted pursuant to this Agreement, including Section 2.1(c) and Section 2.3.

(vv) "Purchaser Annual Meeting" means the annual meeting of stockholders of Purchaser.

(ww) “Purchaser Common Stock” means the common stock, par value \$0.01 per share, of Purchaser.

(xx) “Purchaser Fundamental Representations” means the representations and warranties of Purchaser set forth in Sections 5.1, 5.2, 5.3, 5.4(a), 5.6, 5.16 and 5.18.

(yy) “Purchaser Material Adverse Effect” means any event, condition, change, development, circumstance or set of facts (each, an “Effect”) that, individually or in the aggregate with any other such events, conditions, changes, developments, circumstances or sets of facts, has, has had, or would reasonably be expected to have, a material adverse effect on (a) the business, financial condition or results of operations of the Purchaser, or (b) the ability of Purchaser to consummate the Transactions contemplated hereby; provided, however, that the term “Purchaser Material Adverse Effect” shall not include effects (except in the case of clauses (i) through (vi) and (viii) below, to the extent such effects have a disproportionate materially adverse impact on Purchaser relative to other Persons operating in the same industry and geographic area in which Purchaser operates) resulting from (i) general changes in oil and gas prices; (ii) general changes in economic or political conditions or markets; (iii) changes in condition or developments (including changes in applicable Law) generally applicable to the oil and gas industry; (iv) acts of God, including storms and natural disasters; (v) acts or failures to act of Governmental Authorities (where not caused by the willful or negligent acts of Purchaser or its Affiliates); (vi) the outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war, civil unrest or similar disorder or terrorist acts; (vii) any occurrence, condition, change, event or effect resulting from or relating to the announcement or pendency of the Transactions; (viii) any change in GAAP, or in the interpretation thereof; (ix) any epidemic, pandemic, or widespread disease outbreak (including the COVID-19 virus), or, in each case, any changes, restrictions or additional health or security measures imposed by a Governmental Authority in connection therewith; (x) any occurrence, condition, change, event or effect resulting from (A) the announcement of the Transactions, or (B) actions expressly required by this Agreement or expressly at or with the written consent of Seller; (xi) any change, in and of itself, in the market price or trading volume of Purchaser Common Stock or any other securities of Purchaser or any of its subsidiaries (it being understood that any Effect underlying such change may be deemed to continue, or be taken into account in determining whether there has been or would reasonably be expected to become, a Purchaser Material Adverse Effect, to the extent permitted by this definition and not otherwise excepted by another clause of this proviso); and (xii) any legal proceeding brought or threatened by shareholders of Purchaser (whether on behalf of Purchaser or otherwise) asserting allegations of breach of fiduciary duty arising out of or relating to (A) violations of securities Laws in SEC Documents or (B) this Agreement or the Transactions contemplated hereby (it being understood that any Effect underlying the claims in any such proceeding (or threatened proceeding) may be deemed to constitute, or be taken into account in determining whether there has been or would reasonably be expected to become, a Purchaser Material Adverse Effect, to the extent permitted by this definition and not otherwise excepted by another clause of this proviso).

(zz) “Purchaser Preferred Stock” means convertible preferred stock, par value \$0.01 per share, of Purchaser.

(aaa) “Records” means (less and except the Excluded Records) originals, to the extent available, otherwise copies (including electronic copies) of files, records, information and data in Seller’s or any of its Affiliates’ possession or control and to the extent relating or relevant to Seller’s ownership and/or operation of all or any portion of any of the Assets, including all books, records, data, files, information, drawings, maps, lease files, land files, surveys, division order files, abstracts, muniments of title, title opinions, title curative documents and other title information, contract files, well logs and other similar files, well and equipment telemetry data, wellbore schematics, shape files, the G&G Data, production data, well, operation and accounting data and records, workover, artificial lift conversion and downtime history, KMZ files, and engineering, exploration and other technical data and information (excluding any interpretive data or other technical analysis) that relates or is relevant to any of the Assets (including, for purposes of clarity, the ownership or operation thereof).

(bbb) “Registration Rights Agreement” means the Registration Rights Agreement, substantially in the form attached hereto as Exhibit C, to be executed and delivered by Purchaser and Seller at Closing.

(ccc) “Representatives” means, with respect to a Person, such Person’s Affiliates and its and their respective directors, officers, partners, investors, members, managers, employees, financing sources, agents and advisors (including attorneys, accountants, consultants, bankers, financial advisors, brokers, and any representatives of those advisors).

(ddd) “Retained Percentage” means, with respect to each Prospect, the undivided interest expressed as a percentage for such Prospect and described in Exhibit A-8 and denoted as “Retained Percentage”.

(eee) “Rights of Way” means surface and/or subsurface easements, permits, licenses, servitudes, rights-of-way, leases, rights to explore and drill for, produce, store, gather, transport, use and sell surface and subsurface water and other rights to use the surface appurtenant to, or used or held for use in connection with, the Properties, including those described on Exhibit A-5; provided, however, that the term “Rights of Way” shall not include interests held pursuant to the Leases and other instruments constituting Seller’s chain of title to the applicable Leases.

(fff) “Royalties” means all royalties, overriding royalties, reversionary interests, net profit interests, production payments, carried interests, non-participating royalty interests, reversionary interests and other royalty burdens and other similar interests payable out of production of Hydrocarbons from or allocated to the Properties or the proceeds thereof to third Persons.

(ggg) “SEC” means the United States Securities and Exchange Commission.

(hhh) “Securities Act” means the United States Securities Act of 1933, as amended.

(iii) “Seller Fundamental Representations” means the representations and warranties of Seller set forth in Sections 4.1(a), 4.1(b), 4.1(c), 4.1(d)(i), 4.9, and 4.10.

(jjj) “Seller Material Adverse Effect” means any event, condition, change, development, circumstance or set of facts that, individually or in the aggregate with any other such events, conditions, changes, developments, circumstances or sets of facts, has, has had or would reasonably be expected to have, a material adverse effect on (a) the ownership, operation, or financial condition of the Assets, taken as a whole, or (b) the ability of Seller to consummate the Transactions contemplated hereby; provided, however, that the term “Seller Material Adverse Effect” shall not include effects (except in the case of clauses (i) through (vi) and (viii) below, to the extent such effects have a disproportionate materially adverse impact on (x) Seller relative to other Persons operating in the same industry and geographic area in which Seller operates or (y) the Assets relative to similar Assets within the same geographic area in which the Assets are located) resulting from (i) general changes in oil and gas prices; (ii) general changes in economic or political conditions or markets; (iii) changes in condition or developments (including changes in applicable Law) generally applicable to the oil and gas industry; (iv) acts of God, including storms and natural disasters; (v) acts or failures to act of Governmental Authorities (where not caused by the willful or negligent acts of Seller or its Affiliates); (vi) the outbreak or escalation of hostilities involving the United States, the declaration by the United States of a national emergency or war, civil unrest or similar disorder or terrorist acts; (vii) any occurrence, condition, change, event or effect resulting from or relating to the announcement or pendency of the Transactions; (viii) any change in GAAP, or in the interpretation thereof; (ix) any epidemic, pandemic, or widespread disease outbreak (including the COVID-19 virus), or, in each case, any changes, restrictions or additional health or security measures imposed by a Governmental Authority in connection therewith; and (x) any occurrence, condition, change, event or effect resulting from (A) the announcement of the Transactions, or (B) actions expressly required by this Agreement or expressly at or with the written consent of Purchaser.

(kkk) “Seller Taxes” means any and all (i) Income Taxes imposed by any applicable Laws on Seller or any of its Affiliates or any affiliated, combined, consolidated, unitary or similar group with respect to Taxes of which any of the foregoing is or was a member prior to the Closing Date, (ii) Asset Taxes allocable to Seller pursuant to Section 9.1 (taking into account, and without duplication of, such Asset Taxes effectively borne by Seller (A) as a result of the adjustments to the Purchase Price pursuant to Section 2.3 or (B) in connection with the provisions of Section 11.4, as applicable), (iii) Taxes imposed on or with respect to the ownership or operation of the Excluded Assets or that are attributable to any asset or business of Seller that is not part of the Assets, (iv) Taxes arising directly from any restructuring or reorganization undertaken by Seller or any of its Affiliates prior to the Effective Date, and (v) Asset Taxes (other than Taxes described in clauses (i), (ii), or (iii) of this definition) imposed on or with respect to the acquisition, ownership or operation of the Assets or the production of Hydrocarbons or the receipt of proceeds therefrom for any Tax period (or portion of any Straddle Period) ending before the Effective Date.

(lll) “Stockholder Approval” shall mean the approval by holders of a majority of the issued and outstanding shares of Purchaser Common Stock present in person (including virtual presence) or represented by proxy and eligible to vote, assuming a quorum is present, and required by the applicable rules and regulations of the New York Stock Exchange (or any successor entity) from the stockholders of the Company with respect to the issuance of the shares upon conversion of the shares of Purchaser Preferred Stock; provided, however, that for purposes of this definition, the shares of Purchaser Common Stock received by Seller and its designees pursuant to this Agreement shall not be (i) eligible to vote, (ii) counted for purposes of determining the “majority”, and (iii) counted for quorum purposes.

(mmm) “Straddle Period” means any Tax period beginning before and ending on or after the Effective Date.

(nnn) “Subject Well” means a Well and/or Well Location, as the context requires.

(ooo) “Subsidiary” of a Person means any other Person of which at least a majority of the securities or ownership interests having, by their terms, ordinary voting power to elect a majority of the board of directors or other persons performing similar functions is directly or indirectly owned or controlled by such first Person and/or by one or more of its Subsidiaries.

(ppp) “Surface Deed” means that Surface Deed in the form attached hereto as Exhibit B-3 pursuant to which Granite Ridge will convey its Surface Fee Estates to Purchaser.

(qqq) [Intentionally Omitted].

(rrr) “Target Interval” has the meaning set forth in Schedule TI.

(sss) “Tax” or “Taxes” means all federal, state, local and foreign income, branch profits, license, payroll, employment, environmental, social security, unemployment, disability, profits, franchise, sales, use, ad valorem, property, severance, production, conservation, excise, stamp, documentary, real property transfer or gain, gross receipts, goods and services, registration, capital, transfer or withholding taxes, including any interest, penalty or addition thereto, whether disputed or not.

(ttt) “Tax Return” means any return, declaration, report, claim for refund, or information return or statement filed or required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto and any amendment thereof.

(uuu) “Third Party” means any Person other than Seller and Purchaser and their respective Affiliates.

(vvv) “Title Matters” means (a) the terms of Article 3, (b) the Special Warranties, (c) Seller’s representations and warranties in Sections 4.2, 4.7, 4.8, 4.11(a), 4.12, 4.13(b), 4.17, 4.21, and 4.22(b), (d) the Retained Obligations described in Sections 11.2(g) and 11.2(i), (e) Purchaser’s rights under Section 2.3(i), and (f) Seller’s liability and indemnification obligations with respect to (including, for purposes of clarity, Purchaser’s right to indemnification pursuant to Article 11 with respect to) any (A) breach or inaccuracy, as applicable, of any such representations and warranties, covenants or agreements or (B) the Retained Obligations described in Sections 11.2(g) and 11.2(i) (including, for purposes of clarity, any and all Damages caused by, arising out of, resulting from or related to any of the foregoing matters described in this definition).

(www) “Transaction Agreements” means this Agreement and each other agreement or instrument to be executed and delivered pursuant hereto at the Closing.

(xxx) “Transactions” means the transactions contemplated by this Agreement and the other Transaction Agreements.

(yyy) “Transfer Taxes” means any excise, sales, purchase, transfer, stamp, documentary, filing, registration, use or other similar Taxes or fees, and costs or expenses of preparing and filing any related Tax Returns, incurred as a result of or with respect to the sale of the Assets pursuant to this Agreement.

(zzz) “Treasury Regulations” means the regulations promulgated under the Code by the United States Department of the Treasury, whether in proposed (to the extent they can be relied upon), temporary or final form.

(aaaa) “Unapproved Exception” means, with respect to any Lease as to the Target Interval (except as otherwise expressly set forth on Exhibit A-1 with respect to such Lease), Subject Well or other applicable Asset, as applicable, any fact(s), circumstance(s), or other matter(s) that, individually or in the aggregate, (i) operate to reduce Seller’s Net Revenue Interest for any Subject Well to an amount below the Net Revenue Interest set forth in Schedule 2.2 for such Subject Well, (ii) operate to increase Seller’s Working Interest for any Subject Well to an amount greater than the Working Interest set forth in Schedule 2.2 for such Subject Well (in each case, except to the extent the Net Revenue Interest for such Subject Well is greater than the Net Revenue Interest set forth Schedule 2.2 for such Subject Well in the same or greater proportion as the cumulative increase in Seller’s Working Interest therefor), or (iii) impair, or would reasonably be expected to impair, in any material respect, the ownership, operation, and/or use of the affected Asset(s) subject thereto or affected thereby as currently owned, operated and/or used by Seller or any of its Affiliates or as would otherwise be owned, operated and/or used by a reasonably prudent owner and/or operator of assets similar to such Asset(s) and located in the same geographic area as such Asset(s), as applicable.

(bbbb) “Units,” means all pooled, communitized, consolidated or unitized acreage which includes all or part of any Leases, and all tenements, hereditaments, and appurtenances belonging thereto, including, for purposes of clarity, such units more particularly identified on Exhibit A-3.

(cccc) “Well Location” means those undeveloped well locations specifically identified on Exhibit A-2.

(dddd) “Wells” means all Hydrocarbon, water, CO<sub>2</sub>, or injection or disposal wells identified on Exhibit A-2 and any and all Hydrocarbon, water, CO<sub>2</sub>, or injection or disposal wells located on the Leases or on lands pooled, communitized, or unitized therewith or on the Rights of Way or Surface Fee Estates, including the wells shown on Exhibit A-2, in each case, whether producing, non-producing, permanently or temporarily plugged and abandoned, and whether or not fully described on any Exhibit or Schedule hereto.

(eeee) “Working Interest” means, with respect to any Subject Well (as to the Applicable Depths), the interest (expressed as a percentage or a decimal) that is burdened with the obligation to bear and pay costs and expenses of maintenance, development and operations for, on or in connection with such Subject Well (solely as to the Applicable Depths), without regard to the effect of any Royalties.

**1.3 Excluded Assets.** Notwithstanding anything to the contrary in Section 1.3 or elsewhere in this Agreement, the “Assets” shall not include any rights with respect to the Excluded Assets. “Excluded Assets” means the following:

(a) the Retained Percentage, on a Prospect-by-Prospect basis, of Seller’s right, title and interest in and to the 8/8ths Properties;

(b) the Excluded Records;

(c) any interpretations of Seller made with respect to any G&G Data, as well as copies of the Records retained by Seller pursuant to Section 12.5, including, for the avoidance of doubt, copies of all geological, geophysical and similar data and studies other than any such data and/or studies constituting or included in the G&G Data;

(d) Assets excluded from this Agreement pursuant to Sections 3.4(a), 3.12 or 3.13;

(e) subject to Section 11.5, all contracts of insurance and all claims, rights and interests of Seller or any Affiliate of Seller (i) under any policy or agreement of insurance or indemnity agreement, (ii) under any bond or security instrument, or (iii) to any insurance or condemnation proceeds or awards arising, in each case, from acts, omissions or events, or damage to or destruction of an Asset prior to the Effective Date and to the extent not related to any of the Assumed Obligations;

(f) all of Seller’s proprietary computer software, patents, trade secrets, copyrights, logos, trademarks, trade names, and other intellectual property;

(g) Seller’s interests in offices, office leases and buildings;

(h) any leased equipment and other leased personal property of Seller if such equipment or property, or the Contract pursuant to which it was leased, is not freely transferrable (directly or indirectly, as applicable) without payment of a fee or other consideration, unless Purchaser has agreed in writing to pay such fee or consideration;

(i) except to the extent described in sub-clause (i)(E) of the definition of “Assets” or otherwise related to any Assumed Obligation, all indemnity and contribution rights, rights under any Contracts and all other rights and claims of Seller or any Affiliate of Seller against any third Person to the extent related or attributable to, periods on or prior to the Effective Date (including claims for adjustments or refunds with respect to amounts paid or incurred by Seller) or for which Seller is liable for payments or required to indemnify Purchaser under Article 11 (whether or not such claims are pending or threatened as of the Execution Date or the Closing Date);

(j) except to the extent described in sub-clause (i)(E) of the definition of “Assets” or otherwise related to any Assumed Obligation, all audit rights, and rights to reimbursement with respect to, all costs and revenues associated with joint interest audits and other audits of Property Costs covering periods prior to the Effective Date, which adjustments arising from such audits are paid or received prior to the Cut-Off Date; provided, however, that such audit rights and rights to reimbursement shall be deemed to be included within the Assets for all purposes from and after the Cut-Off Date (unless any applicable joint interest audit is initiated by a Third Party prior to the Cut-Off Date, in which case such audit rights (solely with respect to the subject matter of any such joint interest audit) shall not terminate on the Cut-Off Date and shall continue until reasonably resolved);

(k) any refunds, claims for refunds or rights to receive refunds from any Governmental Authority with respect to Taxes that are Seller Taxes (solely to the extent such Seller Taxes are actually paid or economically borne by Seller or any of its Affiliates or any affiliated, combined, consolidated, unitary or similar group with respect to Taxes of which any of the foregoing is or was a member prior to the Closing Date);

(l) refunds relating to the overpayment of royalties by or on behalf of Seller to any Governmental Authority, to the extent relating to royalties paid with respect to Hydrocarbon production prior to the Effective Date, whether received before, on, or after the Effective Date; provided, however, that such refunds shall be deemed to be included within the Assets for all purposes if received from and after the Cut-Off Date;

(m) all office equipment, computers, cell phones, pagers and other hardware, personal property, and equipment that relate primarily to Seller’s business generally, even if otherwise relating to the business conducted by Seller with respect to the Assets;

(n) subject to Section 2.4 and except as otherwise related to any Assumed Obligation, all trade credits, accounts receivable, take-or-pay amounts receivable, and other receivables and general intangibles, to the extent attributable to the Assets for periods of time prior to the Effective Date;

(o) whether or not relating to the Assets, any master service agreements, drilling contracts, or similar service contracts held by Seller;

(p) any and all Hedges;

(q) Seller’s vehicles; and

(r) any other assets, contracts, or rights which are specifically identified or described on Schedule 1.3.

**ARTICLE 2**  
**PURCHASE PRICE**

**2.1 Purchase Price.**

(a) Subject to the terms and conditions set forth in this Agreement, the total purchase price to be paid for the Assets shall consist of the following (i) 627,027 shares of Purchaser Common Stock (the “Common Stock Consideration”), and (ii) 839,643 shares of Purchaser Preferred Stock (the “Preferred Stock Consideration” and, together with the Preferred Stock Consideration, the “Stock Consideration”). As used herein, “Unadjusted Purchase Price” means an amount equal to the sum of (A) the product of (x) the Common Stock Consideration, *multiplied by* (y) the Per Share Common Value, *plus* (B) the product of (x) the Preferred Stock Consideration, *multiplied by* (y) the Per Share Preferred Value. The Stock Consideration and Unadjusted Purchase Price shall be adjusted pursuant to Section 2.1(c), Section 2.3 and Section 2.6. The terms of the Purchaser Preferred Stock shall be specifically and fully set forth in a Certificate of Designations the form of which is attached hereto as Exhibit D (the “Certificate of Designations”).

(b) [Intentionally Omitted].

(c) If, at any time on or after the Execution Date and prior to the Closing Date, (i) Purchaser effects any (A) dividend on shares of Purchaser Common Stock in the form additional shares of Purchaser Common Stock, (B) subdivision or split of any shares of Purchaser Common Stock, (C) combination or reclassification of shares of Purchaser Common Stock into a smaller number of shares of Purchaser Common Stock or (D) issuance of any securities by reclassification of shares of Purchaser Common Stock (including any reclassification in connection with a merger, consolidation or business combination in which Purchaser is the surviving Person) or (ii) any merger, consolidation, combination or other transaction is consummated pursuant to which shares of Purchaser Common Stock are converted to cash or other securities (any event described in the foregoing clauses (i) and (ii), a “Reclassification Event”), then the Common Stock Consideration, the Per Share Common Value and Conversion Price (as defined in the Certificate of Designations) shall be proportionately adjusted, including, for the avoidance of doubt, in the cases of clauses (i)(D) and (ii) to provide for the receipt by Seller, in lieu of any shares of Purchaser Common Stock constituting the Stock Consideration or Conversion Shares (as defined in the Certificate of Designations), the same number or amount of cash and/or securities as is received in exchange for each share of Purchaser Common Stock in connection with any such transaction described in clauses (i)(D) and (ii) of this Section 2.1(c). Any adjustments made pursuant to this Section 2.1(c) shall become effective immediately after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision, split, combination or reclassification.

(d) Seller has elected that the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration be directed to the designees set forth on Schedule 2.1(d), subject to any such designee providing any documentation reasonably requested by Purchaser (which documentation shall include representations of such designee to the effect set forth in Section 4.25). Each such designee has elected to execute and deliver a countersignature to the Registration Rights Agreement (as applicable) in order for such designee to be named as a selling stockholder in, and to have such designee’s shares of Purchaser Common Stock included in, the initial resale shelf registration statement to be filed by Purchaser pursuant to the Registration Rights Agreement.

**2.2 Allocated Values.** Schedule 2.2 sets forth the agreed allocation of the Unadjusted Purchase Price among the Assets. The “Allocated Value” for any Subject Well equals the portion of the Unadjusted Purchase Price that is allocated to such Asset on Schedule 2.2. Seller has accepted such Allocated Values for purposes of this Agreement and the transactions contemplated hereby, but otherwise makes no representation or warranty as to the accuracy of such values.

**2.3 Adjustments to Unadjusted Purchase Price.** The Unadjusted Purchase Price shall be adjusted as follows (without duplication), but (x) in the case of Sections 2.3(c), 2.3(d) and 2.3(e), only to the extent identified on or before the Cut-Off Date; and (y) in the case of Section 2.3(f), only to the extent paid or received, as applicable, on or before the Cut-Off Date:

(a) decreased in accordance with Section 3.8;

(b) decreased as a consequence of Assets (or any portions thereof) excluded from the transactions contemplated by this Agreement as set forth in Sections 3.4(a), 3.12 or 3.13;

(c) with respect to production, pipeline, storage, processing, or other imbalances or overlifts, (i) decreased (for amounts owed by Seller or any of its Affiliates to any third Person as of the Effective Date) or (ii) increased (for amounts owed by any third Person to Seller or any of its Affiliates as of the Effective Date), as applicable, (A) by an amount equal to the amount of such imbalances, multiplied by the applicable Contract price for oil, gas or other Hydrocarbons, as applicable (in each case, net of any (x) Royalties; (y) gathering, processing, compression, transportation, marketing and other similar costs and expenses paid or that would be payable in connection with sales of oil, gas, or other Hydrocarbons) or (B) if there is no applicable Contract, by an amount agreed to in writing by the Parties;

(d) increased by the aggregate amount of Seller's share of any merchantable Hydrocarbon inventories produced from or credited to the Properties in storage tanks included in the Assets upstream of delivery points to the relevant purchasers on the Effective Date and based on the quantities in such storage tanks as of the Effective Date (solely to the extent such Hydrocarbon inventories are not sold prior to the Closing Date), multiplied by the Contract price therefor, or, if there is no applicable Contract, the sales price in effect as of the Effective Time (in each case, net of any (x) Royalties; and (y) gathering, processing, compression, transportation, marketing and other similar costs and expenses paid or that would be payable in connection with sales of oil, gas, or other Hydrocarbons);

(e) increased by the net amount of all prepaid expenses attributable to periods from and after the Effective Date (including prepaid insurance costs (solely to the extent attributable to the period between the Effective Date and Closing only), bonuses; rentals; and cash calls to Third Party operators) which have been paid or economically borne by Seller or its Affiliates (solely if, and to the extent, any of the foregoing constitute Property Costs hereunder);

(f) without limiting either Party's rights to indemnification under Article 11, adjusted for proceeds, revenues and other income attributable to the Assets, Property Costs, and certain other costs attributable to the Assets as follows:

(i) decreased by an amount equal to the aggregate amount of the following proceeds and/or revenues received by Seller or any of its Affiliates:

(A) amounts earned from the sale, during the period from and including the Effective Date through but excluding the Cut-Off Date (the "Adjustment Period"), of Hydrocarbons produced from, or attributable or allocable to, the Properties (net of any (x) Royalties and (y) gathering, processing, compression, transportation, marketing and other similar costs and expenses paid by or behalf of Seller in connection with sales of oil, gas, or other Hydrocarbons that are not included as Property Costs under Section 2.3(f)(iii); excluding the effects of any Hedges); and

Hedges);

(B) other income earned with respect to the Assets during the Adjustment Period (excluding the effects of any

(ii) increased by an amount equal to the Overhead Costs for the period between the Effective Date and the Closing Date; and

(iii) increased by an amount equal to the amount of all Property Costs which are incurred by Seller in the ownership and operation of the Assets from and after the Effective Date and paid to Third Parties or that are otherwise economically borne by or on behalf of Seller or any of its Affiliates on or prior to the Cut-Off Date, except, in each case, any costs already deducted in the determination of proceeds in Section 2.3(f)(i);

(g) [Intentionally Omitted];

(h) increased by the amount of Taxes allocated to Purchaser pursuant to Section 9.1 but paid or otherwise economically borne by Seller (or any of its Affiliates);

(i) decreased by the amount of Taxes allocated to Seller pursuant to Section 9.1 but paid or otherwise economically borne by Purchaser (or any of its Affiliates);

(j) [Intentionally Omitted];

(k) [Intentionally Omitted]; and

(l) increased or decreased by any other amount agreed to by the Parties in writing.

#### **2.4 Certain Ordinary-Course Costs and Revenues.**

(a) With respect to revenues earned or Property Costs incurred with respect to the Assets prior to the Effective Date but received or paid, as applicable, after the Effective Date:

(i) Subject to the terms of this Section 2.4, Seller shall be entitled to all amounts earned from the sale, during the period up to but excluding the Effective Date, of Hydrocarbons produced from, or attributable or allocable to, the Properties, which amounts are received after Closing but prior to the Cut-Off Date (net of any (A) gathering, processing, compression, transportation, marketing and other similar costs and expenses paid in connection with sales of Hydrocarbons that are not included as Property Costs under Section 2.4(a)(ii); and (B) Property Costs that are deducted by the purchaser of production, and to all other income earned with respect to the Assets up to but excluding the Effective Date and received after Closing but on or before the Cut-Off Date).

(ii) Seller shall be responsible for (by payment, through the adjustments to the Purchase Price under this Agreement or otherwise), and entitled to any refunds and indemnities with respect to, all Property Costs incurred prior to the Effective Date; provided, however, that Seller's responsibility for and entitlements to, as applicable, the foregoing shall terminate on the Cut-Off Date.

(b) Purchaser shall be entitled to all amounts earned from the sale, during the period from and after the Effective Date of Hydrocarbons produced from, or attributable or allocable to, the Properties and after the Cut-Off Date the amounts described in Section 2.4(a)(i); and to all other income earned with respect to the Assets from and after the Effective Date, and shall be responsible for (and entitled to any refunds and indemnities with respect to) all Property Costs incurred from and after the Effective Date and after the Cut-Off Date the amounts described in Section 2.4(a)(i).

(c) Notwithstanding anything herein to the contrary, without duplication of any adjustments made pursuant to Section 2.3, should Purchaser or any Affiliate of Purchaser receive after Closing, but on or before the Cut-Off Date, any proceeds or other income to which Seller is entitled under Section 2.4(a), Purchaser shall fully disclose, account for, and promptly remit the same to Seller.

(d) Notwithstanding anything herein to the contrary, without duplication of any adjustments made pursuant to Section 2.3, should Purchaser or any Affiliate of Purchaser pay after Closing, but on or before the Cut-Off Date, any Property Costs for which Seller is responsible under Section 2.4(a), Purchaser shall be reimbursed by Seller as promptly as reasonably practicable after receipt of an invoice therefor (regardless of whether such invoice is delivered to Seller before, on or after the Cut-Off Date), accompanied by copies of the relevant vendor or other invoice and proof of payment thereof.

(e) Notwithstanding anything herein to the contrary, without duplication of any adjustments made pursuant to this Article 2, should Seller or any Affiliate of Seller receive after Closing any amounts earned from the sale of Hydrocarbons produced from, or attributable or allocable to, the Properties or other income earned with respect to the Assets for the period of time from and after the Effective Date, Seller shall fully disclose, account for, and promptly remit the same to Purchaser.

(f) Notwithstanding anything herein to the contrary Seller shall have no further entitlement to amounts earned from the sale of Hydrocarbons produced from, or attributable or allocable to, the Properties and other income earned with respect to the Assets, and no further responsibility for Property Costs incurred with respect to the Assets, to the extent (i) an invoice for such amounts has not been received or paid by Purchaser, Seller or any of their respective Affiliates and (ii) a claim for such amounts has not been made, in each case, respectively, on or before the Cut-Off Date.

(g) All adjustments and payments made pursuant to this Article 2 shall be without duplication of any other amounts paid or received under this Agreement.

## **2.5 Procedures**

(a) For purposes of allocating production (and accounts receivable with respect thereto) under Section 2.3 and Section 2.4, (i) liquid Hydrocarbons shall be deemed to be “from or attributable to” the Properties when they pass through the pipeline flange connecting into the tank batteries related to each Well or, if there are not storage facilities, when they pass through the LACT meter or similar meter at the entry point into the pipelines through which they are transported from such Well, and (ii) gaseous Hydrocarbons shall be deemed to be “from or attributable to” the Properties when they pass through the delivery point sales meters or similar meters at the point of entry into the pipelines through which they are transported. Seller shall use reasonable interpolative procedures to arrive at an allocation of production when exact meter readings or gauging or strapping data are not available.

(b) Surface use or damage fees, insurance premiums (and refunds thereof), and other Property Costs (other than with respect to Asset Taxes, which shall be determined in accordance with Section 9.1) that are paid periodically shall be prorated based on the number of days in the applicable period falling before, or on or after, the Effective Date, but, notwithstanding anything to the contrary in this Agreement, prepaid insurance premiums that constitute Property Costs shall only be Purchaser’s responsibility to the extent attributable to the period of time between the Effective Date and the Closing Date.

(c) After Closing, Purchaser shall handle all joint interest audits and other audits of Property Costs covering periods for which Seller is in whole or in part responsible under Section 2.4, provided that, prior to the Cut-Off Date, Purchaser shall not agree to any adjustments to previously assessed costs for which Seller is liable, or any compromise of any audit claims to which Seller would be entitled, without the prior written consent of Seller, such consent not to be unreasonably withheld, conditioned or delayed (and which shall be deemed granted if not affirmatively withheld within five (5) Business Days following receipt of Purchaser’s request therefor). Purchaser shall provide Seller with a copy of all applicable audit reports and written audit agreements received by Purchaser and relating to periods for which Seller is partially responsible.

(d) “Earned” and “incurred,” as used in Section 2.4 and Section 2.3, shall be interpreted in accordance with accounting recognition guidance under GAAP.

**2.6 Adjustments to Stock Consideration at Closing.** Any adjustments to the Unadjusted Purchase Price made in accordance with Section 2.1(c) or Section 2.3 shall also be subject to this Section 2.6. Should the net adjustments determined by such Sections cause the Unadjusted Purchase Price to be adjusted (a) downward, then the quantum of Stock Consideration shall be reduced by an amount of shares of Purchaser Preferred Stock equal to (i) the net dollar amount of such downward adjustment, divided by (ii) the Per Share Preferred Value, and (b) upward, then, Purchaser shall settle such adjustment in cash pursuant to Section 8.4.

**2.7 Withholding.** Purchaser and any other applicable withholding agent shall be entitled to deduct and withhold from any consideration otherwise payable or deliverable under this Agreement to Seller such amounts as may be required to be deducted or withheld therefrom under the Code or any other applicable Law; provided, that Purchaser will (a) notify Seller of any anticipated withholding no later than five (5) Business Days prior to the day on which the applicable consideration is payable or deliverable to, as applicable, Seller, (b) consult with Seller in good faith to determine whether such deduction and withholding is required under applicable Tax Law, (c) reasonably cooperate with Seller to minimize the amount of any applicable withholding, (d) be entitled to sell shares of stock that are deducted or withheld in order to satisfy the applicable withholding requirement and (e) timely and properly remit such deducted and withheld amounts to the appropriate Governmental Authority in accordance with applicable Laws. To the extent that such amounts are remitted to the appropriate Governmental Authority, such amounts shall be treated for all purposes of this Agreement as having been paid to Seller.

### **ARTICLE 3 TITLE AND ENVIRONMENTAL MATTERS**

#### **3.1 Purchaser’s Title Review.**

(a) The Title Matters provide Purchaser’s exclusive remedies with respect to any Title Defects or other deficiencies or defects in Seller’s and its Affiliates’ title to the Properties.

(b) Purchaser’s rights with respect to title to the Properties pursuant to this Article 3 are limited to the Properties, and, except with respect to, and without limitation of the Title Matters, Seller hereby expressly disclaims and negates any and all other warranties of title whatsoever, whether express, implied, statutory, or otherwise.

(c) The (i) Assignment and Bill of Sale to be executed and delivered by the Purchaser and Granite Ridge at Closing to convey the Assets from Granite Ridge to Purchaser (the “Assignment and Bill of Sale (Granite Ridge)”) shall be in the form attached hereto as Exhibit B-1(A) and (ii) Assignment and Bill of Sale to be executed and delivered by the Purchaser, GREP-A and GREP-B at Closing to Convey the Assets from GREP-A and GREP-B to Purchaser (the “Assignment and Bill of Sale (GREP-A & GREP-B)”) and, together with the Assignment and Bill of Sale (Granite Ridge), the “Assignments and Bills of Sale”) shall be in the form attached hereto as Exhibit B-1(B) and each of the Assignments and Bills of Sale shall contain a special warranty of Defensible Title to the Energy Properties by, through or under Seller and its Affiliates, but not otherwise, subject to the Permitted Encumbrances. The (i) Mineral Deed to be executed and delivered by the Purchaser and Granite Ridge at Closing (the “Mineral Deed (Granite Ridge)”) shall be in the form attached hereto as Exhibit B-2(A) and (ii) Mineral Deed to be executed and delivered by the Purchaser GREP-A and GREP-B at Closing (the “Mineral Deed (GREP-A & GREP-B)”) and, together with the Mineral Deed (Granite Ridge), the “Mineral Deeds”) shall be in the form attached hereto as Exhibit B-2(B), and shall contain a special warranty of title to the applicable Assets by, through or under Seller and its Affiliates, but not otherwise, subject to the Permitted Encumbrances. Purchaser shall be deemed to have waived all breaches of Seller’s special warranty of Defensible Title (i) in the Assignment and Bill of Sale, or (ii) in the Mineral Deed (collectively, the “Special Warranties”) for which Purchaser has not furnished to Seller a valid defect claim notice that substantially satisfies the requirements set forth in Sections 3.6(a)(i) through 3.6(a)(v), on or before the date that is thirty-six (36) Months after Closing (the “SWT Claim Date”). If Purchaser provides written notice of a breach of any Special Warranty to Seller, Seller shall have a reasonable opportunity to cure such breach (at Seller’s sole cost and expense) for a period not to exceed ninety (90) days following Seller’s receipt of such notice. In any event, the recovery on a breach of any Special Warranty (excluding any recovery attributable to such breaches that result from security interests, deeds of trust, mortgages, pledges or similar interests granted by Seller) shall not exceed the Allocated Value of the affected Asset; provided, however, that, notwithstanding anything herein to the contrary and for the avoidance of doubt, no claim asserted by Purchaser in respect of a breach of any Special Warranty shall be subject to any de minimis threshold or deductible.

### **3.2 Definition of Defensible Title.**

(a) As used in this Agreement, the term “Defensible Title” means that record title (including title evidenced by unrecorded written instruments that are awaiting recording with the applicable Governmental Authority if (x) such unrecorded written instruments are identified on Schedule 3.2(a) as of the Execution Date, (y) each Property that is affected by or related to each such unrecorded written instrument is identified on Schedule 3.2(a) as of the Execution Date and (z) Seller has made available to Purchaser reasonable evidence of the proper filing of each such unrecorded written instrument for recording with the applicable Governmental Authority) or beneficial title (solely in the case of contractual interests held pursuant to any applicable joint operating agreement, unit agreement or similar agreement) of Seller in and to the Leases and Subject Wells shown on Schedule 2.2 (with respect to the Applicable Depths), which, as of the Effective Date, the Closing Date, and subject to and except for Permitted Encumbrances:

(i) with respect to each Subject Well set forth on Schedule 2.2, entitles Seller to not less than the Net Revenue Interest set forth in Schedule 2.2 for such Subject Well throughout the productive life thereof, except (A) decreases in connection with those operations in which Seller may elect after the Execution Date to be a non-consenting co-owner (if, and solely to the extent, such election is otherwise permissible under and made in compliance with the terms of the Agreement), (B) decreases resulting from reversion of interests to co-owners with respect to operations in which such co-owners elect, after the Execution Date, not to consent, (C) decreases resulting from the establishment or amendment, after the Execution Date, of pools or units (if, and solely to the extent, such establishment or amendment thereof is otherwise permissible under and conducted in compliance with the terms of this Agreement), (D) decreases required to allow other Working Interest owners to make up past underproduction or pipelines to make up past under deliveries, and (E) as otherwise expressly stated in Exhibit A-2 or Schedule 2.2;

(ii) with respect to each Subject Well set forth on Schedule 2.2, obligates Seller to bear a Working Interest for such Subject Well, as applicable, that is not greater than the Working Interest set forth in Schedule 2.2 for such Subject Well without increase throughout the productive life of such Subject Well, except (A) increases resulting from contribution requirements with respect to defaulting or non-consenting co-owners under applicable operating agreements or applicable Law, (B) increases that are accompanied by at least a proportionate increase in Seller’s (or its successor’s or assign’s) Net Revenue Interest for such Subject Well, and (C) as otherwise expressly stated in Exhibit A-2 or Schedule 2.2; and

(iii) is free and clear of any and all other liens, charges, encumbrances, mortgages, deeds of trust, and substantially equivalent obligations, and defects of any kind (collectively, "Encumbrances"), other than Permitted Encumbrances.

(b) As used in this Agreement, the term "Title Defect" means any lien, charge, encumbrance, obligation, defect or other matter, including a discrepancy in Net Revenue Interest or Working Interest, that causes or results in Seller's title to any Lease or Subject Well identified or described on Schedule 2.2 to be less than Defensible Title.

(c) [Intentionally Omitted].

**3.3 Definition of Permitted Encumbrances.** As used in this Agreement, the term "Permitted Encumbrances" means any or all of the following:

(a) all Royalties to the extent that they do not, and would not be reasonably likely to, individually or in the aggregate, reduce Seller's Net Revenue Interest ownership in any Property below that shown in Schedule 2.2 for such Property or increase Seller's Working Interest in any Property above that shown in Schedule 2.2 for such Property without a corresponding increase in the Net Revenue Interest thereof;

(b) the terms of all Leases to the extent that the same do not, individually or in the aggregate, result in or constitute an Unapproved Exception;

(c) the terms of all Material Contracts and Rights of Way including provisions for obligations, penalties, suspensions, or forfeitures contained therein, in each case, so long as the same do not, individually or in the aggregate, result in or constitute an Unapproved Exception;

(d) rights of first refusal, preferential rights to purchase, and similar rights with respect to the Assets that are (i) set forth on Schedule 4.8(a), as of the Execution Date and (ii) are triggered by the Transactions;

(e) all third Person consent requirements and similar restrictions (i) that are not applicable to the Transactions, (ii) that are Material Consents that are set forth on Schedule 4.8(b), if such consents are obtained from the appropriate Persons prior to the Closing Date, (iii) for which the appropriate time period for asserting the right to withhold or condition such consent has expired in accordance with its terms (unless (x) a dispute is pending or threatened with respect to or related to such consent or (y) such consent has been affirmatively withheld or refused by the holder thereof), (iv) that need not be satisfied prior to or in connection with a transfer of such Asset, (v) which are not Material Consents, but which are properly and timely addressed by Seller in accordance with Sections 3.11 and 3.12; or (vi) that relate solely and exclusively to Excluded Records or any other Excluded Assets held by Seller;

(f) liens for Taxes (i) not yet due and payable or (ii) if due and payable, that are being contested in good faith by appropriate actions (which actions are described and set forth on Schedule 3.3 as of the Execution Date);

(g) liens created under the terms of the Leases, Contracts or Rights of Way that, in each case, are for amounts (i) not yet delinquent (including any amounts being withheld as provided by Law), or (ii) if delinquent, being contested in good faith by appropriate actions by or on behalf of Seller (which actions are described and set forth on Schedule 3.3 as of the Execution Date);

(h) materialman's, warehouseman's, workman's, carrier's, mechanic's, vendor's, repairman's, employee's, contractor's, operator's liens, construction liens and other similar liens arising in the ordinary course of business for amounts (i) not yet delinquent (including any amounts being withheld as provided by Law), or (ii) if delinquent, being contested in good faith by appropriate actions by or on behalf of Seller (which actions are described and set forth on Schedule 3.3 as of the Execution Date);

(i) all rights to consent, and any required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of oil and gas leases or rights or interests therein if they are customarily obtained subsequent to the sale or conveyance of such leases, rights or interests;

(j) to the extent not yet triggered, conventional rights of reassignment arising upon the expiration or final intention to abandon or release any of the Assets;

(k) easements, rights-of-way, covenants, servitudes, permits, surface leases, conditions, restrictions, and other rights included in or burdening the Assets for the purpose of surface or subsurface operations, roads, alleys, highways, railways, pipelines, transmission lines, transportation lines, distribution lines, power lines, telephone lines, removal of timber, grazing, logging operations, canals, ditches, reservoirs, and other like purposes, or for the joint or common use of real estate, rights-of-way, facilities, and equipment, in each case, to the extent they do not, individually or in the aggregate, result in or constitute an Unapproved Exception or as would otherwise be used, owned and/or operated by a reasonably prudent owner and/or operator of oil and gas assets similar to such Assets and located in the same geographic area as such Asset(s);

(l) rights of a common owner of any interest in Rights of Way held by Seller, to the extent that the same do not result in or constitute an Unapproved Exception or as would otherwise be used, owned, and/or operated by a reasonably prudent owner and/or operator of oil and gas assets similar to such Assets and located in the same geographic area as such Asset(s);

(m) any lien, charge, or other encumbrance which is expressly waived or assumed by Purchaser in writing or discharged by Seller, or otherwise released, in each case, at or prior to Closing;

(n) defects based solely on the failure to recite marital status in a document or omissions of successors or heirship or estate proceedings, absent reasonable evidence that such failure or omission has resulted in, or would reasonably be expected to result in, a superior claim of title from a third Person attributable to such matter;

(o) lack of a survey, unless a survey is required by Law;

(p) any defect based on a failure to conduct operations, cessation of production or insufficient production over any period of time following the drilling and completion of a well capable of producing in paying quantities on any Lease that is identified on Exhibit A-1 being held by production (or on any lands pooled or unitized therewith), except to the extent Purchaser provides reasonable evidence that such cessation of production, insufficient production or failure to conduct operations has (i) given the applicable lessor or any other third Person the right to terminate (or partially terminate) all or a portion of the applicable Lease or (ii) resulted in the expiration or termination (or partial expiration or termination) of the applicable Lease pursuant to its terms;

(q) all applicable Laws and rights reserved to or vested in any Governmental Authorities (i) to control or regulate any of the Assets in any manner, (ii) to assess Tax with respect to the Assets, the ownership, use or operation thereof, or revenue, income or capital gains with respect thereto, (iii) by the terms of any right, power, franchise, grant, license or permit, or by any provision of Law, to terminate such right, power, franchise grant, license or permit or to purchase, condemn, expropriate or recapture or to designate a purchaser of any of the Assets, (iv) to use any Asset in a manner which does not materially interfere with or impair the use, ownership and/or operation of such Asset for the purposes for which it is currently used, owned and operated as of the Execution Date or as such Asset would otherwise be used, owned and/or operated by a reasonably prudent owner and/or operator of oil and gas assets similar to such Asset and located in the same geographic area as such Asset(s), or (v) to enforce any obligations or duties affecting the Assets to any Governmental Authority, with respect to any franchise, grant, license or permit;

(r) defects based solely on assertions that Seller's, Seller's Representatives' or the applicable operator's files lack any information (including title opinions), or defects based solely on the inability to locate an unrecorded instrument of which Purchaser has actual notice by virtue of a reference to such unrecorded instrument in any instrument provided or made available to Purchaser by Seller, if no claim has been made under such unrecorded instruments within the last ten (10) years;

(s) defects based solely on a lack of evidence of the proper authorization, execution, delivery, acknowledgment, or approval of any instrument in Seller's chain of title absent reasonable evidence that such matter has resulted in or would be reasonably expected to result in, a superior claim of title from a third Person attributable to such matter;

(t) any matter that has been cured, released or waived by any applicable Law of limitation or prescription, including adverse possession and/or the doctrine of laches which has existed for more than twenty-five (25) years and for which no reasonable evidence shows that another Person has asserted a superior claim of title to the applicable Assets;

(u) unreleased instruments (including prior oil and gas leases and mortgages) that have expired and terminated by their own terms or the enforcement of which is barred by applicable statutes of limitation, in each case, absent reasonable evidence that such instruments (i) continue in force and effect or (ii) give rise to, or would reasonably be expected to give rise to, a third Person's superior claim of title to the applicable Asset(s);

(v) any depth severances with respect to any Lease that do not (i) affect the Target Interval, (ii) the Applicable Depths or (iii) individually or in the aggregate, result in or constitute an Unapproved Exception;

(w) calls on Hydrocarbon production under existing Material Contracts;

(x) maintenance of uniform interest provisions (i) contained in any Contract or (ii) contained in any Lease to the extent a breach of such provisions will not result in a suspension of material rights under such Lease, the right of the lessor to terminate such Lease or the termination of such Lease;

(y) defects arising solely from a change in applicable Laws after the Execution Date;

(z) production payments that have expired and terminated by their own terms or the enforcement of which is barred by applicable statutes of limitation, in each case, absent reasonable evidence that such instruments (i) continue in force and effect or (ii) give rise to a third Person's superior claim of title to the applicable Asset(s);

(aa) defects based on or arising out of the allocation of production of Hydrocarbons or from the failure of Seller to enter into, be party to, or be bound by, pooling provisions, a pooling agreement, production sharing agreement, production handling agreement, or other similar agreement, in each case, with respect to any horizontal Well contained in one or more Units and that crosses more than one Lease or tract, to the extent (i) such Well has been permitted by the Railroad Commission of Texas or other applicable Governmental Authority, (ii) the allocation of Hydrocarbons produced from or allocated to such Well among such Lease(s) or tract(s) is based upon the length of the “as drilled” horizontal wellbore open for production, the total length of the horizontal wellbore, or other methodology that is intended to reasonably attribute to each such Lease or tract its applicable proportionate share of production and (iii) none of Seller or any of its Affiliates has received written notice from any Person alleging or asserting an adverse claim or demand of any kind that is based upon or related to any of the foregoing matters;

(bb) any lien, obligation, burden, or defect that affects only which Person (other than Seller or any of its Affiliates) has the right to receive payments with respect to Royalties with respect to any Property (rather than the amount of such Royalties on the applicable Property) and that does not affect the validity of the Seller’s interest in such underlying Property;

(cc) defects based solely on Seller’s failure to have a title opinion or title insurance policy on any Property;

(dd) any defect arising from (i) any Lease having no pooling provision, or an inadequate horizontal pooling provision, (ii) the absence of any lease amendment or consent by any royalty interest or mineral interest holder authorizing the pooling of any Lease or (iii) the failure of Exhibit A-1, Exhibit A-2 or Schedule 2.2 to reflect any Lease where the owner thereof was treated as a non-participating co-tenant during the drilling of any Well, except, in each case, to the extent Seller or any of its Affiliates has received written notice from any Person alleging or asserting an adverse claim or demand of any kind that is based upon or related to any of the foregoing matters;

(ee) lack of (i) Contracts or rights for the transportation or processing of Hydrocarbons produced from the Assets, (ii) any rights of way for gathering or transportation pipelines or facilities that do not constitute any of the Assets, or (iii) in the case of a Well Location, any permits, easements, rights of way, unit designations, or production or drilling units not yet obtained, formed, or created, so long as the same would not, individually or in the aggregate, result in or constitute an Unapproved Exception;

(ff) defects arising solely from a discrepancy between the deeded and surveyed acreage with respect to any Lease;

(gg) the terms and conditions of this Agreement;

(hh) any other liens, charges, encumbrances, defects, or irregularities which (i) do not, individually or in the aggregate, result in or constitute an Unapproved Exception and (ii) would be accepted or waived by a reasonably prudent purchaser engaged in the business of owning and operating oil and gas properties that are similar to the Assets;

(ii) any matters expressly identified and set forth on Schedule 3.3 as of the Execution Date;

(jj) defects or irregularities resulting from or related to probate proceedings or the lack thereof, which defects or irregularities have been outstanding for ten (10) years or more unless Purchaser provides affirmative evidence that such probate proceedings or lack thereof results in another Person's superior claim of title to the relevant Asset; and

(kk) defects arising from any encumbrance created under deeds of trust, mortgages and similar instruments by the lessor under a Lease, which encumbrance has not been subordinated to the lessee's interest and for which a reasonably prudent lessee would not customarily seek a subordination of such encumbrance to the oil and gas leasehold estate prior to conducting drilling activities on the applicable Lease and, in each case, excluding any such encumbrance if a complaint of foreclosure has been duly filed or any similar action taken by the mortgagee or trustee thereunder.

### 3.4 **Environmental Matters.**

(a) [Intentionally Omitted].

(b) [Intentionally Omitted].

(c) Purchaser acknowledges that the Assets have been used for the exploration, development, and production of Hydrocarbons and that there may be petroleum, produced water, wastes, or other substances or materials located in, on, or under the Properties or associated with the Assets. Equipment and sites included in the Assets may contain hazardous materials, including asbestos and naturally occurring radioactive material ("**NORM**"). NORM may affix or attach itself to the inside of wells, materials, and equipment as scale, or in other forms. The wells, materials, and equipment located on the Properties or included in the Assets may contain hazardous materials, including asbestos and NORM. Hazardous materials, including asbestos and NORM, may have come into contact with various environmental media, including water, soils, or sediment. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT OR ANY OTHER TRANSACTION AGREEMENT, SELLER DOES NOT MAKE, SELLER EXPRESSLY DISCLAIMS, AND PURCHASER WAIVES, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO THE PRESENCE OR ABSENCE OF ASBESTOS OR NORM IN OR ON THE ASSETS IN QUANTITIES TYPICAL FOR OILFIELD OPERATIONS IN THE AREAS WHERE THE ASSETS ARE LOCATED. AS OF CLOSING, PROVIDED SELLER HAS SUBSTANTIALLY COMPLIED WITH ITS ACCESS RELATED OBLIGATIONS CONTAINED IN THIS AGREEMENT PURCHASER SHALL HAVE INSPECTED AND UPON CLOSING SHALL BE DEEMED TO HAVE WAIVED ITS RIGHT TO INSPECT THE ASSETS FOR ALL PURPOSES, AND SHALL BE DEEMED TO HAVE SATISFIED ITSELF AS TO THEIR PHYSICAL AND ENVIRONMENTAL CONDITION, BOTH SURFACE AND SUBSURFACE, INCLUDING CONDITIONS SPECIFICALLY RELATING TO THE PRESENCE, RELEASE, OR DISPOSAL OF HAZARDOUS SUBSTANCES, SOLID WASTES, ASBESTOS, OTHER MAN-MADE FIBERS, AND NORM. PURCHASER IS RELYING SOLELY UPON THE TERMS OF THIS AGREEMENT AND ITS OWN INSPECTION OF THE ASSETS.**

**3.5 Environmental Defects.** As used in this Agreement, the term "**Environmental Defect**" means (a) any condition, matter, obligation, event or circumstance with respect to all or any portion of any of the Assets that causes such Asset(s) (or Seller, with respect to such Asset(s)) to be in violation of any Environmental Law or not to be in compliance with, or to be subject to a remedial or corrective action obligation pursuant to, any Environmental Law or (b) the existence as of the Execution Date with respect to the Assets or the operation thereof of any environmental pollution, contamination or degradation in excess of standards permitted under any Environmental Law; **provided, however,** that the term "**Environmental Defect**" shall not include (i) current obligations to plug or abandon any well, (ii) the presence of NORM or asbestos, as described in **Section 3.4(c)**, other than with respect to the presence of NORM or asbestos in quantities that presently require remediation or abatement under Environmental Law, or (iii) the matters that are disclosed on **Schedule 3.5** as of the Execution Date.

### 3.6 Notice of breach of the Special Warranty.

(a) To assert a claim for a breach of a Special Warranty, Purchaser must deliver a defect claim notice or notices (each, a “SWT Claim Notice”) to Seller on or before 5:00 p.m. local time in Houston, Texas, on the SWT Claim Date. Each such SWT Claim Notice shall be in writing and shall include:

- (i) a description of the alleged breach of the Special Warranty;
- (ii) the Property(ies) affected thereby (each, a “SWT Property”);
- (iii) the Allocated Value of the SWT Property(ies) subject to the alleged breach of the Special Warranty;

(iv) to the extent in Purchaser’s possession or control, copies of supporting documents reasonably sufficient for Seller (as well as any attorney or examiner hired by Seller) to evaluate the alleged breach of the Special Warranty (any and all of which supporting documents may be furnished via access to a web link or ftp site (in lieu of other means of delivery)); and

(v) Purchaser’s good faith estimate of the SWT Amount attributable to such alleged breach of the Special Warranty and the computations (calculated in accordance with Section 3.9) and information upon which Purchaser’s estimate is based; provided, in the case that only a portion of a Property is affected by the alleged breach of the Special Warranty, Purchaser’s good faith estimate of the SWT Amount shall reflect only the portion of such Property so affected using the corresponding portion of the Allocated Value for such Property.

Notwithstanding anything to the contrary in this Agreement, an immaterial failure of any SWT Claim Notice to include any of the information or documentation identified or described in Section 3.6(a)(i) through Section 3.6(a)(v) above shall not render such SWT Claim Notice void or ineffective so long as such SWT Claim Notice is otherwise reasonably sufficient to provide notice to Seller of the existence, nature, and Purchaser’s good faith estimate of the applicable breach of the Special Warranty and SWT Amount(s) asserted therein.

**SUBJECT TO, AND WITHOUT LIMITATION OF, THE TITLE MATTERS, AND EXCEPT FOR INSTANCES OF FRAUD (AS DEFINED HEREIN), PURCHASER SHALL BE DEEMED TO HAVE WAIVED AND RELEASED, AND COVENANTS THAT IT SHALL WAIVE AND RELEASE, ANY AND ALL TITLE DEFECTS OR OTHER DEFICIENCIES OR DEFECTS IN SELLER’S TITLE TO THE PROPERTIES (AND ANY ADJUSTMENTS TO THE UNADJUSTED PURCHASE PRICE ATTRIBUTABLE THERETO).**

(b) [Intentionally Omitted].

**(c) SUBJECT TO, AND WITHOUT LIMITATION OF, THE ENVIRONMENTAL MATTERS, AND EXCEPT FOR INSTANCES OF FRAUD (AS DEFINED HEREIN), PURCHASER SHALL BE DEEMED TO HAVE WAIVED AND RELEASED, AND COVENANTS THAT IT SHALL WAIVE AND RELEASE, ANY AND ALL ENVIRONMENTAL DEFECTS AND OTHER DEFECTS OR DAMAGES RELATED TO THE ENVIRONMENTAL CONDITION OF THE ASSETS (AND ANY ADJUSTMENTS TO THE UNADJUSTED PURCHASE PRICE ATTRIBUTABLE THERETO).**

(d) [Intentionally Omitted].

**3.7 [Intentionally Omitted].**

**3.8 Adjustment for Title Defects and Benefits and Environmental Defects.**

(a) [Intentionally Omitted].

(b) [Intentionally Omitted].

(c) [Intentionally Omitted].

(d) [Intentionally Omitted].

(e) [Intentionally Omitted].

(f) [Intentionally Omitted].

(g) [Intentionally Omitted].

(h) **SUBJECT TO, AND WITHOUT LIMITATION OF, THE ENVIRONMENTAL MATTERS, THE TITLE MATTERS, THE TERMS AND PROVISIONS OF THE OTHER TRANSACTION AGREEMENTS, AND EXCEPT FOR INSTANCES OF FRAUD (AS DEFINED IN THIS AGREEMENT), (X) THIS ARTICLE 3 SHALL, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, OTHERWISE BE THE EXCLUSIVE RIGHT AND REMEDY OF PURCHASER WITH RESPECT TO TITLE DEFECTS AND OTHER DEFICIENCIES IN TITLE TO THE ASSETS AND ANY ENVIRONMENTAL DEFECTS AND OTHER DEFECTS OR DAMAGES RELATED TO THE ENVIRONMENTAL CONDITION OF THE ASSETS AND (Y) EXCEPT AS PROVIDED IN SECTION 3.6(a) AND SECTION 3.6(c), BUT SUBJECT TO THE FOREGOING TERMS OF THIS SECTION 3.8(h), PURCHASER OTHERWISE RELEASES, REMISES, AND FOREVER DISCHARGES SELLER, ITS AFFILIATES, AND EACH OF THEIR RESPECTIVE MEMBERS, SHAREHOLDERS, INTEREST OWNERS, OFFICERS, DIRECTORS, MANAGERS, EMPLOYEES, AGENTS, ADVISORS, AND REPRESENTATIVES FROM ANY AND ALL SUITS, LEGAL OR ADMINISTRATIVE PROCEEDINGS, CLAIMS, DEMANDS, DAMAGES, LOSSES, COSTS, LIABILITIES, INTEREST, OR CAUSES OF ACTION WHATSOEVER, IN LAW OR IN EQUITY, KNOWN OR UNKNOWN, WHICH PURCHASER MIGHT NOW OR SUBSEQUENTLY MAY HAVE, BASED ON, RELATING TO, OR ARISING OUT OF, ANY TITLE DEFECT, ENVIRONMENTAL DEFECT, OR OTHER DEFICIENCY IN TITLE TO, OR OTHER DEFECTS OR DAMAGES RELATED TO THE ENVIRONMENTAL CONDITION OF, ANY ASSET.**

**3.9 Calculation of SWT Amounts.**

(a) The "SWT Amount" resulting from a breach of the Special Warranty shall be determined as follows:

(i) if Purchaser and Seller agree in writing upon the SWT Amount, that amount shall be the SWT Amount;

(ii) if the breach of the Special Warranty is a lien, encumbrance, or other charge which is liquidated in amount, then the SWT Amount shall be the amount necessary to be paid to remove the breach of the Special Warranty from Seller's interest in the affected Property;

(iii) if (x) the breach of the Special Warranty represents a discrepancy between (A) Seller's aggregate Net Revenue Interest for any Subject Well and (B) the Net Revenue Interest stated in Schedule 2.2 for such Subject Well, and (y) there is a proportionate decrease in Seller's Working Interest ownership, as applicable, for such applicable Subject Well from that set forth in Schedule 2.2 for such Subject Well, then the SWT Amount shall be the product of the Allocated Value of such Subject Well multiplied by a fraction, the numerator of which is the decrease in Seller's aggregate Net Revenue Interest in such Subject Well and the denominator of which is Seller's Net Revenue Interest stated in Schedule 2.2 for such Subject Well; provided, however, that if the breach of the Special Warranty does not affect such Subject Well throughout its entire productive life, the SWT Amount determined under this Section 3.9(a)(iii) shall be reduced to take into account the applicable time period only;

(iv) if the breach of the Special Warranty represents an obligation, encumbrance, burden, or charge upon, or other defect in title to, the affected Property of a type not described in subsections (i), (ii), or (iii) of this Section 3.9, the SWT Amount shall be determined by taking into account the Allocated Value of the Property so affected, the portion of Seller's interest in the Property affected by the breach of the Special Warranty, the legal effect of the breach of the Special Warranty, the potential discounted economic effect of the breach of the Special Warranty over the productive life of the affected Property, the values placed upon the breach of the Special Warranty by Purchaser and Seller, the age of the factual matters causing or constituting the alleged breach of the Special Warranty, the probability that title failure will occur with respect to any breach of the Special Warranty that represents only a possibility of title failure, and such other factors as are necessary to make a proper evaluation;

(v) the SWT Amount with respect to a breach of the Special Warranty shall be determined without duplication of any costs or losses included in another SWT Amount hereunder or for which Purchaser otherwise receives credit in the calculation of the Purchase Price; and

(vi) notwithstanding anything to the contrary in this Article 3:

(A) [Intentionally Omitted];

(B) except with respect to a breach of the Special Warranty described in Section 3.9(a)(ii) the aggregate SWT Amounts attributable to the effects of all breaches of the Special Warranty upon any given Property shall not exceed the Allocated Value of such Property; and

(C) [Intentionally Omitted].

(b) [Intentionally Omitted].

(c) [Intentionally Omitted].

### **3.10 Dispute Resolution.**

With respect to any dispute regarding a breach of the Special Warranties (a "Disputed Matter"), on or after prior to the end of the SWT Claim Date, either Party may notify the other Party of its election to submit all remaining Disputed Title Matters to a title attorney with at least ten (10) years' experience in oil and gas titles in the State of Texas, as selected by mutual agreement of Purchaser and Seller (the "Title Arbitrator") and thereafter the Parties shall promptly submit such remaining Disputed Matters to the Title Arbitrator. If Purchaser and Seller have not agreed upon a Person to serve as Title Arbitrator within ten (10) Business Days of a Party's election to submit such Disputed Matters to the Title Arbitrator, the Parties shall, within five (5) Business Days after the end of such ten (10) Business Day period, formally apply to the Houston, Texas office of the American Arbitration Association (or in the event that there is no such office in Houston, Texas at such time, to any other office of the American Arbitration Association) to choose the Title Arbitrator and submit such Disputed Matters along with such application. The Title Arbitrator shall not have worked as an employee or outside counsel for any Party or its Affiliates during the five (5) year period preceding the arbitration or have any financial interest in the dispute other than the payment of the Title Arbitrator's fees and expenses incurred as Title Arbitrator.

(a) [Intentionally Omitted].

(b) In each case above, the arbitration proceeding shall be held in Houston, Texas and shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section 3.10. The Title Arbitrator's determination shall be made within forty-five (45) days after submission of the matters in dispute and shall be final and binding upon the Parties, without right of appeal. In making their respective determinations, the Title Arbitrator shall be bound by the provisions of this Article 3 and may consider such other matters as, in the opinion of the Title Arbitrator, are necessary or helpful to make a proper determination. The Title Arbitrator may consult with and engage disinterested Third Parties to advise the arbitrator, including petroleum engineers. The Title Arbitrator shall act as experts for the limited purpose of determining the specific disputed breach(es) of the Special Warranty submitted by Purchaser and may not award damages, interest, or penalties to any Party with respect to any matter. Seller and Purchaser shall each bear their own legal fees and other costs of presenting their respective cases. Purchaser shall bear one-half of the costs and expenses of the Title Arbitrator, and Seller shall be responsible for the remaining one-half of the costs and expenses. The Title Arbitrator may not award Purchaser a greater SWT Amount than the SWT Amount claimed by Purchaser in its applicable SWT Claim Notice.

**3.11 Notice to Holders of Consent and Preferential Purchase Rights.** Promptly after the Execution Date (but in any event no later than five (5) Business Days following the Execution Date) (to the extent Seller has not already done so prior to the Execution Date), Seller shall (a) prepare and send (i) notices to the holders of any Consents (including, for purposes of clarity, the Material Consents and all other consents and similar rights that are set forth on Schedule 4.8(b)) requesting the consent of each such Person to the Transactions (or a waiver of such Consent right) and (ii) notices to the holders of any applicable preferential rights to purchase or similar rights that are applicable to or triggered by any of the Transactions (including, for purposes of clarity, those set forth on Schedule 4.8(a)) in compliance with the terms of such rights and requesting waivers of such rights, in each case, using forms of such notices that are reasonably acceptable to Purchaser and (b) provide Purchaser with a true and complete copy of each such notice promptly after Seller's delivery thereof in accordance with this Section 3.11. Seller shall use commercially reasonable efforts to obtain all such Consents and similar approvals (or waivers thereof) and waivers of all preferential rights and other similar rights that have not been obtained prior to the Execution Date; provided, however, that Seller shall not be required to make any payments or undertake any obligations for the benefit of the holders of such rights in order to obtain the required Consents and waivers. Upon receipt of Seller's written request, Purchaser shall use commercially reasonable efforts to cooperate in good faith with Seller in seeking to obtain such any and all such Consents and waivers; provided, however, that Purchaser shall not be obligated to spend any monies or undertake any obligations (other than requesting such Consents and waivers) in connection therewith. Seller covenants and agrees that it shall promptly provide written notice to Purchaser after becoming aware of any actual or threatened dispute, disagreement or proceeding affecting or with respect to any Consent, preferential rights and other similar rights affecting or relating to the Transactions.

### 3.12 Consent Requirements.

(a) Subject to, and without limitation of, Section 3.12(c), unless the Parties otherwise agree in writing, in no event shall there be transferred at Closing any Asset for which a Material Consent has not been obtained prior to Closing. Attached as Schedule 3.12 is a list of each Material Consent which has not been satisfied or waived (or that is otherwise subject to an actual or threatened dispute).

(b) In cases in which the Asset subject to such an un-obtained Material Consent is an Asset other than a Property, and Purchaser is assigned the Property or Properties to which such Asset relates, but such Asset is not transferred to Purchaser due to the un-waived Material Consent requirement, the Parties shall, until the date of the final adjustment to the Unadjusted Purchase Price under Sections 8.4(b) and/or 8.4(c), as applicable (the "Final Adjustment Date"), use commercially reasonable efforts to obtain the Material Consent so that such Asset can be transferred to Purchaser upon receipt of the Material Consent (or waiver thereof), and, if permitted pursuant to applicable Law and agreement, such Asset shall be held by Seller for the benefit of Purchaser, Purchaser shall pay all amounts due thereunder or with respect thereto, and Purchaser shall be responsible for the performance of any obligations under or with respect to such Asset to the extent that Purchaser has been transferred the Assets necessary to such performance until the applicable Material Consent is obtained. Notwithstanding the foregoing, neither Party shall be required to make any payments or undertake any obligations for the benefit of the holders of any un-obtained Material Consents subject to this Section 3.12(b) in connection with obtaining (or attempting to obtain) any such Material Consent (or a waiver thereof).

(c) With respect to the Assets identified on Schedule 3.12 (the "Material Consent Assets"), (i) the affected Property shall not be conveyed to Purchaser at Closing, (ii) the Unadjusted Purchase Price shall be reduced at Closing by the Allocated Value of such Property, and the Closing Consideration shall be appropriately reduced by an amount equal to such Allocated Value, divided by the Per Share Preferred Value; (iii) such Property shall be deemed to be deleted from Exhibit A-1, Exhibit A-2 and/or Exhibit A-3 attached hereto, as applicable, and added to Schedule 1.3 attached hereto and (iv) such Property shall constitute an Excluded Asset for all purposes hereunder. The Parties shall use commercially reasonable efforts to obtain the Material Consent so that such Asset can be transferred to Purchaser upon receipt of the Material Consent, and if any such Material Consent requirement with respect to which an adjustment to the Unadjusted Purchase Price is made under Section 2.3(b) is subsequently satisfied (or waived) prior to the date of the final adjustment to the Unadjusted Purchase Price under Section 8.4(b) or Section 8.4(c), as applicable, (A) Seller shall, promptly after such Material Consent requirement is satisfied (or waived), convey the applicable Property to Purchaser, (B) the Parties shall deliver all instruments and documents that would have been required under the terms hereof to be delivered at Closing with respect to such Property (or portion thereof) at such delayed Closing; (C) Purchaser shall, simultaneously with the conveyance of the applicable Property (or portion thereof), at its sole discretion and election, (x) pay the amount of any previous deduction from the Unadjusted Purchase Price to Seller in cash, or (y) issue to Seller an amount of Purchaser Preferred Stock equal to the reduction in the Preferred Stock Consideration received at Closing by Seller due to such unobtained Material Consent, in each case, with such valuation and payment or issuance, as applicable, being subject to all other applicable adjustments with respect to such Property (or portion thereof) under this Agreement, and (D) such Property shall no longer be deemed to be (x) deleted from Exhibit A-1 and/or Exhibit A-2 attached hereto, (y) added to Schedule 1.3 attached hereto or (z) an Excluded Asset for any purposes hereunder.

(d) With respect to any Surface Fee Estate that becomes an Excluded Asset by operation of Section 3.12(c), if permitted pursuant to applicable Law and agreement, until the Material Consent for such Surface Fee Estate is obtained or the Surface Fee Estate has been terminated, such Surface Fee Estate shall be held by Seller for the benefit of Purchaser. Purchaser shall pay all amounts due thereunder that would have been Assumed Obligations with respect to such Surface Fee Estate had such Surface Fee Estate been assigned to Purchaser at Closing, and Purchaser shall be responsible for the performance of any obligations that would have been an Assumed Obligation with respect to such Surface Fee Estate had such Surface Fee Estate been assigned to Purchaser at Closing.

(e) Purchase Price adjustments calculated in the same manner as the adjustments in Section 2.3(a) with respect to the affected Property (or portion thereof), if any, shall be calculated from the period from and after the Effective Date to the date of the conveyance, and the net amount of such adjustment, shall be accounted for pursuant to this Section 3.12.

**3.13** [Intentionally Omitted].

**3.14** [Intentionally Omitted].

**3.15** [Intentionally Omitted].

#### **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF SELLER**

Subject to the provisions of this Article 4, and the other terms and conditions of this Agreement, Each Seller Party represents and warrants to Purchaser, on a joint and several basis, the following as of the Execution Date:

##### **4.1 Seller.**

(a) Each Seller Party is a limited liability company or limited partnership duly organized, validly existing, and in good standing under the Laws of the state of Texas, and is duly qualified to do business and is in good standing in each jurisdiction in which the Assets are located, with the power and authority to conduct its business as it is now being conducted, and to own or use the properties and assets that it purports to own or use.

(b) Each Seller Party has the power and authority to enter into and perform its obligations under this Agreement and each other Transaction Agreement to which it is a party and to consummate the Transactions contemplated by this Agreement and such other Transaction Agreements.

(c) The execution, delivery and performance of this Agreement and each other Transaction Agreement to which Seller is a party, and the consummation of the Transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of Seller. This Agreement and each other Transaction Agreement to which Seller is a party have been duly executed and delivered by Seller, and this Agreement and each other Transaction Agreement to which Seller is a party constitutes the valid and binding obligations of Seller, in each case, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(d) The execution, delivery and performance of this Agreement by Seller, and the consummation of the transactions contemplated by this Agreement do not (i) violate any provision of the certificate of incorporation or formation or the limited liability company agreement or bylaws, as applicable, of Seller, (ii) result in a default (with due notice or lapse of time or both) or the creation of any lien or encumbrance or give rise to any right of termination, cancellation, or acceleration under any note, bond, mortgage, indenture, or other financing instrument to which Seller or any of its Affiliates is a party or by which it is bound, (iii) violate any judgment, order, ruling, or decree applicable to Seller or any of its Affiliates as a party in interest, or (iv) violate any Laws applicable to Seller or any of its Affiliates, except any matters described in clauses (ii), (iii), or (iv) above which would not have a Seller Material Adverse Effect.

**4.2 Litigation.** Except as set forth on Schedule 4.2: (a) there are no actions, suits, or proceedings pending, or, to Seller's knowledge, threatened in writing, before any Governmental Authority or arbitrator with respect to the Assets or Seller's ownership, use or operation of the Assets, or; (b) there are no actions, charges, suits, or proceedings pending, or, to Seller's knowledge, threatened in writing, before any Governmental Authority or arbitrator against Seller or its Affiliates, which are reasonably likely to impair or delay materially Seller's ability to perform its obligations under this Agreement; and (c) none of Seller, its Affiliates or the Assets are subject to any material outstanding judgments, writs, orders, injunctions or decrees issued, made, entered or rendered by any Governmental Authority; provided that Seller makes no representation or warranty in this clause (c) as to any judgments, orders, writs, rules, injunctions or decrees which are, or contain issues, of broad applicability to, or which broadly affect, the Hydrocarbon exploration and production industry.

**4.3 Taxes and Assessments.** Except as disclosed on Schedule 4.3:

(a) all material Asset Taxes that have become due and payable by Seller or any of its Affiliates (whether or not shown on a Tax Return) have been duly and timely paid, and all Tax Returns required to be filed by Seller or any of its Affiliates with respect to such Taxes have been duly and timely filed and each such Tax Return is true, correct and complete in all material respects;

(b) all withholding Tax requirements imposed on or with respect to the Assets have been satisfied in all material respects;

(c) there are no liens (other than liens for current period Taxes not yet due and payable) on any of the Assets attributable to unpaid Taxes;

(d) there is not currently in effect any extension or waiver of any statute of limitations in any jurisdiction regarding the assessment or collection of any Asset Tax;

(e) no extension of time within which to file any Tax Return with respect to Asset Taxes is currently in effect;

(f) no audit, litigation or other proceeding with respect to Asset Taxes has been commenced by any Governmental Authority or is presently pending, and neither Seller nor any of its Affiliates has received written notice of any pending claim against it from any applicable Governmental Authority for assessment of such Taxes and, to Seller's knowledge, no such claim has been threatened; and

(g) none of the Assets is subject to any Tax partnership agreement or is otherwise required to be treated as held in an arrangement requiring a partnership income Tax Return to be filed under Subchapter K of Chapter 1 of Subtitle A of the Code or any similar state statute.

**4.4 Compliance with Laws.** Except with respect to (i) Environmental Laws (for which Seller's sole representations and warranties are set forth in Section 4.15), (ii) Tax Laws (for which Seller's sole representations and warranties are set forth in Section 4.3), and (iii) except as disclosed on Schedule 4.4, Seller's and its Affiliates' ownership and, to Seller's knowledge, the operation of the Assets is and has been in substantial compliance with all applicable Laws in all material respects.

**4.5 Material Contracts.** Schedule 4.5 sets forth a true, complete and accurate list of all Material Contracts as of the Execution Date (including any and all amendments and supplements thereto (and all currently applicable written waivers of any of the terms thereof)). None of Seller or any of its Affiliates or, to Seller's knowledge, any other Person, is in material breach of or material default under any Material Contract except as disclosed on Schedule 4.5. To Seller's knowledge, all Material Contracts are in full force and effect and constitute legal and binding obligations of Seller and/or its applicable Affiliate(s). Except as disclosed on Schedule 4.5, no written notice of default or breach has been received or delivered by Seller or any of its Affiliates under any Material Contract, the resolution of which is outstanding as of the Execution Date, and there are no current notices that have been received by Seller or any of its Affiliates of the exercise of any premature termination, price redetermination, market-out, or curtailment of any Material Contract. Seller has provided or made available to Purchaser complete and accurate copies of all Material Contracts (including any and all amendments, supplements thereto (and all currently applicable written waivers of any of the terms thereof)) prior to the Execution Date.

**4.6 Payments for Production.** Neither Seller nor any of its Affiliates is obligated by virtue of a take-or-pay payment, advance payment, or other similar payment (other than Royalties established in the Leases or reflected on Exhibit A-1, Exhibit A-2 or Schedule 2.2, minimum throughput commitments covered by Section 4.22, imbalances covered by Section 4.7, and gas balancing agreements or other agreements relating to any of the foregoing), to deliver Hydrocarbons, or proceeds from the sale thereof, attributable to Seller's or any of its Affiliates' interest in the Properties at some future time without receiving payment therefor at or after the time of delivery.

**4.7 Imbalances.** Except as set forth on Schedule 4.7 and to Seller's knowledge, as of the date set forth on Schedule 4.7, none of Seller or any of its Affiliates has, and its and their interests in the Assets are not subject to, any production, transportation, plant, or other imbalances with respect to production from or allocated to the Properties.

**4.8 Consents and Preferential Purchase Rights.**

(a) Except as set forth on Schedule 4.8(a), there are no preferential rights to purchase, rights of first offer, rights of first refusal, tag-along rights, drag-along rights or similar rights which, in each case, may be applicable to the direct or indirect (as applicable) sale or transfer of any right, title or interest in or to any of the Assets (including, for purposes of clarity, the operation thereof) by Seller or any of its Affiliates as contemplated by this Agreement.

(b) Except as set forth on Schedule 4.8(b) and except for consents and approvals of Governmental Authorities that are customarily obtained after Closing, there are no Material Consents which may be applicable to the direct or indirect (as applicable) sale or transfer of any right, title or interest in and to any of the Assets (including, for purposes of clarity, the operation thereof) by Seller or any of its Affiliates as contemplated by this Agreement.

(c) Except for Material Consents and consents and approvals of Governmental Authorities that are customarily obtained after Closing, to Seller's knowledge Schedule 4.8(c) sets forth all approvals, consents, ratifications, waivers or other authorizations (including from any Governmental Authority) from, or permits of, or filings with, or notifications to any Person that is required to be obtained, made or complied with for or in connection with the execution or delivery of this Agreement or the consummation of the Transactions (each, a "Consent").

**4.9 Liability for Brokers' Fees.** None of Purchaser or any of its Affiliates shall, directly or indirectly, have any responsibility, liability, or expense as a result of undertakings or agreements of Seller or any of its Affiliates for brokerage fees, finder's fees, agent's commissions, or other similar forms of compensation to an intermediary in connection with the negotiation, execution or delivery of this Agreement or any agreement or transaction contemplated hereby.

**4.10 Bankruptcy.** There are no bankruptcy, reorganization, or receivership proceedings pending, being contemplated by, or, to Seller's knowledge, threatened against Seller or any of its Affiliates (whether by Seller, any of its Affiliates or a third Person). Neither Seller nor any of its Affiliates is insolvent and no such Person shall be rendered insolvent by the consummation of any of the transactions contemplated by this Agreement.

**4.11 Wells and Equipment.** Except as set forth on Schedule 4.11, to Seller's knowledge:

(a) all Wells have been drilled and completed within the limits permitted by all applicable Leases and Contracts and no Well is subject to penalties on allowables with regard to time periods after the Effective Date because of any overproduction or any other violation of Laws;

(b) all currently producing Wells (and related Equipment) are in an operable state of repair adequate to maintain normal operations in accordance with past practices, ordinary wear and tear excepted; and

(c) the Properties do not contain any Equipment, dry holes, or shut in or otherwise inactive wells that Seller, its Affiliates (or in the case of Properties operated by a Third Party operator, such Third Party operator) is currently obligated by applicable Law to plug, dismantle or abandon, other than wells that have been plugged and abandoned in accordance with all applicable Laws.

**4.12 Non-Consent Operations.** Except as set forth on Schedule 4.12, Exhibit A-2 or Schedule 2.2, none of Seller or any of its Affiliates has elected not to participate in any operation or activity proposed with respect to the Properties which could result in any of Seller's or its Affiliates' interests in such Properties becoming subject to a penalty or forfeiture as a result of such election not to participate in such operation or activity.

**4.13 Outstanding Capital Commitments; Payout Balances.**

(a) Except as set forth on Schedule 4.13, as of the Execution Date, there are no outstanding authorities for expenditure which are binding on the Properties and which Seller reasonably anticipates will individually require expenditures by the owner of the Properties after the Closing Date in excess of One Hundred Thousand Dollars (\$100,000), net to the interest of Seller.

(b) To Seller's knowledge, as of the Execution Date, the payout balance for each Well that has not reached payout status is reflected in all material respects in Schedule 4.13 as of the respective dates shown thereon.

**4.14 Hedges.** There are no futures, options, swaps, or other derivatives with respect to the sale of Hydrocarbons from the Assets that will be binding on the Assets after Closing.

**4.15 Environmental.** Except as set forth in Schedule 4.15:

(a) To Seller's knowledge, the Assets are in compliance with Environmental Laws in all material respects (other than any non-compliance that has been previously cured or otherwise resolved in accordance with applicable Environmental Laws);

(b) To Seller's knowledge, during the past twelve (12) months, there has been no release of Hazardous Substances on or from the Assets for which there are material investigative or remediation obligations under Environmental Laws and for which remedial or corrective action has not been taken pursuant to Environmental Laws or that has not been previously cured or otherwise resolved in accordance with applicable Environmental Laws;

(c) To Seller's knowledge, Seller has obtained and is maintaining in full force and effect (and, to the extent applicable, has timely filed applications to renew) all permits, certificates, licenses, approvals, and authorizations under applicable Environmental Laws required or necessary for its ownership or operation of the Assets as currently owned and operated by Seller (the "Environmental Permits"), in all material respects, and no written notice of violation of the terms of such permits, certificate, licenses, approvals, and authorizations has been received by Seller or its Affiliates or, to Seller's knowledge any third-party operator, the resolution of which is outstanding as of the Execution Date;

(d) Neither Seller nor any of its Affiliates has entered into, and to Seller's knowledge, no third-party operator has entered into, and the Assets operated by any third party are not subject to, any agreements, consents, orders, decrees or judgments of any Governmental Authority, that are in existence as of the Execution Date, that are based on any Environmental Laws and that relate to the current or future use, ownership or operation of any of the Assets;

(e) Neither Seller nor any of its Affiliates, and to Seller's knowledge, no third-party operator, has received written notice from any Person of (i) any material violation of, alleged material violation of or material non-compliance with any Environmental Laws relating to the Assets or (ii) any release or disposal of any Hazardous Substance concerning any land, facility, asset or property included in the Assets, in each case, that has not been previously cured or otherwise resolved to the satisfaction of the relevant Governmental Authority and for which Seller or its Affiliates, and to Seller's knowledge any third-party operator, has no further material obligations outstanding; and

(f) Copies of all final written reports of environmental site assessments and/or compliance audits by a Third Party on behalf of Seller or any of its Affiliates or that are otherwise in Seller's or any of its Affiliates' possession or control, in each case, that have been prepared in the three (3) years prior to the Execution Date have been, in each case, provided or made available to Purchaser prior to the Execution Date.

(g) This Section 4.15 constitutes Seller's sole representation and/or warranty regarding the environmental condition of the Assets (or the Assets' compliance with Environmental Law) or Seller's compliance with, or violation of, Environmental Laws regarding the Assets.

**4.16 Permits.** Other than with respect to Environmental Laws and Environmental Permits (which are handled in Section 4.15), Seller or its Affiliates, and, to Seller's knowledge, each third-party operator of the Assets has obtained and is maintaining in full force and effect (and, to the extent applicable, has timely filed applications to renew) all material permits, certificates, licenses, approvals, and authorizations under applicable Laws required or necessary for such Person's and its applicable Affiliates' ownership and/or operation of the Assets as currently owned and operated (together with the Environmental Permits, collectively, the "Permits") and no written notice of violation of the terms of such Permits (other than the Environmental Permits) has been received by Seller or any of its Affiliates or, to Seller's knowledge, any third-party operator of the Assets, the resolution of which is outstanding as of the Execution Date.

#### **4.17 Leases.**

(a) (i) Schedule 4.17(a) sets forth the expiration dates of the primary terms for each Lease with a primary term that will expire prior to the Target Closing Date or in the twelve (12) month period immediately following the Target Closing Date; and (ii) the fee minerals underlying the Leases identified on Schedule 4.17(a) are included in the Assets.

(b) Except as set forth on Schedule 4.17(b), there are currently pending no written requests or written notices or demands that have been received by Seller or any of its Affiliates or, to Seller's knowledge, any third-party operator of the Assets, alleging (i) that any payment required under the Leases has not been paid or Seller, any of its Affiliates, or any third-party operator of the Assets has failed to perform any of its material obligations under any of the Leases and (ii) as a result thereof, the applicable Lease has terminated or is terminable.

(c) Except as set forth on Schedule 4.17(c), neither Seller nor any Affiliate of Seller has received and, to Seller's knowledge, no third-party operator of the Assets has received, from any other party to any Lease, any unresolved written notice stating (i) a reasonable basis to terminate, forfeit or unilaterally modify such Lease or (ii) that an event has occurred and that such event constitutes (or with notice or lapse of time, or both, would constitute) a material breach under any Lease.

(d) Except as set forth on Schedule 4.17(d), to Seller's knowledge, none of the Leases operated by any third party or its Affiliates, in each case, is subject to (i) any unfulfilled obligations to drill any commitment wells within the six (6) month period immediately following Closing or (ii) any requirement to drill additional wells, maintain continuous drilling operations or otherwise conduct material development operations within the six (6) month period immediately following Closing in order to continue such Lease in force and effect after the primary term thereof.

(e) To Seller's knowledge, Schedule 4.17(e) sets forth sets forth those Leases that are currently being maintained by the payment of shut-in royalties or other similar lease maintenance payments in lieu of operations or production.

(f) All Royalties, rentals, lease payments and other payments due and payable by Seller or any of its Affiliates and, to Seller's knowledge, payable by any third party operators of the Assets, to royalty holders, overriding royalty holders and other interest owners under or with respect to any of the Assets and any Hydrocarbons produced therefrom, measured thereby or attributable thereto (including working interest amounts), in all material respects have been properly and timely paid.

**4.18 Credit Support.** Schedule 4.18 sets forth a complete and accurate list of all cash deposits, guarantees, letters of credit, treasury securities, surety bonds and other forms of credit assurances or credit support provided by Seller or any of its Affiliates in support of the obligations of Seller and its Affiliates to any Governmental Authority, contract counterparty or other Person related to its ownership of the Assets (collectively, the "Credit Support").

**4.19 Insurance.** Schedule 4.19(a) sets forth a true and correct list of all insurance policies maintained by or for the benefit (in each case, directly or indirectly) of Seller or its Affiliates with respect to the Assets. All premiums due on such insurance policies have either been paid or, if not yet due, accrued. All such insurance policies are in full force and effect and enforceable in accordance with their terms. Neither Seller nor any of its Affiliates has received any written notice of cancellation, termination or non-renewal of any insurance policy or refusal of coverage under any insurance policy. Schedule 4.19(b) sets forth a list of all pending insurance claims of Seller or its Affiliates or otherwise with respect to the Assets.

**4.20 [Intentionally Omitted].**

**4.21 Rights of Way; Surface Fee Estates; Personal Property.**

(a) Except as set forth on Schedule 4.21(a), (a) Seller holds defensible title, free and clear of all claims and liens (other than Permitted Encumbrances), to Seller's knowledge, the Surface Fee Estates; and (b) neither Seller nor any of its Affiliates is in material breach of or in material default under any such Rights of Way; and (c) the Rights of Way are sufficient in all material respects for the ownership and operation of the Assets, as currently conducted by Seller and its Affiliates.

(b) Seller has good and valid title to the personal property included in the Assets and all equipment, machinery, tools, fixtures and other tangible personal property and improvements, in each case, free and clear of all liens, other than Permitted Encumbrances. All mechanical and other systems and material facilities included in and located on the Assets (in each case) are in adequate operating condition and repair, in all material respects, sufficient to conduct the business for which the Assets are held, owned and/or operated by Seller, ordinary wear and tear excepted.

**4.22 Dedications; Minimum Volume Commitments.**

(a) None of Seller or any of its Affiliates is a party to any Contract binding on or applicable to the Assets (i) that contains a commitment for Seller or any such Affiliate to provide a minimum volume of Hydrocarbons to another Person (except for and excluding any minimum volume of Hydrocarbons committed under a customary base contract for the sale and purchase of natural gas, as amended or supplemented) or (ii) that requires Seller or any such Affiliate to pay a deficiency payment or similar obligation (or become subject to any penalty or similar Damages) in the event Seller or any such Affiliate fails to provide the applicable minimum volume of Hydrocarbons in such relevant time period.

(b) Except as set forth on Schedule 4.22, none of Seller or any of its Affiliates is a party to any Contract binding on or applicable to the Assets pursuant to which any portion of the Assets is dedicated or Hydrocarbons produced therefrom are otherwise required to be delivered to a certain Person.

**4.23 Condemnation.** As of the Execution Date, there is no pending or, to Seller's knowledge, threatened in writing taking (whether permanent, temporary, whole or partial) of any part of the Assets by reason of condemnation or the threat of condemnation or eminent domain.

**4.24 [Intentionally Omitted].**

**4.25 Investment Representations.**

(a) Seller (i) is an experienced and knowledgeable investor, (ii) is able to bear the economic risks of the acquisition and ownership of the Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration, (iii) is capable of evaluating (and has evaluated) the merits and risks of investing in the Purchaser Common Stock and Purchaser Preferred Stock and its acquisition and ownership thereof, (iv) is an "accredited investor," as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act, (v) is acquiring the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration for its own account and not with a view to a sale, distribution or other disposition thereof in violation of the Securities Act, and the rules and regulations thereunder, any applicable blue sky Laws, or any applicable other securities Laws, and (vi) acknowledges and understands that (A) the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration have not been registered under the Securities Act in reliance on an exemption therefrom and (B) the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration will, upon acquisition thereof by Seller, be characterized as "restricted securities" under state and federal securities Laws and may not be sold, transferred, offered for sale, pledged, hypothecated, or otherwise disposed of, except pursuant to an effective registration statement under the Securities Act or in a transaction exempt from, or otherwise not subject to, the registration requirements of the Securities Act, and in compliance with applicable state and federal securities Laws.

(b) Any distribution by Seller of shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration will not be made in any manner or to any Person that will result in the offer and sale of Purchaser Common Stock or Purchaser Preferred Stock pursuant to this Agreement being subject to the registration and prospectus delivery requirements of the Securities Act and the rules and regulations promulgated under the Securities Act. The execution and delivery of this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby do not require the consent or vote of (nor shall any such consent or vote be sought) from any Person that is not an “accredited investor,” as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act.

(c) Seller acknowledges and understands that (i) the Purchaser and its Affiliates and advisors possess material nonpublic information regarding Purchaser not known to Seller that may impact the value of the Stock Consideration (the “Information”), and that Purchaser is not disclosing the Information to Seller. Seller understands, based on its experience, the disadvantage to which Seller is subject due to the disparity of information between the Purchaser and its advisors, on the one hand, and the Seller, on the other hand. Notwithstanding such disparity, Seller has deemed it appropriate to enter into this Agreement and to consummate the transactions contemplated hereby. Seller agrees that none of Purchaser, its Affiliates and its and their principals, stockholders, partners, employees and agents shall have any liability to Seller, its Affiliates and its and their principals, stockholders, partners, employees, agents, grantors or beneficiaries, whatsoever, due to or in connection with Purchaser’s use or non-disclosure of the Information, and Seller hereby irrevocably waives any claim that it might have based on the failure of Purchaser to disclose the Information.

4.26 [Intentionally Omitted].

4.27 Sufficiency of Assets. The Assets constitute all assets, properties, rights, privileges and interests of whatever kind or nature, real, personal or mixed, tangible, or intangible, that are used or necessary to conduct the business of Seller and its Affiliates with respect to the Assets as currently owned by Seller and its Affiliates.

4.28 [Intentionally Omitted].

4.29 [Intentionally Omitted].

4.30 [Intentionally Omitted].

4.31 [Intentionally Omitted].

4.32 [Intentionally Omitted].

4.33 [Intentionally Omitted].

4.34 [Intentionally Omitted].

4.35 [Intentionally Omitted].

#### 4.36 Limitations.

(a) Subject to, and without limitation of, Purchaser's right to indemnification pursuant to Article 11, and except for instances of Fraud, the representations and warranties of Seller set forth in this Article 4, the Assignment and Bill of Sale, the special warranty of title in the Mineral Deed and the terms and provisions of the other Transaction Agreements, (i) Seller makes no other representations or warranties, express or implied, and (ii) Seller expressly disclaims all liability and responsibility for any representation, warranty, statement, or information made or communicated (orally or in writing) to Purchaser or any of its Affiliates, employees, agents, consultants, or other Representatives (including any opinion, information, projection, or advice that may have been provided to Purchaser by any officer, director, employee, agent, consultant, advisor or other Representative of Seller or any member of Seller Group).

**(b) SUBJECT TO, AND WITHOUT LIMITATION OF PURCHASER'S RIGHT TO INDEMNIFICATION PURSUANT TO ARTICLE 11, AND THE TERMS AND PROVISIONS OF THE OTHER TRANSACTION AGREEMENTS, AND EXCEPT FOR INSTANCES OF FRAUD, THE REPRESENTATIONS AND WARRANTIES OF SELLER SET FORTH IN THIS ARTICLE 4, THE SPECIAL WARRANTY OF DEFENSIBLE TITLE IN THE ASSIGNMENT AND BILL OF SALE AND THE SPECIAL WARRANTY OF TITLE IN THE MINERAL DEED, SELLER MAKES NO, AND HEREBY EXPRESSLY DISCLAIMS, ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, OR STATUTORY AS TO (I) TITLE TO ANY OF THE ASSETS, (II) THE CONTENTS, CHARACTER, OR NATURE OF ANY DESCRIPTIVE MEMORANDUM, OR ANY REPORT OF ANY PETROLEUM ENGINEERING CONSULTANT OF SELLER, OR ANY GEOLOGICAL OR SEISMIC DATA OR INTERPRETATION, RELATING TO THE ASSETS, (III) THE QUANTITY, QUALITY, OR RECOVERABILITY OF HYDROCARBONS IN OR FROM THE ASSETS, (IV) THE EXISTENCE OF ANY PROSPECT, RECOMPLETION, INFILL, OR STEP-OUT DRILLING OPPORTUNITIES, (V) ANY ESTIMATES OF THE VALUE OF THE ASSETS OR FUTURE REVENUES GENERATED BY THE ASSETS, (VI) THE PRODUCTION OF HYDROCARBONS FROM THE ASSETS, OR WHETHER PRODUCTION HAS BEEN CONTINUOUS, OR IN PAYING QUANTITIES, OR ANY PRODUCTION OR DECLINE RATES, (VII) THE MAINTENANCE, REPAIR, CONDITION, QUALITY, SUITABILITY, DESIGN OR MARKETABILITY OF THE ASSETS, (VIII) INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHT, (IX) ANY OTHER MATERIALS OR INFORMATION THAT MAY HAVE BEEN MADE AVAILABLE OR COMMUNICATED TO PURCHASER OR ITS AFFILIATES, OR ITS OR THEIR EMPLOYEES, AGENTS, CONSULTANTS, REPRESENTATIVES, OR ADVISORS IN CONNECTION WITH THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY DISCUSSION OR PRESENTATION RELATING THERETO AND (X) COMPLIANCE WITH ANY ENVIRONMENTAL LAW OR THE ENVIRONMENTAL CONDITION OF ANY OF THE ASSETS, AND FURTHER DISCLAIMS ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS, IMPLIED, OR STATUTORY, OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR CONFORMITY TO MODELS OR SAMPLES OF MATERIALS OF ANY EQUIPMENT, IT BEING EXPRESSLY UNDERSTOOD AND AGREED BY THE PARTIES THAT, EXCEPT AS OTHERWISE SET FORTH IN THIS AGREEMENT, THE ASSETS ARE BEING TRANSFERRED "AS IS, WHERE IS," WITH ALL FAULTS AND DEFECTS, AND THAT PURCHASER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS AS PURCHASER DEEMS APPROPRIATE TO ENTER INTO THIS AGREEMENT ON THE EXECUTION DATE. SELLER AND PURCHASER AGREE THAT, TO THE EXTENT REQUIRED BY APPLICABLE LAW TO BE EFFECTIVE, THE DISCLAIMERS OF CERTAIN REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS SECTION ARE "CONSPICUOUS" DISCLAIMERS FOR PURPOSES OF ANY APPLICABLE LAW, RULE OR ORDER.**

(c) Inclusion of a matter on any of the Schedules which are referenced in this Article 4 (such Schedules, the “Seller Disclosure Schedules”) with respect to a representation or warranty that addresses matters having a Seller Material Adverse Effect shall not be deemed an indication that such matter does, or may, have a Seller Material Adverse Effect. The Seller Disclosure Schedules may include matters not required by the terms of the Agreement to be listed on the schedules, which additional matters are disclosed for purposes of information only, and inclusion of any such matter does not mean that all such matters are included. A matter scheduled on any of the Seller Disclosure Schedules as an exception for any representation and/or warranty shall be deemed to be an exception to all representations and/or warranties for which it is relevant, but only to the extent such relevance is reasonably apparent based on the face of the disclosure in which such matter is disclosed in the Seller Disclosure Schedules.

## **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER**

Subject to the provisions of this Article 5, and the other terms and conditions of this Agreement, Purchaser represents and warrants to Seller the following as of the Execution Date and, effective upon the Closing, as of the Closing Date:

- 5.1 Existence and Qualification.** Purchaser is a corporation organized, validly existing, and in good standing under the Laws of the state of Delaware.
- 5.2 Power.** Purchaser has the corporate power and authority to enter into and perform its obligations under this Agreement and each other Transaction Agreement to which it is a party and to consummate the Transactions contemplated by this Agreement and such other Transaction Agreements.
- 5.3 Authorization and Enforceability.** The execution, delivery and performance by Purchaser of this Agreement and each other Transaction Agreement to which it is a party, and the consummation of the Transactions contemplated hereby and thereby, have been duly and validly authorized by all necessary action on the part of Purchaser. This Agreement and each other Transaction Agreement to which a Purchaser is a party have been duly executed and delivered by Purchaser, and this Agreement and each other Transaction Agreement to which Purchaser is a party constitutes the valid and binding obligations of Purchaser, enforceable in accordance with their terms except as such enforceability may be limited by applicable bankruptcy or other similar Laws affecting the rights and remedies of creditors generally as well as to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).
- 5.4 No Conflicts.** The execution, delivery and performance of this Agreement and the other Transaction Agreements by Purchaser, and the consummation of the Transactions, will not (a) violate any provision of the certificate of incorporation, bylaws or other governing instruments of Purchaser, (b) result in a material default (with due notice or lapse of time or both) or the creation of any material lien or encumbrance or give rise to any right of termination, cancellation, or acceleration under any material note, bond, mortgage, indenture, or other financing instrument to which Purchaser is a party or by which it is bound, (c) violate any judgment, order, ruling, or regulation applicable to Purchaser as a party in interest in any material respect or (d) violate any Law applicable to Purchaser in any material respect.

**5.5 Consents, Approvals or Waivers.** Except (a) as required in connection with the listing of the shares of Purchaser Common Stock constituting the Stock Consideration and Conversion Shares (as defined in the Certificate of Designations) on the NYSE, (b) Stockholder Approval with respect to the issuance of the Conversion Shares (as defined in the Certificate of Designations), and (c) for any consent or approval of Governmental Authorities customarily obtained after Closing and assuming that Seller obtains all relevant consents to assignment or approvals it is required to obtain in connection with the Transactions contemplated hereby, the execution, delivery, and performance of this Agreement by Purchaser will not be subject to any consent, approval, or waiver from any Governmental Authority or other third Person. Without limitation of the foregoing, the consummation of the Transactions, including the issuance by Purchaser of the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration, do not and will not require any vote or approval of holders of shares of Purchaser Common Stock under applicable Law, the rules and regulations of the NYSE or the certificate of incorporation or bylaws of Purchaser, except for the Stockholder Approval.

**5.6 Valid Issuance.** At the Closing, the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration will be duly authorized, validly issued, fully paid and non-assessable, and such Purchaser Common Stock and Purchaser Preferred Stock will not be (a) subject to or issued in violation of any preemptive rights, rights of first refusal, or other similar rights of any Person or (b) subject to any liens, claims, encumbrances or restrictions other than (i) restrictions on transfer under applicable securities Laws and pursuant to the Investor Agreement, (ii) with respect to the Purchaser Preferred Stock, restrictions on conversion subject to the Stockholder Approval and (iii) any such liens, claims, encumbrances or restrictions arising exclusively by, through or under Seller or its Affiliates. Such shares of Purchaser Common Stock and Purchaser Preferred Stock will be issued and granted in compliance in all material respects with applicable securities Laws and other applicable Laws. On the Execution Date Purchaser has, and at the Closing Purchaser will have, sufficient shares of Purchaser Common Stock and Purchaser Preferred Stock that are authorized, unissued and not reserved for any other purpose to issue the shares of Purchaser Common Stock and Purchaser Preferred Stock constituting the Stock Consideration.

**5.7 Capitalization.** Except as set forth on Schedule 5.7:

(a) As of the Execution Date, the authorized capital stock of Purchaser consists solely of (i) 80,000,000 shares of Purchaser Common Stock, of which 34,800,575 shares are issued and outstanding and (ii) 50,000,000 shares of Purchaser Preferred Stock, of which no shares are issued and outstanding.

(b) All of the issued and outstanding shares of Purchaser Common Stock and Purchaser Preferred Stock are duly authorized and have been validly issued in accordance with the certificate of incorporation and bylaws of Purchaser, are fully paid and non-assessable, and were not issued in violation of any preemptive rights, rights of first refusal, or other similar rights of any Person.

(c) Except as set forth in the SEC Documents filed prior to the Execution Date, there are no preemptive rights or other outstanding rights, options, warrants, conversion rights, stock appreciation rights, redemption rights, repurchase rights, agreements, arrangements, calls, subscription agreements, commitments or rights of any kind that obligate Purchaser to issue or sell any equity interests of Purchaser or any securities or obligations convertible or exchangeable into or exercisable for, or giving any Person a right to subscribe for or acquire, any equity interest in Purchaser, and no securities or obligations evidencing such rights authorized, issued or outstanding.

(d) Purchaser does not have any outstanding bonds, debentures, notes or other obligations the holders of which have the rights to vote (or convertible into or exercisable for securities having the right to vote) with the holders of equity interests in Purchaser on any matter pursuant to such outstanding bonds, debentures, notes or other obligations.

## **5.8 SEC Documents, Financial Statements, No Liabilities.**

(a) Purchaser has timely filed or furnished with the SEC all reports, schedules, forms, statements and other documents (including exhibits and other information incorporated therein) required to be filed or furnished by it since December 31, 2022 under the Securities Act or the Exchange Act (all such documents collectively, the “SEC Documents”). The SEC Documents, including any audited or unaudited financial statements and any notes thereto or schedules included therein (the “Financial Statements”), at the time filed or furnished (except to the extent corrected by a subsequently filed or furnished SEC Document filed or furnished prior to the Execution Date) (i) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein (in light of the circumstances under which they were made) not misleading, (ii) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as applicable, (iii) complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, (iv) in the case of the Financial Statements, were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or the omission of notes to the extent permitted by Regulation S-K or, in the case of unaudited statements, as permitted by Form 10-Q of the SEC and subject, in the case of interim financial statements, to normal year-end adjustments), (v) in the case of the Financial Statements, fairly present in all material respects the consolidated financial condition, results of operations, and cash flow of Purchaser as of the dates and for the periods indicated thereon, and (vi) in the case of the Financial Statements, have been prepared in a manner consistent with the books and records of Purchaser and its subsidiaries. Since December 31, 2022, Purchaser has not made any change in the accounting practices or policies applied in the preparation of its financial statements, except as required by GAAP, SEC rule or policy or applicable Law (and except to the extent any such financial statements have been corrected by a subsequently filed or furnished SEC Document filed or furnished prior to the Execution Date). The books and records of Purchaser and its subsidiaries have been, and are being, maintained in all material respects in accordance with GAAP (to the extent applicable) and any other applicable legal and accounting requirements and reflect only actual transactions.

(b) There are no in any material respect liabilities of or with respect to Purchaser that would be required by GAAP to be reserved, reflected or otherwise disclosed on a consolidated balance sheet of Purchaser other than (i) liabilities reserved, reflected or otherwise disclosed in the consolidated balance sheet of Purchaser as of June 30, 2023, (ii) liabilities incurred in the ordinary course of business consistent with past practice since June 30, 2023, (iii) any obligations or liabilities arising under or pursuant to or that are otherwise assumed by Purchaser pursuant to this Agreement or any other Transaction Agreement, or (iv) fees and expenses paid or incurred in connection with the Transactions.

## **5.9 Internal Controls; NYSE Listing Matters.**

(a) Purchaser has established and maintains disclosure controls and procedures (as such term is defined in Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act, such disclosure controls and procedures are reasonably designed to ensure that material information required to be disclosed by Purchaser in the reports it files or submits to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such material information is accumulated and communicated to Purchaser’s management as appropriate to allow timely decisions regarding required disclosure.

(b) Purchaser has established and maintains a system of internal control over financial reporting (as defined in Rules 13a 15(f) and 15d 15(f) under the Exchange Act) which is effective in providing reasonable assurance regarding the reliability of Purchaser’s financial reporting and the preparation of the Financial Statements for external purposes in accordance with GAAP. Purchaser has disclosed, based on its most recent evaluation of Purchaser’s internal control over financial reporting prior to the date hereof, to Purchaser’s auditors and audit committee (i) any significant deficiencies and material weaknesses in the design or operation of Purchaser’s internal control over financial reporting which would reasonably be expected to adversely affect Purchaser’s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in Purchaser’s internal control over financial reporting.

(c) Since December 31, 2022, (i) Purchaser has not been advised by its independent auditors of any significant deficiency or material weakness in the design or operation of Purchaser's internal control over financial reporting that would reasonably be expected to materially and adversely affect Purchaser's internal control over financial reporting, (ii) Purchaser has no knowledge of any fraud, whether or not material, that involves management or other employees who have a significant role in Purchaser's internal control over financial reporting that would reasonably be expected to materially and adversely affect Purchaser's internal control over financial reporting, and (iii) there have been no changes in Purchaser's internal control over financial reporting that would reasonably be expected to materially and adversely affect Purchaser's internal control over financial reporting, including any corrective actions with regard to any significant deficiency or material weakness.

(d) As of the Execution Date, there are no outstanding or unresolved comments in comment letters received from the SEC staff with respect to the SEC Documents.

(e) Purchaser is in compliance in all material respects with the rules and regulations of the NYSE that are applicable to Purchaser.

(f) The Purchaser Common Stock is registered under Section 12(b) of the Exchange Act and listed on the NYSE, and Purchaser has not received any notice of deregistration or delisting from the SEC or the NYSE and no judgment, order, ruling, decree, injunction or award of any securities commission or similar securities regulatory authority or any other Governmental Authority, or of the NYSE, preventing or suspending trading in any securities of Purchaser has been issued and no proceedings for such purpose are, to Purchaser's knowledge, pending, contemplated or threatened. Purchaser has taken no action that is designed to terminate the registration of the Purchaser Common Stock under the Exchange Act or the listing of the Purchaser Common Stock on the NYSE.

**5.10 Absence of Certain Changes.** Since December 31, 2022, there has not occurred any Purchaser Material Adverse Effect or any event, occurrence, change, discovery or development of a state of circumstance or facts that would, individually or in the aggregate, reasonably be expected to result in a Purchaser Material Adverse Effect.

**5.11 Compliance with Law.** Except as to specific matters disclosed in the SEC Documents filed prior to the Execution Date, (a) Purchaser is, and during the past two (2) years has been, in compliance with all applicable Laws in all material respects, (b) Purchaser has not received written notice of any material violation in any respect of any applicable Law, and (c) Purchaser has not received written notice that it is under investigation by any Governmental Authority for potential material non-compliance with any Law.

**5.12 Litigation.**

(a) Except as to specific matters disclosed in the SEC Documents filed or furnished prior to the Execution Date (excluding any disclosures included in any "risk factor" section of such SEC Documents or any other disclosures in such SEC Documents to the extent they are predictive or forward looking and general in nature), there are no material actions, suits or proceedings pending, or to Purchaser's knowledge, threatened in writing before any Governmental Authority or arbitrator against Purchaser or any of its subsidiaries.

(b) There are no material actions, suits or proceedings pending, or to Purchaser's knowledge, threatened in writing before any Governmental Authority or arbitrator against Purchaser or any of its subsidiaries.

**5.13 Investment Company.** Purchaser is not, and immediately after the consummation of the transactions contemplated hereby, will not be, required to register as an "investment company" or a company "controlled by" an entity required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

**5.14 Form S-3.** As of the Execution Date, Purchaser is eligible to register the shares of Purchaser Common Stock constituting the Stock Consideration for resale by Seller under Form S-3 promulgated under the Securities Act.

**5.15 Independent Investigation.** Purchaser is (or its advisors are) experienced and knowledgeable in the oil and gas business and aware of the risks of that business. Purchaser acknowledges and affirms that (a) it has completed such independent investigation, verification, analysis, and evaluation of the Assets and has made all such reviews and inspections of the Assets as it has deemed necessary or appropriate to enter into this Agreement, and (b) it has completed its independent investigation, verification, analysis, and evaluation of the Assets and made all such reviews and inspections of the Assets as it deems necessary or appropriate to consummate the transactions contemplated hereby. Except for the representations and warranties expressly made by Seller in Article 4 of this Agreement, the Assignment and Bill of Sale, the Mineral Deed or any other Transaction Agreement, and without limitation of Purchaser's remedies for Fraud, Purchaser acknowledges that there are no other representations or warranties, express or implied, as to the financial condition, liabilities, operations, business, or prospects of the Assets and that, in making its decision to enter into this Agreement and to consummate the transactions contemplated hereby, and subject to the foregoing, Purchaser has otherwise relied solely upon its own independent investigation, verification, analysis, and evaluation and the terms of this Agreement and the other Transaction Agreements. Purchaser understands and acknowledges that neither the United States Securities and Exchange Commission nor any federal, state, or foreign agency has passed upon the Assets or made any finding or determination as to the fairness of an investment in the Assets or the accuracy or adequacy of the disclosures made to Purchaser, and, Purchaser is not entitled to cancel, terminate, or revoke this Agreement.

**5.16 Liability for Brokers' Fees.** None of Seller or any of its Affiliates shall, directly or indirectly, have any responsibility, liability, or expense as a result of undertakings or agreements of Purchaser or any of its Affiliates for brokerage fees, finder's fees, agent's commissions, or other similar forms of compensation to an intermediary in connection with the negotiation, execution, or delivery of this Agreement or any agreement or transaction contemplated hereby.

**5.17 Qualification; Bonding.** Without limiting Section 12.4, Purchaser is qualified under applicable Laws to hold Leases, Rights of Way, and other rights included in the Assets which are issued by any applicable Governmental Authority. Subject to the accuracy of Seller's representations and warranties in Section 4.18, and without limitation of Section 12.4, Purchaser has posted such Credit Support, and provided such evidence of such Credit Support, in accordance with Section 12.4.

**5.18 Bankruptcy.** There are no bankruptcy, reorganization, or receivership proceedings pending, being contemplated by, or, to the knowledge of Purchaser, threatened against Purchaser or any Affiliate of Purchaser (whether by Purchaser or a third Person). Neither Purchaser nor any of its Affiliates is insolvent and no such Person shall be rendered insolvent by the consummation of any of the transactions contemplated by this Agreement.

**5.19 [Intentionally Omitted].**

## 5.20 Limitations.

(a) Subject to, and without limitation of, Seller's right to indemnification pursuant to Article 11, and except for instances of Fraud, the representations and warranties of Purchaser set forth in this Article 5, the Assignment and Bill of Sale and the terms and provisions of the other Transaction Agreements, (i) Purchaser makes no other representations or warranties, express or implied, and (ii) Purchaser expressly disclaims all liability and responsibility for any representation, warranty, statement, or information made or communicated (orally or in writing) to Seller or any of its Affiliates, employees, agents, consultants, or other Representatives (including any opinion, information, projection, or advice that may have been provided to Seller by any officer, director, employee, agent, consultant, advisor or other Representative of Purchaser or any member of Purchaser Group).

(b) Inclusion of a matter on any of the Schedules which are referenced in this Article 5 (such Schedules, the "Purchaser Disclosure Schedules") with respect to a representation or warranty that addresses matters having a Purchaser Material Adverse Effect shall not be deemed an indication that such matter does, or may, have a Purchaser Material Adverse Effect. The Purchaser Disclosure Schedules may include matters not required by the terms of the Agreement to be listed on the schedules, which additional matters are disclosed for purposes of information only, and inclusion of any such matter does not mean that all such matters are included. A matter scheduled on any of the Purchaser Disclosure Schedules as an exception for any representation and/or warranty shall be deemed to be an exception to all representations and/or warranties for which it is relevant, but only to the extent such relevance is reasonably apparent based on the face of the disclosure in which such matter is disclosed in the Purchaser Disclosure Schedules.

## ARTICLE 6 COVENANTS OF THE PARTIES

6.1 [Intentionally Omitted].

6.2 [Intentionally Omitted].

6.3 **Press Releases.** Until the Closing, neither Seller nor Purchaser, nor any Affiliate thereof, shall make any press release or public disclosure or statement regarding the existence of this Agreement, the contents hereof, or the transactions contemplated hereby without the prior written consent of Purchaser (in the case of announcements by Seller or its Affiliates) or Seller (in the case of announcements by Purchaser or its Affiliates), which consent shall not be unreasonably withheld or delayed; provided, however, the foregoing shall not restrict disclosures by Purchaser or Seller (i) with respect to a press release or disclosure by either Party, after such Party has, if and to the extent reasonably practicable, provided the other Party with the opportunity to review and provide comments to any such proposed press release or disclosure (which comments shall, if and to the extent reasonably practicable, be considered in good faith by the disclosing Party), (ii) to the extent that such disclosures are required by applicable securities or other Laws or the applicable rules of any stock exchange having jurisdiction over the disclosing Party or its Affiliates, (iii) to Governmental Authorities and Third Parties holding preferential rights to purchase, rights of consent or other rights that may be applicable to the transactions contemplated by this Agreement, as reasonably necessary to provide notices, seek waivers, amendments or terminations of such rights, or seek such consents, or (iv) to such Party's investors and members, and current or prospective financing sources, including Seller's Affiliates' investors and limited partners, and to prospective investors or other Persons as part of fundraising or marketing activities undertaken by Seller's Affiliates provided such disclosures are made to Persons subject to an obligation of confidentiality with respect to such information. Seller and Purchaser shall each be liable for the compliance of its respective Affiliates with the terms of this Section 6.3. The Parties agree that neither Purchaser nor Seller may have an adequate remedy at law if any of the foregoing Persons violate (or threaten to violate) any of the terms of this Section 6.3. In such event, Purchaser or Seller, as applicable, shall have the right, in addition to any other it may have, to seek injunctive relief to restrain any breach or threatened breach of the terms of this Section 6.3.

6.4 **[Intentionally Omitted]**.

6.5 **[Intentionally Omitted]**.

6.6 **Regulatory Approvals**. Subject to the terms and conditions set forth in this Agreement, each of the Parties shall use (and shall cause its Affiliates to use) its commercially reasonable efforts to take, or cause to be taken, promptly any actions, and to do, or cause to be done, promptly and to assist and cooperate with the other Party in doing, any things necessary, proper or advisable under applicable Laws to consummate and make effective the transactions contemplated by this Agreement.

6.7 **Further Assurances**. After Closing, Seller and Purchaser each agrees to take such further actions and to execute, acknowledge and deliver all such further documents as are reasonably requested by the other for carrying out the purposes of this Agreement or of any document delivered pursuant to this Agreement.

6.8 **[Intentionally Omitted]**.

6.9 **NYSE Listing**. Purchaser shall use its reasonable best efforts to cause the shares of Purchaser Common Stock constituting the Stock Consideration to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Closing. Purchaser shall use reasonable best efforts to cause the Conversion Shares (as defined in the Certificate of Designations) to be approved for listing on the NYSE, subject to official notice issuance, upon obtaining Stockholder Approval.

6.10 **Stockholder Approval**. Purchaser shall use reasonable best efforts to obtain Stockholder Approval at its next annual meeting of Purchaser stockholders.

6.11 **[Intentionally Omitted]**.

6.12 **[Intentionally Omitted]**.

6.13 **Financial Information**.

(a) On or prior to the signing of this Agreement, Seller has provided Purchaser with the following:

(i) the audited statements of revenues and direct operating expenses of the Properties, as of both December 31, 2021 and December 31, 2022, together with all related notes thereto and accompanied by reports thereon of the Audit Firm (as defined below), in each case, in accordance with GAAP consistently applied (the "Audited Financial Statements");

(ii) a reserve report of Seller as of December 31, 2021 and December 31, 2022 covering all or substantially all of the Properties and utilizing SEC pricing that, with respect to the report delivered as of December 31, 2022, has been audited by NSAI or another nationally recognized petroleum engineering consultant of Seller (the "Reserve Engineer" and such report, the "Initial Reserve Reports"); and

(iii) unaudited statements of revenues and direct operating expenses of the Properties for the nine (9) month periods ended on September 30, 2022 and September 30, 2023, in each case, in accordance with GAAP consistently applied (the “Interim Financial Statements”).

(b) From and after the date hereof, Seller shall use:

(i) commercially reasonable efforts to cause the external audit firm that audits the Audited Financial Statements (the “Audit Firm”) to cooperate with Purchaser and its Representatives to cause the Audited Financial Statements to comply with Regulation S-X promulgated by the SEC (“Regulation S-X”) and other rules and regulations of the SEC with respect to reporting obligations of Purchaser and its Affiliates under the Exchange Act or any registration of securities under the Securities Act; provided, however, that, upon reasonable request by Purchaser, Seller shall use commercially reasonable efforts to provide or cause to be provided information not included in the Audited Financial Statements that may be necessary for the preparation by Purchaser of any pro forma financial information; and

(ii) commercially reasonable efforts (A) in causing the Audit Firm to cooperate with Purchaser and its Representatives to cause the Interim Financial Statements to comply with Regulation S-X and other rules and regulations of the SEC with respect to reporting obligations of Purchaser and its Affiliates under the Exchange Act or any registration of securities under the Securities Act and (B) to prepare or cause to be prepared an unaudited statement of revenues and direct operating expenses of the Properties for the period from October 1, 2023 through Closing in accordance with GAAP.

(c) At Purchaser’s request, after the date of this Agreement for up to two (2) years after the Closing Date (the “Records Period”), Seller agrees to use commercially reasonable efforts to make available to Purchaser and its Affiliates and their Representatives any and all Records to the extent in Seller’s or its Affiliates’ possession or control and to which Seller and its Affiliates’ personnel have reasonable access, in each case as reasonably required by Purchaser, its Affiliates and their Representatives in order to prepare financial statements in connection with Purchaser’s or its Affiliates’ debt or equity securities offerings or filings, if any, that are required by the SEC, under securities Laws applicable to Purchaser and its Affiliates, or financial statements meeting the requirements of Regulation S-X under the Securities Act, in connection with the transactions contemplated by this Agreement (the “Purchaser Financial Statements”).

(d) During the Records Period, Seller shall use commercially reasonable efforts to cause its accountants, counsel, agents and other Persons to cooperate with Purchaser and its Representatives in connection with the preparation by Purchaser of the Purchaser Financial Statements that are required to be included in any filing by Purchaser or its Affiliates with the SEC, including to use their commercially reasonable efforts to cause the Audit Firm and the Reserve Engineer to (i) provide its consent to be named as an expert in (A) any filings that may be made by Purchaser under the Securities Act or required by the SEC under securities laws applicable to Purchaser or any report required to be filed by Purchaser under the Exchange Act in connection with the transactions contemplated by this Agreement or (B) any prospectus or offering memorandum or (ii) to provide customary “comfort letters” to any underwriter or initial purchaser in connection with any debt or equity securities offering during the Records Period. If reasonably requested, Seller shall use commercially reasonable efforts to execute and deliver, or shall use commercially reasonable efforts to cause its Affiliates to execute and deliver, to the Audit Firm such representation letters, in form and substance customary for representation letters provided to external audit firms by management of the company whose financial statements are the subject of an audit, as may be reasonably requested by the Audit Firm, with respect to the Purchaser Financial Statements, including, as requested, representations regarding internal accounting controls and disclosure controls.

(e) In no event shall Seller or any of its Affiliates or Representatives be required to bear any cost or expense or pay any fee (other than reasonable out-of-pocket costs and expenses for which they are promptly reimbursed or indemnified) in connection with any action taken pursuant to this Section 6.13(a) through (d); provided, however, the Parties agree that all costs and expenses associated with the preparation of the Audited Financial Statements pursuant to Section 6.13(a)(i), the Initial Reserve Reports pursuant to Section 6.13(a)(ii) and the Interim Financial Statements pursuant to Section 6.13(a)(iii) shall be borne equally by Seller and Purchaser. Purchaser shall be responsible for all other fees and expenses related to the actions contemplated by Section 6.13(a) through (d), including the compensation of any contractor or advisor of Seller or any of its Affiliates or Representatives. Accordingly, notwithstanding anything to the contrary herein, Purchaser shall promptly, upon written request by Seller, reimburse Seller for all reasonable and documented out-of-pocket costs and expenses (including reasonable and documented compensation or other fees of any contractor or advisor of Seller or any of its Affiliates or Representatives) incurred in connection with the cooperation of Seller as contemplated by this Section 6.13. Further, Purchaser shall indemnify and hold harmless Seller and its Affiliates and Representatives from and against any and all losses or damages actually incurred or suffered by them in connection with the obligations of Seller and its Affiliates and Representatives under Section 6.13(a) through (d) (other than to the extent resulting from the fraud, gross negligence, bad faith or willful misconduct of Seller or any of its Affiliates or Representatives).

**6.14 Further Actions.** Subject to the terms of this Agreement, and without limitation of each Party's respective rights and remedies under this Agreement, each Party shall use commercially reasonable efforts to take such actions as may be necessary to consummate the transactions contemplated by this Agreement.

**6.15 [Intentionally Omitted].**

**ARTICLE 7**  
**[INTENTIONALLY OMITTED]**

**ARTICLE 8**  
**CLOSING**

**8.1 Time and Place of Closing.** The consummation of the purchase and sale of the Assets contemplated by this Agreement (the "Closing") shall, unless otherwise agreed to in writing by Purchaser and Seller, take place at the offices of Latham & Watkins LLP located at 811 Main Street, Suite 3700, Houston, Texas 77002, at 10:00 a.m., local time, on the Execution Date. The date on which the Closing occurs with respect to any Asset is referred to herein as the "Closing Date" for such Asset.

**8.2 Obligations of Seller at Closing.** At the Closing, upon the terms and subject to the conditions of this Agreement, and subject to the simultaneous performance by Purchaser of its obligations pursuant to Section 8.3, Seller shall deliver or cause to be delivered to Purchaser, among other things, the following:

(a) Counterparts of the (i) Assignment and Bill of Sale (Granite Ridge), duly executed and acknowledged by Granite Ridge, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices and (ii) Assignment and Bill of Sale (GREP-A & GREP-B), duly executed by GREP-A and GREP-B, in sufficient duplicate originals to allow recordings in all appropriate jurisdictions and offices;

(b) Counterparts of the (i) Mineral Deed (Granite Ridge), duly executed and acknowledged by Granite Ridge, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices and (ii) Mineral Deed (GREP-A & GREP-B), duly executed and acknowledged by GREP-A and GREP-B, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;

- (c) Counterparts of the Surface Deed, duly executed and acknowledged by Granite Ridge, in sufficient duplicate originals to allow recordings in all appropriate jurisdictions and offices;
- (d) [Intentionally Omitted];
- (e) Assignments in form required by any Governmental Authority for the assignment of any Assets controlled by such Governmental Authority, duly executed and acknowledged (to the extent so required) by Seller, in sufficient duplicate originals to allow recording and filing in all appropriate offices;
- (f) Letters-in-lieu of transfer or division orders executed by Seller to reflect the transaction contemplated hereby, which letters shall be on forms prepared by Seller and reasonably satisfactory to Purchaser;
- (g) [Intentionally Omitted];
- (h) A validly executed IRS Form W-9 of each Seller Party;
- (i) [Intentionally Omitted].
- (j) Any other forms or instruments required by any Governmental Authority relating to the assignments or transfer of any interest in or to any of the Assets;
- (k) Originals of executed and acknowledged releases and terminations of any mortgages, deeds of trust, assignments of production, financing statements, and fixture filings burdening the Assets (including, for purposes of clarity, UCC-3s) to the extent securing indebtedness for borrowed money of the Seller or its Affiliates, which releases and terminations shall be in form and substance reasonably satisfactory to Purchaser;
- (l) A counterpart of the Registration Rights Agreement, duly executed by Seller (or its designee(s) pursuant to Section 2.1(d), as applicable);
- (m) [Intentionally Omitted];
- (n) The Preliminary Settlement Statement, duly executed by Seller;
- (o) [Intentionally Omitted];
- (p) [Intentionally Omitted];
- (q) A counterpart of the Investor Agreement, duly executed by Seller;
- (r) [Intentionally Omitted]; and
- (s) All other instruments, documents, and other items reasonably necessary to effectuate the terms of this Agreement, as may be reasonably requested by Purchaser, including any documents from Seller's designee(s) pursuant to Section 2.1(d) for such designee to receive all or a portion of the Stock Consideration.

**8.3 Obligations of Purchaser at Closing.** At the Closing, upon the terms and subject to the conditions of this Agreement, and subject to the simultaneous performance by Seller of its obligations pursuant to Section 8.2, Purchaser shall deliver or cause to be delivered to Seller (or, in the case of the items specified in clauses (a) and (l) below, to Seller's designee pursuant to Section 2.1(d), as applicable), among other things, the following:

- (a) A number of shares of (i) Purchaser Common Stock equal to the Closing Common Stock and (ii) Purchaser Preferred Stock equal to the Closing Preferred Stock;
- (b) [Intentionally Omitted];
- (c) Counterparts of each of the Assignments and Bills of Sale, duly executed and acknowledged by Purchaser, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;
- (d) Counterparts of each of the Mineral Deeds, duly executed and acknowledged by Purchaser, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;
- (e) Counterparts of the Surface Deed, duly executed and acknowledged by Purchaser, in sufficient duplicate originals to allow recording in all appropriate jurisdictions and offices;
- (f) [Intentionally Omitted];
- (g) Assignments in the applicable form required by any Governmental Authority for the assignment of any Assets controlled by such Governmental Authority, duly executed and acknowledged (to the extent so required) by Purchaser, in sufficient duplicate originals to allow recording and filing in all appropriate offices;
- (h) [Intentionally Omitted];
- (i) [Intentionally Omitted];
- (j) Evidence of replacement of all Credit Support to the extent required pursuant to Section 12.4;
- (k) Any other forms or instruments required by any Governmental Authority relating to the assignments or transfer of any interest in or to any of the Assets;
- (l) A counterpart of the Registration Rights Agreement, duly executed by Purchaser;
- (m) The Preliminary Settlement Statement, duly executed by Purchaser;
- (n) [Intentionally Omitted];
- (o) [Intentionally Omitted];
- (p) A counterpart of the Investor Agreement, duly executed by Purchaser; and
- (q) All other instruments, documents, and other items reasonably necessary to effectuate the terms of this Agreement, as may be reasonably requested by Seller.

#### **8.4 Closing Payment, Closing Consideration and Post-Closing Adjustments.**

(a) Attached hereto as Schedule 8.4 is the draft preliminary settlement statement the Parties agree to use for purposes of Closing (the “Preliminary Settlement Statement”), which sets forth the “Closing Payment”. In addition to setting forth the Closing Payment amount, the Preliminary Settlement Statement also reflects Seller’s good faith estimations of the Stock Consideration to be issued to Seller at Closing pursuant to this Agreement with such estimates being determined in accordance with Section 2.6 and as follows:

(i) The Preferred Stock Consideration to be issued to Seller at Closing (the “Closing Preferred Stock”) shall be adjusted as follows: in the event that the net adjustments to the Purchase Price estimated pursuant to Section 8.4(a) are negative by subtracting a number of shares of Purchaser Preferred Stock equal to such downward adjustment divided by the Per Share Preferred Value. For the avoidance of doubt, the adjustments set forth in this Section 8.4(a)(i) shall be rounded up or down (as appropriate) to result in a whole number of shares of Purchaser Preferred Stock based on the Per Share Preferred Value.

(ii) The Common Stock Consideration to be issued to Seller at Closing (the “Closing Common Stock” and, together with the Closing Preferred Stock, the “Closing Consideration”) shall not be adjusted. If and only if the net adjustments to the Purchase Price estimated pursuant to Section 8.4(a) are positive, then Purchaser shall pay such upward adjustment to Seller at Closing in cash, by wire transfer of immediately available funds, to a bank account identified by Seller in writing in the Preliminary Settlement Statement.

(iii) [Intentionally Omitted].

(iv) [Intentionally Omitted].

(v) [Intentionally Omitted].

(vi) For purposes of clarity, the use of the Preliminary Settlement Statement for purposes of Closing and/or Purchaser’s agreement to all or any portion of the Preliminary Settlement Statement proposed by Seller shall not, and shall not be deemed or construed to, prejudice any of Purchaser’s rights hereunder (including, for purposes of clarity, Purchaser’s right to dispute any adjustment or amount set forth in the Preliminary Settlement Statement in connection with the final calculation and determination of the Purchase Price pursuant to Section 8.4(b) and/or 8.4(c), as applicable).

(b) As soon as reasonably practicable after the Closing but not later than the one hundred twentieth (120<sup>th</sup>) day following the Closing Date, Seller shall prepare and deliver to Purchaser a draft statement setting forth the final calculation of the adjusted Purchase Price (the “Final Settlement Statement”) and showing the calculation of each adjustment under Section 2.3, based on the most recent actual figures available for each adjustment, and the resulting adjustments to the Stock Consideration, determined in the same manner as set forth in Section 2.6 and Section 8.4(a). Seller shall make such reasonable documentation as is in Seller’s or any of its Affiliates’ possession or control available to support the final figures set forth in the Final Settlement Statement. As soon as reasonably practicable, but not later than the thirtieth (30th) day following receipt of such Final Settlement Statement from Seller (as such time period may be extended as described below, the “Purchaser Comment Deadline”), Purchaser may deliver to Seller a written report containing any changes that Purchaser proposes be made to such Final Settlement Statement. Seller may deliver a written report to Purchaser on or prior to the Purchaser Comment Deadline reflecting any changes that Seller proposes to be made to the Final Settlement Statement as a result of additional information received after the Final Settlement Statement was first prepared and delivered to Purchaser hereunder (and if any such written report is delivered by Seller to Purchaser on or after the date that is five (5) Business Days before the Purchaser Comment Deadline, then the Purchaser Comment Deadline will be automatically extended for five (5) Business Days). If Purchaser does not deliver such report to Seller on or before the Purchaser Comment Deadline, Purchaser shall be deemed to have agreed with Seller’s Final Settlement Statement, and such Final Settlement Statement shall become final and binding upon the Parties.

(c) The Parties shall undertake to agree on the Final Settlement Statement of the Purchase Price and Stock Consideration no later than ninety (90) days after the delivery to Purchaser of Seller's initial Final Settlement Statement. In the event that the Parties cannot reach agreement on the final Purchase Price within such period of time, any Party may refer the items of adjustment which are in dispute to, the Houston, Texas office of KPMG LLP, or, if such firm is not able or willing to serve, a nationally-recognized independent accounting firm or consulting firm mutually acceptable to both Purchaser and Seller (the "Accounting Arbitrator"), for review and final determination by arbitration. If Purchaser and Seller have not agreed upon a mutually acceptable alternate Person to serve as Accounting Arbitrator within ten (10) Business Days of receiving notice of KPMG LLP's unavailability, Seller shall, within ten (10) Business Days after the end of such initial ten (10) Business Day period, formally apply to the Houston, Texas office of the American Arbitration Association to choose the Accounting Arbitrator. The Accounting Arbitrator shall conduct the arbitration proceedings in Houston, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association, to the extent such rules do not conflict with the terms of this Section 8.4(c). The Accounting Arbitrator's determination shall be made within forty-five (45) days after submission of the matters in dispute and shall be final and binding on all Parties, without right of appeal. In determining the proper amount of any adjustment to the Purchase Price, the Accounting Arbitrator shall be bound by the terms of Article 2 and may not increase the Purchase Price more than the increase proposed by Seller nor decrease the Purchase Price more than the decrease proposed by Purchaser, as applicable. The Accounting Arbitrator shall act as an expert for the limited purpose of determining the specific disputed aspects of Purchase Price adjustments submitted by any Party and may not award damages, interest (except as expressly provided for in this Section 8.4(c)) or penalties to any Party with respect to any matter. Seller and Purchaser shall each bear their own legal and accounting fees and other costs of presenting its case to the Accounting Arbitrator. Seller shall bear one-half and Purchaser shall bear one-half of the costs and expenses of the Accounting Arbitrator. Within ten (10) days after the earlier of (i) the Purchaser Comment Deadline without delivery by Purchaser to Seller of any written report with respect to the Final Settlement Statement under Section 8.4(b) or (ii) the date on which the Parties or the Accounting Arbitrator, as applicable, finally determine the Purchase Price (any such finally determined amount, the "Final Price"), the Parties shall true up on such final determinations.

(i) If the Final Price exceeds the Closing Payment, then Purchaser shall pay such excess in cash, by wire transfer of immediately available funds, to a bank account identified by Seller in writing.

(ii) If the Final Price is less than the Closing Payment, then Seller shall pay such excess in cash, by wire transfer of immediately available funds, to a bank account identified by Purchaser in writing.

(d) Purchaser shall use commercially reasonable efforts to assist Seller in preparation of the Final Settlement Statement under Section 8.4(b) by furnishing invoices, receipts, reasonable access to personnel, and such other assistance as may be reasonably requested by Seller to facilitate such process post-Closing (but in no event shall Purchaser be obligated to pay or incur any funds in connection with providing such assistance).

**ARTICLE 9**  
**TAX MATTERS**

**9.1 Allocation of Taxes.**

(a) Seller shall be allocated and bear (i) all Asset Taxes attributable to any Tax period ending prior to the Effective Date, and (ii) all Asset Taxes attributable to the portion of any Straddle Period ending immediately prior to the Effective Date; provided, however, with respect to both clauses (i) and (ii), that Purchaser shall be allocated and bear Asset Taxes associated with the Hydrocarbons produced from, or attributable to, the Properties and sold during the period up to but excluding the Effective Date, if the amount earned from the sale is not received by Seller prior to the Cut-Off Date. Purchaser shall be allocated and bear (A) all Asset Taxes attributable to any Tax period beginning on or after the Effective Date, and (B) all Asset Taxes attributable to the portion of any Straddle Period beginning on the Effective Date,; provided, however, that Seller (not Purchaser) shall be allocated and bear the portion, if any, of any such Taxes that consist of penalties, interest or additions to tax to the extent attributable to a breach by Seller of the representations set forth in Section 4.3.

(b) For purposes of determining the allocations described in Section 9.1(a), (i) Asset Taxes that are attributable to the severance or production of Hydrocarbons (other than such Asset Taxes described in clause (iii) below) shall be allocated to the period in which the severance or production giving rise to such Asset Taxes occurred, (ii) Taxes that are imposed on a transactional basis (other than such Asset Taxes described in clause (i) or (iii)), shall be allocated to the period in which the transaction giving rise to such Taxes occurred, and (iii) Asset Taxes that are ad valorem, property or other Asset Taxes imposed on a periodic basis pertaining to a Straddle Period shall be allocated between the portion of such Straddle Period ending immediately prior to the Effective Date and the portion of such Straddle Period beginning on the Effective Date by prorating each such Asset Tax based on the number of days in the applicable Straddle Period that occur before the Effective Date, on the one hand, and the number of days in such Straddle Period that occur on or after the Effective Date, on the other hand. For purposes of clause (iii) of the preceding sentence, the period for such Asset Taxes shall begin on the date on which ownership of the applicable Assets gives rise to liability for the particular Asset Tax and shall end on the day before the next such date.

(c) To the extent the actual amount of a Tax is not determinable at the time an adjustment to the Purchase Price is to be made with respect to such Tax pursuant to Section 2.3 or Section 8.4, Seller and Purchaser shall utilize the most recent information available in estimating the amount of such Tax for purposes of such adjustment. To the extent the actual amount of a Tax (or the amount thereof paid or economically borne by a Party) is ultimately determined to be different than the amount that was taken into account in the final Purchase Price, timely payments will be made from one Party to the other to the extent necessary to cause each Party to bear the amount of such Tax that is allocable to such Party under this Section 9.1.

**9.2 Tax Returns.** Without limiting Purchaser's indemnification rights pursuant to Section 11.2(b), after the Closing Date, Purchaser shall (i) file (or cause to be filed) all Tax Returns with respect to Asset Taxes that are required to be filed after the Closing Date that relate to any Tax period ending before the Effective Date or any Straddle Period on a basis consistent with past practice except to the extent otherwise required by Law; provided that Purchaser shall use its reasonable best efforts, taking into account that the due date for a Tax Return may be contemporaneous with the closing of a Tax period, to submit each such Tax Return to Seller for its review and comment reasonably in advance of the due date therefor, and Purchaser shall incorporate any reasonable comments received from Seller up to five (5) days prior to the due date therefor and timely file any such Tax Return, and (ii) pay (or cause to be paid) prior to delinquency, all Asset Taxes relating to any Tax period that ends before or includes the Effective Date that become due after the Closing Date. In the case of any Tax Return described in clause (i) that includes Taxes that are allocable to Seller pursuant to Section 9.1(a), Purchaser shall send to Seller a statement that apportions the Taxes shown on such Tax Return between Purchaser and Seller in accordance with Section 9.1(a), and the applicable Seller Party shall promptly pay the amount shown as allocable to Seller on such statement. The Parties agree that (A) this Section 9.2 is intended to solely address the timing and manner in which certain Tax Returns are filed and the Taxes shown thereon are paid to the applicable taxing authority and (B) nothing within this Section 9.2 shall be interpreted as altering the manner in which Taxes are allocated and economically borne by the Parties.

**9.3 Transfer Taxes.** To the extent that any Transfer Taxes are payable, Purchaser will be responsible for one hundred percent (100%) of all Transfer Taxes and shall prepare and file, or cause to be prepared and filed, all related Tax Returns. Purchaser and Seller shall agree, upon request, to reasonably cooperate in good faith to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed in connection with the transactions contemplated herein.

**9.4 Cooperation on Tax Matters.** The Parties shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any audit, litigation, or other proceeding with respect to Taxes relating to the Assets. Such cooperation shall include the retention and (upon another Party's request) the provision of records and information that are relevant to any such Tax Return or audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided under this Agreement. Seller and Purchaser agree to retain all books and records with respect to Tax matters pertinent to the Assets relating to any Tax period beginning before the Closing Date until the expiration of the statute of limitations of the respective Tax periods and to abide by all record retention agreements entered into with any Governmental Authority.

**9.5 Refunds.** Seller shall be entitled to any and all refunds and credits of Seller Taxes. If Purchaser or its Affiliates receives a refund or credits of Taxes to which Seller is entitled pursuant to this Section 9.5, Purchaser shall forward, and shall cause its Affiliates to forward, to Seller the amount of any such refund within ten (10) days after such credit or refund is received. Purchaser shall be entitled to any and all refund of, or credits with respect to, Taxes allocated to Purchaser pursuant to Section 9.1(a) and Section 9.1(b); provided, however, that neither Seller nor Purchaser shall be entitled to any refund of Taxes allocated to it pursuant to Section 9.1(a) and Section 9.1(b) (even if, in the case of Seller, such refund is an Excluded Asset) if Seller or Purchaser, as the case may be, did not economically bear such Taxes. If a Party or its Affiliate receives a refund of Taxes to which the other Party is entitled pursuant to this Section 9.5, such recipient Party shall forward to the entitled Party the amount of such refund within thirty (30) days after such refund is received, net of any costs or expenses incurred by such recipient Party in procuring such refund.

**9.6 Pre-Purchase Tax Proceedings.** Purchaser shall, within five (5) days of receipt, provide Seller with written notice of any inquiries, audits, examinations or proposed adjustments by any Governmental Authority that relate to any Asset Taxes for any Tax period ending prior to the Effective Date or any Straddle Period (each, a "Pre-Purchase Tax Proceeding"). Seller shall have the option to control the conduct and resolution of any Pre-Purchase Tax Proceeding that relates solely to a Tax period ending prior to the Effective Date. Seller may exercise such option by providing written notice to Purchaser within fifteen (15) days of receiving written notice of any such Pre-Purchase Tax Proceeding from Purchaser. If Seller elects to control a Pre-Purchase Tax Proceeding, Seller shall (i) keep Purchaser informed of the progress of any such Pre-Purchase Tax Proceeding, (ii) provide Purchaser with copies of material correspondence with respect to any such Pre-Purchase Tax Proceeding, (iii) permit Purchaser (or Purchaser's counsel) to participate in meetings (including conference calls) with the applicable Governmental Authority with respect to any such Pre-Purchase Tax Proceeding (at Purchaser's cost), and (iv) not effect any settlement or compromise of any such Pre-Purchase Tax Proceeding without the written consent of Purchaser, not to be unreasonably conditioned, delayed or withheld. Purchaser shall control any Pre-Purchase Tax Proceeding that Seller does not elect to control or any Pre-Purchase Tax Proceeding that relates to any Straddle Period; provided, that, Purchaser shall (I) keep Seller informed of the progress of any such Pre-Purchase Tax Proceeding, (II) provide Seller with copies of material correspondence with respect to any such Pre-Purchase Tax Proceeding, (III) permit Seller (or Seller's counsel) to participate in meetings (including conference calls) with the applicable Governmental Authority with respect to any such Pre-Purchase Tax Proceeding (at Seller's cost), and (IV) not effect any settlement or compromise of any such Pre-Purchase Tax Proceeding without the written consent of Seller, not to be unreasonably conditioned, delayed or withheld. In the event of a conflict between the provisions in this Section 9.6 and those in Section 11.4, this Section 9.6 shall control.

**9.7 Allocation of Purchase Price.** After the Closing, the Parties shall cooperate in good faith to allocate the Unadjusted Purchase Price, Assumed Obligations, and all other items constituting consideration for applicable Income Tax purposes (to the extent known) among the Assets in accordance with Section 1060 of the Code and the Treasury Regulations promulgated thereunder and in a manner consistent with Schedule 2.2 (the "Allocation"). If Seller and Purchaser reach an agreement with respect to the Allocation, Seller and Purchaser shall report, and cause their respective Affiliates to report, the transactions contemplated by this Agreement consistently with such agreed-upon Allocation on any Tax Return, including Internal Revenue Service Form 8594, as applicable, and will not assert, and will cause their respective Affiliates not to assert, in connection with any Tax audit or other proceeding with respect to Taxes, any asset values or other items inconsistently with such agreed-upon Allocation except with the agreement of the other Party or as required by applicable Law; provided, however, that nothing in this Agreement shall prevent Purchaser or Seller from settling any proposed deficiency or adjustment by any Governmental Authority based upon or arising out of the Allocation and neither Purchaser or Seller shall be required to litigate before any court any proposed deficiency or adjustment by any Governmental Authority challenging the Allocation. The Parties agree to promptly advise each other regarding the existence of any Tax audit, controversy or litigation related to the Allocation.

**9.8 [Intentionally Omitted].**

**9.9 Intended Tax Treatment.** The Parties agree that the purchase and sale of the Assets pursuant to this Agreement shall be treated for U.S. federal (and applicable state and local) income tax purposes as the purchase and sale of the Assets in a taxable transaction governed by Section 1001 of the Code. Seller and Purchaser shall report, and cause their respective Affiliates to report, the transactions contemplated by this Agreement consistently with such treatment.

**ARTICLE 10**  
**[INTENTIONALLY OMITTED]**

**ARTICLE 11**  
**INDEMNIFICATION; LIMITATIONS**

**11.1 Assumed Obligations.** Subject to, and without limitation of, Purchaser's rights to indemnity under this Article 11, the terms of Article 3 (including Purchaser's rights and remedies arising thereunder) and the Special Warranties or any adjustments to the Unadjusted Purchase Price set forth in Section 2.3, on the Closing Date, Purchaser shall assume and hereby agrees to fulfill, perform, pay, and discharge (or cause to be fulfilled, performed, paid, or discharged) all of the obligations and liabilities of Seller and its Affiliates, known or unknown, with respect to the Assets, regardless of whether such obligations or liabilities arose prior to, on, or after the Effective Date, including the following (collectively, and, for purposes of clarity, excluding the Retained Obligations, the "Assumed Obligations"):

(a) all obligations and liabilities arising from or in connection with any production, pipeline, storage, processing, or other imbalance attributable to Hydrocarbons produced from the Properties, whether before, on, or after the Effective Date, including obligations to furnish makeup gas in accordance with the terms of applicable gas sales, gathering, or transportation Contracts;

(b) obligations to pay working interests and Royalties;

(c) obligations for plugging and abandonment of all of the Wells and dismantlement, decommissioning, or abandonment of all structures and Equipment included in the Assets or located on the lands covered by, or described in, the Leases (whether such Leases have terminated or expired) and restoration of the surface covered by the Assets in accordance with applicable Laws (whether or not required to be plugged, abandoned, dismantled, or restored as of the Effective Date, and whether or not the applicable Lease has terminated or expired), including any obligations to assess, remediate, remove, and dispose of NORM, asbestos, mercury, drilling fluids, chemicals, and produced waters and Hydrocarbons;

(d) subject to the terms of Article 3 and the Special Warranties, all Damages and obligations arising from, or relating to, Title Defects, deficiencies, or other title matters with respect to the Assets, whether arising or relating to periods of time before, on, or after the Effective Date;

(e) subject to the terms of Article 3, all Damages and obligations arising from, or relating to, Environmental Defects, or other environmental matters, with respect to the Assets, whether arising or relating to periods of time before, on, or after the Effective Date; and

(f) following the expiration of the applicable survival periods described in Sections 11.6(b)(i) and 11.6(b)(iii) with respect thereto, the Retained Obligations described in Sections 11.2(b), 11.2(e) and 11.2(i).

**11.2 Retained Obligations.** Notwithstanding the terms of Section 11.1, the Assumed Obligations shall not include, and Seller shall retain and hereby agrees to fulfill, perform, pay and discharge (or cause to be fulfilled, performed, paid or discharged), any and all liabilities, Damages, duties, or obligations, known or unknown, to the extent they are attributable to, arise out of or in connection with, or are based upon (collectively, the "Retained Obligations"):

(a) the Excluded Assets (including the ownership or operation thereof);

(b) matters required to be borne, paid or retained by Seller under Sections 2.3 and 2.4;

(c) Seller Taxes;

(d) any personal injury or death attributable to, or arising out of, Seller's or any of its Affiliates' ownership of the Assets prior to the Closing Date;

(e) the off-site disposal of any Hazardous Substances, mercury, drilling fluids, chemicals, produced waters, Hydrocarbons or other materials of any nature generated by or on behalf of Seller or any of its Affiliates or otherwise produced from or attributable to any of the Assets and taken from a location that is on or within any of the Assets to a location that is not on or within any of the Assets, to the extent that such disposal occurred prior to the Closing Date;

(f) any fines or penalties of Governmental Authorities levied at any time against Seller or any of its Affiliates, or imposed or assessed at any time related to or arising out of Seller's or its Affiliates' ownership of the Assets prior to the Closing Date;

(g) the actions, suits, proceedings and other matters set forth on Schedule 4.2 (or that should have been set forth on Schedule 4.2 in order for Seller's representation in Section 4.2 to have been true and correct at and as of the Execution Date and the Closing);

(h) the fraud, gross negligence or willful misconduct of Seller or any of its Affiliates in connection with the ownership of the Assets prior to the Closing Date;

(i) any payment, nonpayment, mispayment or miscalculation by or on behalf of Seller or any of its Affiliates of any Royalties, similar Lease burdens or other production proceeds owing to Working Interest owners and escheat obligations, in each case, attributable to periods prior to the Effective Date; or

(j) any Employee Liabilities or Benefit Plan Liabilities.

(k) [Intentionally Omitted].

### **11.3 Indemnification.**

(a) From and after Closing, but subject to the applicable limitations set forth in this Article 11, Purchaser shall indemnify, defend, and hold harmless Seller and its Affiliates and its and their respective former, current and future partners, members, shareholders, owners, officers, directors, managers, employees, agents and other Representatives (collectively, the "Seller Group") from and against all Damages incurred or suffered by Seller Group:

(i) caused by, arising out of, or resulting from, the Assumed Obligations;

(ii) caused by, arising out of, or resulting from, Purchaser's breach or nonfulfillment of, or failure to perform, any of Purchaser's covenants or agreements contained in this Agreement; or

(iii) caused by, arising out of, or resulting from, any breach or inaccuracy of any representation or warranty made by Purchaser contained in Article 5 of this Agreement,

**EVEN IF SUCH DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY INDEMNIFIED PERSON, INVITEE, OR THIRD PERSON, AND WHETHER OR NOT CAUSED BY A PRE-EXISTING CONDITION, BUT EXCLUDING THE FRAUD, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PERSON**, and further excepting in each case Damages against which Seller would be required to indemnify Purchaser Group under Section 11.3(b).

(b) From and after Closing, but subject to the applicable limitations set forth in this Article 11, Seller (jointly and severally) shall indemnify, defend, and hold harmless Purchaser and its Affiliates and its and their respective former, current and future partners, members, shareholders, owners, officers, directors, managers, employees, agents and Representatives (“Purchaser Group”) from and against all Damages incurred or suffered by Purchaser Group:

(i) caused by or arising out of, or resulting from, the Retained Obligations;

(ii) caused by, arising out of, or resulting from, Seller’s breach or nonfulfillment of, or failure to perform, any of Seller’s covenants or agreements contained in this Agreement; or

(iii) caused by, arising out of, or resulting from any breach or inaccuracy of any representation or warranty made by Seller contained in Article 4 of this Agreement,

**EVEN IF SUCH DAMAGES ARE CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT OR CONCURRENT), STRICT LIABILITY OR OTHER LEGAL FAULT OF ANY INDEMNIFIED PERSON, INVITEE, OR THIRD PERSON, AND WHETHER OR NOT CAUSED BY A PRE-EXISTING CONDITION, BUT EXCLUDING THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF ANY INDEMNIFIED PERSON.**

(c) Notwithstanding anything to the contrary contained in this Agreement, except in the case of Fraud, and without limitation of the Special Warranties from and after Closing, Seller’s and Purchaser’s sole and exclusive remedy against each other with respect to breaches of the representations, warranties, covenants, and agreements of the Parties contained in this Agreement (excluding Section 6.7, which shall also be separately enforceable by Seller and Purchaser, as applicable, pursuant to whatever rights and remedies are available to it outside of this Article 11, and Section 4.7, the sole and exclusive remedy for which shall be pursuant to Section 2.3) is set forth in this Article 11 (and, with respect to the representation and warranty in Section 4.7, in Section 2.3) and if no such right of indemnification (or, with respect to the representations and warranty in Section 4.7, right under Section 2.3) is expressly provided, then such claims are hereby waived to the fullest extent permitted by Law. Except for the remedies contained in this Article 11 (and, with respect to the representation and warranty in Section 4.7, Section 2.3) and in the case of Fraud, and without limitation of the Special Warranties, upon Closing, each Party releases, remises, and forever discharges the other Party and its Affiliates and its and their respective former, current and future partners, members, shareholders, owners, officers, directors, managers, employees, agents and other Representatives from any and all suits, legal or administrative proceedings, claims, demands, Damages, losses, costs, liabilities, interest, or causes of action whatsoever, in law or in equity, known or unknown, which such Party might now or subsequently may have, based on, relating to, or arising out of this Agreement or Seller’s ownership, use, or operation of the Assets, or the condition, quality, status, or nature of the Assets, **INCLUDING RIGHTS TO CONTRIBUTION UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED, THE OIL POLLUTION ACT OF 1990, AS AMENDED, BREACHES OF STATUTORY AND IMPLIED WARRANTIES, NUISANCE OR OTHER TORT ACTIONS, RIGHTS TO PUNITIVE DAMAGES, COMMON LAW RIGHTS OF CONTRIBUTION, ANY RIGHTS UNDER INSURANCE POLICIES ISSUED OR UNDERWRITTEN BY THE OTHER PARTY OR ANY OF ITS AFFILIATES, EVEN IF CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE (WHETHER SOLE, JOINT, OR CONCURRENT), STRICT LIABILITY, OR OTHER LEGAL FAULT OF ANY RELEASED PERSON, INVITEE, OR THIRD PARTY, AND WHETHER OR NOT CAUSED BY A PRE-EXISTING CONDITION.**

(d) The Parties shall treat, for Tax purposes, any amounts paid pursuant to this Article 11 as an adjustment to the Purchase Price.

**11.4 Indemnification Actions.** All claims for indemnification under Section 12.4 or Section 11.3 shall be asserted and resolved as follows:

(a) For purposes of this Article 11, the term “Indemnifying Person” when used in connection with particular Damages shall mean the Person having an obligation to indemnify another Person or Persons with respect to such Damages pursuant to this Article 11, and the term “Indemnified Person” when used in connection with particular Damages shall mean a Person having the right to be indemnified with respect to such Damages pursuant to this Article 11 or Section 12.4 (including, for the avoidance of doubt, those Persons identified in Section 11.4(g)).

(b) To make a claim for indemnification under Section 12.4 or Article 11, an Indemnified Person shall notify the Indemnifying Person of its claim, including the specific details of and specific basis under this Agreement for its claim (the “Claim Notice”). In the event that the claim for indemnification is based upon a claim by a third Person against the Indemnified Person (a “Claim”), the Indemnified Person shall provide its Claim Notice promptly after the Indemnified Person has actual knowledge of the Claim and shall enclose a complete copy of all papers (if any) served with respect to the Claim; provided that the failure of any Indemnified Person to give notice of a Claim as provided in this Section 11.4 shall not relieve the Indemnifying Person of its obligations under Section 12.4 or Article 11, except to the extent such failure results in insufficient time being available to permit the Indemnifying Person to effectively defend against the Claim or otherwise materially prejudices the Indemnifying Person’s ability to defend against the Claim. In the event that the claim for indemnification is based upon an inaccuracy or breach of a representation, warranty, covenant, or agreement, the Claim Notice shall specify the representation, warranty, covenant, or agreement that was inaccurate or breached and the basis of such inaccuracy or breach.

(c) In the case of a claim for indemnification based upon a Claim, the Indemnifying Person shall have thirty (30) days from its receipt of the Claim Notice to notify the Indemnified Person whether it admits or denies its obligation to defend and indemnify the Indemnified Person against such Claim under Section 12.4 or this Article 11, as applicable. If the Indemnifying Person does not notify the Indemnified Person within such thirty (30) day period regarding whether the Indemnifying Person admits or denies its obligation to defend the Indemnified Person, it shall be conclusively deemed obligated to provide such indemnification hereunder. The Indemnified Person is authorized, prior to and during such thirty (30) day period but prior to the Indemnifying Person admitting (or being deemed to have admitted such obligation pursuant to this Section 11.4(c)) its obligation to provide indemnification with respect to the matter in question, to file any motion, answer, or other pleading that it shall deem necessary or appropriate to protect its interests or those of the Indemnifying Person and that is not prejudicial to the Indemnifying Person.

(d) If the Indemnifying Person admits its obligation (or is deemed to have admitted its obligation), it shall have the right and obligation to diligently defend and indemnify, at its sole cost and expense, the Claim. The Indemnifying Person shall have full control of such defense and proceedings, including, subject to the remainder of this Section 11.4(d), any compromise or settlement thereof. If requested by the Indemnifying Person, the Indemnified Person agrees to cooperate in contesting any Claim which the Indemnifying Person elects to contest (provided, however, that the Indemnified Person shall not be required to bring any counterclaim or cross-complaint against any Person). The Indemnified Person may, at its own expense, participate in, but not control, any defense or settlement of any Claim controlled by the Indemnifying Person pursuant to this Section 11.4(d). An Indemnifying Person shall not, without the written consent of the Indemnified Person, settle any Claim or consent to the entry of any judgment with respect thereto that (i) does not result in a final, non-appealable, resolution of the Indemnified Person’s liability with respect to the Claim (including, in the case of a settlement, an unconditional written release of the Indemnified Person from all further liability in respect of such Claim) or (ii) may materially and adversely affect the Indemnified Person (other than as a result of money damages covered by the indemnity).

(e) If the Indemnifying Person does not admit its obligation or admits its obligation but fails to diligently defend, indemnify against, or settle the Claim, then the Indemnified Person shall have the right to defend against the Claim (at the sole cost and expense of the Indemnifying Person, if the Indemnified Person is entitled to indemnification hereunder), with counsel of the Indemnified Person's choosing, subject to the right of the Indemnifying Person to admit its obligation to indemnify the Indemnified Person and assume the defense of the Claim at any time prior to settlement or final, non-appealable determination thereof. If the Indemnifying Person has not yet admitted its obligation to defend and indemnify the Indemnified Person, the Indemnified Person shall send written notice to the Indemnifying Person of any proposed settlement and the Indemnifying Person shall have the option for ten (10) days following receipt of such notice to (i) admit in writing its obligation for indemnification with respect to such Claim and (ii) if its obligation is so admitted, assume the defense of the Claim, including the power to reject the proposed settlement. If the Indemnified Person settles any Claim over the objection of the Indemnifying Person after the Indemnifying Person has timely admitted its obligation for indemnification in writing (or is deemed to be obligated to indemnify such Indemnified Person pursuant to Section 11.4(c) or this Section 11.4(e)), the Indemnified Person shall be deemed to have waived any right to indemnity therefor.

(f) In the case of a claim for indemnification not based upon a Claim, the Indemnifying Person shall have thirty (30) days from its receipt of the Claim Notice to (i) cure the Damages complained of, (ii) admit its obligation to provide indemnification with respect to such Damages, or (iii) dispute the claim for such Damages. If the Indemnifying Person does not notify the Indemnified Person within such thirty (30) day period that it has cured the Damages or that it disputes the claim for such Damages, the Indemnifying Person shall be conclusively deemed to be obligated to provide indemnification hereunder, subject to the other provisions of this Article 11.

(g) Any claim for indemnity under Section 12.4 or this Article 11 by any Affiliate, partner, member, shareholder, owner, officer, director, manager, employee, agent or Representative must be brought and administered by the applicable Party to this Agreement that is related to such Person. No Indemnified Person other than Seller and Purchaser shall have any rights against Seller or Purchaser under the terms of Section 12.4 or this Article 11 except as may be exercised on its behalf by Purchaser or Seller, as applicable, pursuant to this Section 11.4(g). Seller and Purchaser may elect to exercise or not exercise indemnification rights under this Section 11.4 on behalf of the other Indemnified Persons affiliated with it in its sole discretion and shall have no liability to any such other Indemnified Person for any action or inaction under this Section 11.4.

#### **11.5 Casualty and Condemnation.**

(a) Subject to, and without limitation of, Seller's representations, warranties, covenants and agreements made pursuant to this Agreement, if Closing occurs, then, from and after the Effective Date, Purchaser shall assume all risk of loss with respect to production of Hydrocarbons through normal depletion (including watering out of any Well, collapsed casing or sand infiltration of any Well) and the depreciation of any Equipment due to ordinary wear and tear, in each case, with respect to the Assets.

(b) If, after the Execution Date but prior to the Closing Date, any portion of the Assets is destroyed by fire or other casualty or is expropriated or taken in condemnation or under right of eminent domain (each, a “Casualty Loss”), then:

(i) Seller shall promptly notify Purchaser in writing following the occurrence of such Casualty Loss, which notice shall include reasonable detail of the nature of such Casualty Loss and Seller’s good faith estimate of the costs to repair or replace the relevant Asset(s);

(ii) Seller shall use commercially reasonable efforts to mitigate (or attempt to mitigate) any Damages resulting from, or relating to, such Casualty Loss;

(iii) Purchaser shall, subject to the other terms and conditions of this Agreement, nevertheless be required to proceed with Closing; and

(iv) Seller, at the Closing, shall pay to Purchaser all sums paid or credited to Seller or any of its Affiliates by Persons by reason of such Casualty Loss insofar as with respect to the relevant Assets and shall assign, transfer and set over to Purchaser or subrogate Purchaser to all of Seller’s (and, if applicable, its Affiliates’) right, title and interest (if any) in and to any and all insurance claims, unpaid awards and other rights against any third Persons arising out of or in connection with such Casualty Loss insofar as with respect to the Assets.

(c) Notwithstanding anything herein to the contrary, neither Seller nor any of its Affiliates shall compromise, settle or adjust any amounts payable by reason of, or in connection with, any Casualty Loss without the prior written consent of Purchaser.

#### **11.6 Limitation on Actions.**

(a) The representations and warranties of Seller in Article 4 (excluding, for purposes of clarity, the Seller Fundamental Representations and Seller’s representations and warranties in Sections 4.3 and 4.7) and the covenants and agreements of the Parties to be performed at or prior to Closing shall, in each case, survive the Closing for a period of twelve (12) months. The representations and warranties of Seller set forth in Section 4.3 shall survive the Closing for the applicable statute of limitations period plus thirty (30) days, the representations and warranties of Seller set forth in Section 4.7 shall survive the Closing until the Cut-Off Date. The representations and warranties of Purchaser in Article 5 (excluding the Purchaser Fundamental Representations) shall, in each case, survive the Closing for a period of twelve (12) months. The covenants and agreements of the Parties to be performed at any time from and after Closing shall survive Closing until fully performed, subject to the applicable limitations set forth in this Section 11.6. The remainder of this Agreement shall survive the Closing and delivery of the Assignment and Bill of Sale without time limit except as may otherwise be expressly provided herein. Representations, warranties, covenants, and agreements shall be of no further force and effect after the date of their expiration, provided that there shall be no termination of any bona fide claim asserted pursuant to this Agreement with respect to such a representation, warranty, covenant, or agreement prior to its expiration date (and, for purposes of clarity, there shall be no termination of any indemnification obligations underlying any such claim in such circumstance).

(b) The indemnities in Sections 11.3(a)(ii), 11.3(a)(iii), 11.3(b)(ii), and 11.3(b)(iii) shall terminate as of the termination date of each respective representation, warranty, covenant, or agreement that is subject to indemnification thereunder, except in each case as to matters for which a bona fide specific written claim for indemnity has been delivered to the Indemnifying Person on or before such termination date (and, for purposes of clarity, there shall be no termination of any indemnification obligations underlying any such claim in such circumstance). The indemnity in Section 11.3(b)(i) shall survive the Closing (i) as set forth in Sections 2.3 and 2.4 with respect to Section 11.2(b), (ii) for the applicable statute of limitations period plus thirty (30) days with respect to Section 11.2(c), (iii) for a period of three (3) years with respect to Section 11.2(i), (iv) for a period of four (4) years with respect to Sections 11.2(e), and 11.2(h), (v) for a period of twelve (12) months with respect to Section 11.2(j) and (vi) without time limit with respect to Sections 11.2(a), 11.2(d), 11.2(f), 11.2(g) and 11.2(j). The indemnities in Section 11.3(a)(i) shall continue without time limit.

(c) Seller shall not have any liability for any indemnification under Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties of Seller in Section 4.3), for an individual matter until and unless the amount of the liability for Damages with respect to which Seller has an obligation to indemnify the Purchaser Group pursuant to the terms of Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties of Seller in Section 4.3) exceeds One Hundred Twenty-Five Thousand Dollars (\$125,000) (the “Individual Indemnity Threshold”). Without limiting the foregoing, Seller shall not have any liability for any indemnification under Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties of Seller in Section 4.3) until and unless the aggregate amount of the liability for all Damages (i) for which Claim Notices are delivered by Purchaser under Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties of Seller in Section 4.3), (ii) with respect to which Seller has an obligation to indemnify Purchaser pursuant to the terms of Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties of Seller in Section 4.3), and (iii) which exceed the Individual Indemnity Threshold exceeds an amount equal to one and three quarters of one percent (1.75%) of the Unadjusted Purchase Price, and then only to the extent such Damages exceed an amount equal to one and three quarters of one percent (1.75%) of the Unadjusted Purchase Price.

(d) Purchaser shall not have any liability for any indemnification under Section 11.3(a)(iii) (except for breaches or inaccuracies of any of the Purchaser Fundamental Representations, for which the following limitations shall not apply), for an individual matter until and unless the amount of the liability for Damages with respect to which Purchaser has an obligation to indemnify the Seller Group pursuant to the terms of Section 11.3(a)(iii) (except for breaches or inaccuracies of any of the Purchaser Fundamental Representations) exceeds the Individual Indemnity Threshold.

(e) Notwithstanding anything to the contrary contained elsewhere in this Agreement, Seller shall not be required to indemnify Purchaser (i) under Section 11.3(b)(iii) (except for breaches or inaccuracies of any of the Seller Fundamental Representations and/or the representations and warranties in Section 4.3), for aggregate Damages in excess of fifteen percent (15%) of the Unadjusted Purchase Price, and (ii) under this Article 11 for aggregate Damages in excess of one hundred percent (100%) of the Unadjusted Purchase Price; provided, however, that the limitations set forth in this Section 11.6(e) shall not apply to any Damages (or any related indemnity obligations) to the extent arising out of or based upon Fraud.

(f) The amount of any Damages for which an Indemnified Person is entitled to indemnity under this Article 11 shall be reduced by the amount of insurance proceeds realized by the Indemnified Person or its Affiliates with respect to such Damages (net of any collection costs, and excluding the proceeds of any insurance policy issued or underwritten by the Indemnified Person or its Affiliates); provided, however, that no Party shall be required to seek recovery under any policy of insurance as a condition to indemnification hereunder.

(g) Seller shall be subrogated to the rights of any Indemnified Person that is a member of the Purchaser Group and Purchaser shall be subrogated to the rights of any Indemnified Person that is a member of the Seller Group, in each case, against any insurer, indemnitor, guarantor or other Person with respect to the subject matter of any Damages subject to indemnification by such Party pursuant to Article 11 to the extent that a Party pays any such Indemnified Person with respect to such Damages. Any member of the Purchaser Group or Seller Group, as applicable, who is indemnified pursuant to Article 11 shall assign or otherwise cooperate with Seller or Purchaser, as applicable, in the pursuit of any claims against, and any efforts to recover amounts from, such other Person for any such Damages for which any member of the Seller Group or Purchaser Group, as applicable, has been paid. Any such Purchaser Group Indemnified Person shall remit to Seller or Seller Group Indemnified Person shall remit to Purchaser, as applicable, within five (5) Business Days after receipt, any insurance proceeds or other payment that is received by any member of the Purchaser Group or Seller Group, as applicable, from a third Person and which relates to Damages for which (but only to the extent) such member of the Seller Group or Purchaser Group, as applicable, has been previously compensated hereunder (minus the reasonable out-of-pocket costs incurred in obtaining such recovery).

(h) Neither Seller nor Purchaser shall have any obligation or liability under this Agreement or in connection with or with respect to the transactions contemplated by this Agreement for any breach, misrepresentation, or noncompliance with respect to any representation, warranty, covenant, indemnity, or obligation if such breach, misrepresentation, or noncompliance shall have been affirmatively and expressly waived in writing by the other Party.

(i) As used in this Agreement, the term “Damages” means the amount of any actual liability, loss, cost, expense, Tax, claim, award, or judgment incurred or suffered by any Person, whether attributable to personal injury or death, property damage, contract claims, torts, or otherwise, including reasonable fees and expenses of attorneys, consultants, accountants, or other agents and experts reasonably incident to the matters in question, and the costs of investigation and/or monitoring of such matters, and the costs of enforcement of the indemnity provided hereunder. Notwithstanding the foregoing, neither Purchaser nor Seller shall be entitled to indemnification under Section 12.4 or this Article 11 for, and “Damages” shall not include, (i) loss of profits, to the extent consequential, or other consequential damages suffered by the Party claiming indemnification, or any special or punitive damages (other than loss of profits, consequential damages, or punitive damages suffered by third Persons for which responsibility is allocated among the Parties or to the extent such damages constitute direct damages under Texas law), and (ii) any increase in liability, loss, cost, expense, claim, award or judgment to the extent such increase is caused by the actions or omissions of any Indemnified Person after the Closing Date.

(j) Notwithstanding anything herein to the contrary, for purposes of determining the indemnity obligations set forth in this Article 11, (i) when determining whether a breach or inaccuracy of Seller’s representations or warranties contained in this Agreement has occurred, and (ii) when calculating the amount of Damages incurred, arising out of or relating to any such breach or inaccuracy of any such representation or warranty by Seller, in each case, all references to materiality and Seller Material Adverse Effect contained in such representation or warranty shall be disregarded.

## ARTICLE 12 MISCELLANEOUS

**12.1 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

**12.2 Notices.** All notices that are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing, in English and by personal delivery (if signed for receipt), by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, transmitted via facsimile transmission or transmitted via electronic mail (following appropriate confirmation of receipt by return email, including an automated confirmation of receipt) and shall be deemed to have been made and the receiving Party charged with notice, when received except that if received after 5:00 p.m. (in the recipient's time zone) on a Business Day or if received on a day that is not a Business Day, such notice, request or communication will not be effective until the next succeeding Business Day. All notices shall be addressed as follows:

If to Seller: Granite Ridge Holdings LLC  
GREP IV-A Permian LLC  
GREP IV-B Permian LLC  
5217 McKinney, Suite 400  
Dallas, Texas 75205  
Attention: Adam Griffin  
Email: Adam@grey-rock.com

With a copy to (which shall not constitute notice):

Holland & Knight, LLP  
1722 Routh Street, Suite 1500  
Dallas, Texas 75201  
Attention: Jeremiah Mayfield  
Telephone: (214) 969-1744  
Email: Jermiah.Mayfield@hklaw.com

If to Purchaser: Vital Energy, Inc.  
521 East 2nd Street, Suite 1000  
Tulsa, Oklahoma 74120  
Attention: Mark Denny  
Telephone: (918) 858-5272  
Email: mark.denny@vitalenergy.com

With a copy to (which shall not constitute notice):

Latham & Watkins LLP  
811 Main Street, Suite 3700  
Houston, Texas 77002  
Attention: Stephen Szalkowski  
Telephone: (713) 546-7431  
Email: stephen.szalkowski@lw.com

Either Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

**12.3 Expenses.** Except as provided in Sections 3.10(b), 8.4(c), and in Section 11.4, all expenses incurred by Seller in connection with or related to the authorization, preparation or execution of this Agreement, and the exhibits and schedules hereto and thereto, and all other matters related to the Closing and the transactions related thereto, including all fees and expenses of counsel, accountants, and financial advisers employed by Seller, shall be borne solely and entirely by Seller, and all such expenses incurred by Purchaser shall be borne solely and entirely by Purchaser.

**12.4 Replacement of Credit Support.** The Parties understand that none of the Credit Support, if any, posted by Seller or any Affiliate thereof with or for the benefit of any Governmental Authority or third Person and relating to the Assets will be transferred to Purchaser. On or before Closing, Purchaser shall obtain, or cause to be obtained in the name of Purchaser, replacements for such Credit Support that is listed on Schedule 4.18 as is necessary for Purchaser to own and, if applicable, operate the Assets, and shall cooperate in good faith with Seller to assist Seller in causing, effective as of the Closing, the cancellation or return to Seller of the Credit Support that is listed on Schedule 4.18 and posted by Seller or its Affiliates; provided, however, that if, as of the Closing Date, Purchaser is unable to (a) obtain replacements of any such Credit Support and/or (b) the cancellation of or return to Seller of any such Credit Support, then, Purchaser shall indemnify and reimburse Seller for any costs, expenses or other Damages paid or incurred by Seller under or pursuant to such Credit Support resulting from the ownership of the any of the applicable Assets from and after the Closing Date until such time as Purchaser is able to obtain such replacements of such Credit Support and/or the cancellation of or return to Seller of any such Credit Support, as applicable, following the Closing Date.

**12.5 Records.**

(a) As soon as practicable, but in no event later than twenty (20) days after the Closing Date, Seller shall deliver or cause to be delivered to Purchaser the original Records (or digital copies of Records to the extent Seller does not have originals of such Records) that are in the possession of Seller or its Affiliates, subject to Section 12.5(b). Notwithstanding anything to the contrary herein, Seller shall cooperate in good faith with Purchaser (at no additional cost or expense to Seller) to cause the Records to be delivered to Purchaser in the format or formats that are reasonably requested by Purchaser.

(b) Seller may retain a copy of all data and materials related to the transactions contemplated by this Agreement along with the originals of those Records (i) relating to Tax and accounting matters, (ii) relating to Properties in which Seller retains any interest, or (iii) which are subject to a legal hold by Seller (until such hold is released) and provide Purchaser, at its request, with copies of such Records other than Records that pertain solely to Income Tax matters related to the Assets. Seller may retain copies of any other Records, including geological, geophysical, production, land and similar data and studies.

(c) Purchaser, for a period of seven (7) years after the Closing shall: (i) retain the Records and (ii) provide Seller, and the members of the Seller Group with access to the Records during normal business hours for review and copying at Seller's sole expense.

**12.6 Governing Law.** This Agreement and the legal relations between the Parties shall be governed by and construed in accordance with the Laws of the State of Texas, without regard to principles of conflicts of Laws that would direct the application of the Laws of another jurisdiction.

**12.7 Venue; Waiver of Jury Trial.** Each Party consents to personal jurisdiction in any action brought in the United States federal courts located in the State of Texas with respect to any dispute, claim, or controversy arising out of, in relation to, or in connection with, this Agreement, and each of the Parties agrees that any action instituted by it against the other with respect to any such dispute, controversy, or claim (except to the extent a dispute, controversy, or claim arising out of, in relation to, or in connection with, title or environmental matters pursuant to Section 3.10 or the determination of Purchase Price adjustments pursuant to Section 8.4(c) is referred to an expert pursuant to those Sections) will be instituted exclusively in the United States District Court for the Southern District of Texas, Houston Division. Each Party (a) irrevocably submits to the exclusive jurisdiction of such courts, (b) waives any objection to laying venue in any such action or proceeding in such courts, (c) waives any objection that such courts are an inconvenient forum or do not have jurisdiction over it, and (d) agrees that service of process upon it may be effected by mailing a copy thereof by registered mail (or any substantially similar form of mail), postage prepaid, to it at its address specified in Section 12.2. The foregoing consents to jurisdiction and service of process shall not constitute general consents to service of process in the State of Texas for any purpose except as provided herein and shall not be deemed to confer any rights on any Person other than the Parties to this Agreement. **THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY MATTER WHATSOEVER ARISING OUT OF, IN RELATION TO, OR IN CONNECTION WITH, THIS AGREEMENT.**

**12.8 Captions.** The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

**12.9 Waivers.** Any failure by any Party to comply with any of its obligations, agreements, or conditions herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver, but not in any other manner. No course of dealing on the part of Seller or Purchaser, or their respective Affiliates and its and their respective former, current and future partners, members, shareholders, owners, officers, directors, managers, employees, agents and Representatives or any failure by Seller or Purchaser to exercise any of its rights under this Agreement shall operate as a waiver thereof or affect in any way the right of such Party at a later time to enforce the performance of such provision. No waiver of, or consent to a change in, any of the provisions of this Agreement shall be deemed or shall constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

**12.10 Assignment.** Other than as permitted by Section 12.4, no Party shall assign or otherwise transfer all or any part of this Agreement to any third Person, nor shall any Party delegate any of its rights or duties hereunder to any third Person, without the prior written consent of the other Party and any transfer or delegation made without such consent shall be void *ab initio*; provided that Purchaser may, without consent of Seller but with prior written notice to Seller and subject to the immediately succeeding sentence, assign to one or more of its wholly-owned subsidiaries its rights hereunder to receive assignment and transfer of the Assets, but Purchaser shall remain liable for its obligations hereunder. Any assignment of this Agreement permitted by this Section 12.10 shall be made subject to the obligations contained in this Agreement and such assignment shall not relieve the assigning Party of any obligations and responsibilities hereunder. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

**12.11 Entire Agreement.** This Agreement and the documents to be executed hereunder and the exhibits and schedules attached hereto and thereto constitute the entire agreement among the Parties pertaining to the subject matter hereof, and supersede all prior agreements, understandings, negotiations, and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof. In entering into this Agreement, neither Party has relied on any statement, representation, warranty, covenant, nor agreement of the other Party or its Representatives other than those expressly contained in this Agreement. This Agreement shall not create and it is not the purpose or intention of the Parties to create any partnership, mining partnership, joint venture, general partnership or other partnership relationship and none shall be inferred.

**12.12 Amendment.** This Agreement may be amended or modified only by an agreement in writing signed by Seller and Purchaser and expressly identified as an amendment or modification.

**12.13 No Third-Person Beneficiaries.** Nothing in this Agreement shall entitle any Person other than Purchaser and Seller to any claim, cause of action, remedy or right of any kind, except the rights expressly provided to the Persons described in Section 12.4, Section 12.19 and Article 11, which rights shall be exercised through the applicable Party. Accordingly, references to the indemnification rights of Purchaser or Seller under this Agreement shall be deemed to include the indemnification rights of the Purchaser Group or the Seller Group, as applicable.

**12.14 Severability.** If any provision of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any Law, this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the Parties, to such Law, and, to the extent such provision cannot be so reformed, then such provision (or the invalid, illegal, or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining provisions contained herein (and any other application of such provision) shall not in any way be affected or impaired thereby.

**12.15 Time of the Essence.** Time is of the essence in this Agreement. If the date specified in this Agreement for giving any notice or taking any action is not a Business Day (or if the period during which any notice is required to be given or any action taken expires on a date which is not a Business Day), then the date for giving such notice or taking such action (and the expiration of such period during which notice is required to be given or action taken) shall be the next day which is a Business Day.

**12.16 References.** In this Agreement, unless the context requires otherwise: (a) references to any gender includes a reference to all other genders; (b) references to the singular includes the plural, and vice versa; (c) reference to any Article or Section means an Article or Section of this Agreement; (d) reference to any exhibit or schedule means an exhibit or schedule to this Agreement, all of which are incorporated into, and made a part of, this Agreement for all purposes; (e) unless expressly provided to the contrary, “hereunder”, “hereof”, “herein”, and words of similar import are references to this Agreement as a whole and not any particular Section or other provision of this Agreement; (f) references to “\$” or “Dollars” means United States Dollars; (g) “include” and “including” mean include or including without limiting the generality of the description preceding such term and (h) as used in this Agreement and without limitation of [Section 12.21](#), the term “Seller” shall be deemed and construed to refer to the various individual Persons that collectively constitute Seller. If the date of performance falls on a day that is not a Business Day, then the actual date of performance will be the next succeeding day that is a Business Day.

**12.17 Construction.** Purchaser is capable of making such investigation, inspection, review and evaluation of the Assets as a prudent purchaser would deem appropriate under the circumstances, including with respect to all matters relating to the Assets, their value, operation, and suitability. Seller and Purchaser have had the opportunity to exercise business discretion in relation to the negotiation of the details of the transaction contemplated hereby. This Agreement is the result of arm’s-length negotiations from equal bargaining positions. It is expressly agreed that this Agreement shall not be construed against any Party, and no consideration shall be given or presumption made, on the basis of who drafted this Agreement or any particular provision hereof.

**12.18 Limitation on Damages.** Notwithstanding anything to the contrary contained herein, neither Purchaser nor Seller, nor any of their respective Affiliates shall be entitled to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between the Parties) and Purchaser and Seller, for themselves and on behalf of their respective Affiliates, hereby expressly waive any right to consequential, special, or punitive damages in connection with this Agreement and the transactions contemplated hereby (other than consequential, special, or punitive damages suffered by third Persons for which responsibility is allocated between the Parties). Notwithstanding anything herein to the contrary in this [Section 12.18](#) or any other provision of this Agreement to the contrary, nothing in this [Section 12.18](#) shall be construed as limiting any Person’s ability to recover any direct damages (including lost profits that are direct damages) as provided under Texas Law.

**12.19 Non-Recourse Parties.** Subject to the remainder of this Section 12.19, all claims, obligations, liabilities, or causes of action (whether in contract or in tort, in Law or in equity, or granted by statute) that may be based upon, are in respect of, arise under, arise out or by reason of, are connected with, or relate in any manner to this Agreement, the negotiation, execution, or the performance of this Agreement (including any representation or warranty made in, in connection with, or as an inducement to, this Agreement) or the transaction contemplated hereby and thereby, may be made only against (and are expressly limited to) the entities that are expressly identified as “Parties” in the preamble to this Agreement or any successor or permitted assign of any such Parties (“Contracting Parties”). No Person who is not a Contracting Party, including without limitation any trustee, director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, or Representative of, and any financial advisor, lender, investor or equity provider (whether actual or prospective) of, any Contracting Party, or any trustee, director, officer, employee, incorporator, member, partner, manager, stockholder, Affiliate, agent, attorney, or Representative of, and any financial advisor, lender, investor or equity provider (whether actual or prospective) of, any of the foregoing (“Nonparty Affiliates”), shall have any liability (whether in contract or in tort, in Law or in equity, or granted by statute) to any Contracting Party with which it is not engaged or does not have a contractual relationship with (outside of this Agreement) or any claims, causes of action, obligations, or liabilities arising under, out of, in connection with, or related in any manner to this Agreement, the performance of this Agreement, or based on, in respect of, or by reason of this Agreement or its negotiation, execution, performance, or breach; and, to the maximum extent permitted by Law, each Contracting Party hereby waives and releases all such liabilities, claims, causes of action, and obligations against any such Nonparty Affiliates. Without limiting the foregoing, to the maximum extent permitted by Law, (a) each Contracting Party hereby waives and releases any and all rights, claims, demands, or causes of action that may otherwise be available at Law or in equity, or granted by statute, to avoid or disregard the entity form of a Contracting Party or otherwise impose liability of the other Contracting Party on any of its Nonparty Affiliates, whether granted by statute or based on theories of equity, agency, control, instrumentality, alter ego, domination, sham, single business enterprise, piercing the veil, unfairness, undercapitalization, or otherwise; and (b) each Contracting Party disclaims any reliance upon any of the other Contracting Party’s Nonparty Affiliates with respect to the performance of this Agreement or any representation or warranty made in, in connection with, or as an inducement to this Agreement. Notwithstanding anything in this Section 12.19 to the contrary, this Section 12.19 does not provide (and shall in no event be interpreted to provide) for any waiver, release or relinquishment by any Contracting Party of any claims, obligations, liabilities, or causes of action (whether in contract or in tort, in Law or in equity, or granted by statute) of any sort which such Contracting Party may have against any of Nonparty Affiliates (being those that such Contracting Party has engaged or has a contractual relationship with outside of this Agreement).

**12.20 Reliance.** Notwithstanding anything to the contrary in this Agreement, each Party has relied upon and will be deemed to have relied upon for all purposes of this Agreement all of the other Party’s express indemnification obligations set forth in this Agreement or any other documents contemplated as a part of this transaction and all of the other Party’s express representations, warranties, covenants and agreements set forth in this Agreement and in each other document contemplated as a part of this transaction (including, for purposes of clarity, the Special Warranties).

**12.21 Joint and Several Liability of Sellers.** The Parties understand and agree that Granite Ridge, GREP-A and GREP-B shall be jointly and severally liable for the liabilities and obligations of Seller under this Agreement, including, but not limited to, Seller’s indemnity obligations pursuant to Article 11, and a default by any person or entity comprising the Seller shall be a default by every person and entity comprising the Seller.

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IN WITNESS WHEREOF, this Agreement has been signed by each of the Parties as of the Execution Date.

**SELLER:**

**GRANITE RIDGE HOLDINGS LLC**

By: /s/ Luke Brandenburg  
Name: Luke Brandenburg  
Title: Chief Executive Officer and President

**GREP IV-A PERMIAN LLC**

By: /s/ Matt Miller  
Name: Matt Miller  
Title: President

**GREP IV-B PERMIAN LLC**

By: /s/ Matt Miller  
Name: Matt Miller  
Title: President

Signature Page to Purchase and Sale Agreement

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**PURCHASER:**

**VITAL ENERGY, INC.**

By: /s/ Jason Pigott

Name: Jason Pigott

Title: Chief Executive Officer

Signature Page to Purchase and Sale Agreement

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## EXHIBIT C

### FORM OF REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement"), dated as of December [ ], 2023 (the "Closing Date"), is entered into by and among Vital Energy, Inc., a Delaware corporation (the "Company"), and Granite Ridge Vital, LLC, a Delaware limited liability company, GREP IV-A Permian, LLC, a Delaware limited liability company, and GREP IV-B Permian, LLC a Delaware limited liability company (each, an "Investor" and, collectively, the "Investors"), and the other Holders (as defined below) from time to time parties hereto.

#### RECITALS

WHEREAS, this Agreement is being entered into pursuant to, and in connection with the closing of the transactions contemplated by, that certain Purchase and Sale Agreement, dated as of December [ ], 2023, by and among the Company, as purchaser, and Granite Ridge Holdings LLC, GREP IV-A Permian, LLC, and GREP IV-B Permian, LLC, as sellers (as amended, supplemented or otherwise modified from time to time, the "Purchase Agreement");

WHEREAS, on the Closing Date, in connection with the closing of the transactions contemplated by the Purchase Agreement, the Company has issued to the Investors [ ] shares (the "Issued Common Shares") of Common Stock (as defined herein) and [ ] shares (the "Issued Preferred Shares") of Preferred Stock (as defined herein) in accordance with the terms of the Purchase Agreement;

WHEREAS, resales by the Holders of the Issued Common Shares and shares of Common Stock issuable upon conversion of the Issued Preferred Shares may be required to be registered under the Securities Act (as defined herein) and applicable state securities laws, depending on the status of the Holders or the intended method of distribution of such shares; and

WHEREAS, the Company and the Holders have agreed to enter into this Agreement pursuant to which the Company hereby grants the Holders certain registration rights under the Securities Act and other rights with respect to the Registrable Securities (as defined herein) in furtherance of the foregoing.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

#### ARTICLE I DEFINITIONS AND REFERENCES

**Section 1.1** As used herein, the following terms shall have the following respective meanings:

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“Adoption Agreement” means an Adoption Agreement substantially in the form attached hereto as Exhibit A.

“Affiliate” means (a) as to any Person, other than an individual Holder, any other Person who directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person and (b) as to any individual, (i) any Relative of such individual, (ii) any trust whose primary beneficiaries are one or more of such individual and such individual’s Relatives, (iii) the legal representative or guardian of such individual or any of such individual’s Relatives if one has been appointed and (iv) any Person controlled by any one or more of such individual and the Persons referred to in clauses (i), (ii) or (iii) above. As used in this Agreement, the term “control,” including the correlative terms “controlling,” “controlled by” and “under common control with,” means, with respect to any Person, the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of such Person (whether through ownership of securities or any partnership or other ownership interest, by contract or otherwise).

“Agreement” has the meaning set forth in the introductory paragraph.

“Board” means the board of directors of the Company.

“Business Day” means any day other than a Saturday, Sunday, any federal holiday or any other day on which banking institutions in the State of Texas or the State of New York are authorized or required to be closed by law or governmental action.

“Closing Date” has the meaning set forth in the introductory paragraph.

“Commission” means the Securities and Exchange Commission or any successor governmental agency.

“Common Stock” means the common stock of the Company, par value \$0.01 per share.

“Company” has the meaning set forth in the introductory paragraph.

“Company Securities” means, with respect to any Shelf Underwritten Offering or Piggyback Underwritten Offering, the shares of Common Stock that the Company proposes to include in such Underwritten Offering for its own account.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

“Existing Holder Securities” means the “Holder Securities” as defined in each of the Maple Registration Rights Agreement, the Henry Registration Rights Agreement and the Tall City Registration Rights Agreement, as applicable.

“Existing Holders” means the “Holders” as defined in each of the Maple Registration Rights Agreement, the Henry Registration Rights Agreement and the Tall City Registration Rights Agreement, as applicable.

“Henry Acquisition” means the acquisition of oil and gas properties by the Company from Henry Resources, LLC, Henry Energy LP and Moriah Henry Partners LLC.

“Henry Registration Rights Agreement” means that certain Registration Rights Agreement, dated as of November 5, 2023, by and among the Company and Henry TAW LP, Paloma Oil & Ranch LP, Richard D. Campbell, Patrick Cohorn, Misty Clary, FC Permian Properties Inc., Scalnwen LP, Michel E. Curry, LoKi Oil & Gas LP, Davlin LP, Joel Hughes, Malcom Kintzing, Thomas L. McCray, Edward Morehouse, Brandon Phillips and Chinati Oil & Ranch LP (collectively, the “Henry Holders”).

“Holder” means any record holder of Registrable Securities.

“Holder Securities” means (a) with respect to any Shelf Underwritten Offering, the Registrable Securities requested to be included in such Shelf Underwritten Offering by the Requesting Holders and the Shelf Piggybacking Holders and (b) with respect to any Piggyback Underwritten Offering, the Registrable Securities requested to be included in such Piggyback Underwritten Offering by the Piggybacking Holders.

“Indemnified Party” has the meaning set forth in Section 3.3.

“Indemnifying Party” has the meaning set forth in Section 3.3.

“Investor” has the meaning set forth in the introductory paragraph.

“Issued Common Shares” has the meaning set forth in the recitals.

“Issued Preferred Shares” has the meaning set forth in the recitals.

“Losses” has the meaning set forth in Section 3.1.

“Majority Holders” means, at any time, the Holder or Holders of more than fifty percent (50%) of the Registrable Securities at such time.

“Managing Underwriter” means, with respect to any Underwritten Offering, the lead book-running manager(s) of such Underwritten Offering.

“Maple Registration Rights Agreement” means that certain registration rights agreement, dated as of October 31, 2023, by and among the Company and Riverstone Strategic Credit Partners A-2 AIV, L.P., Riverstone Credit Partners - Direct, L.P., Riverstone Credit Partners II - Direct, L.P. and Maple Energy Holdings, LLC (collectively, the “Maple Holders”).

“Opt-Out Holder” means a Holder that has delivered to the Company an Opt-Out Notice, and has not revoked such Opt-Out Notice, pursuant to Section 2.10.

“Opt-Out Notice” has the meaning set forth in Section 2.10.

“Other Holder Securities” means the “Holder Securities” as defined in the Other Holders Registration Rights Agreement.

“Other Holders” means the “Holders” as defined in the Other Holders Registration Rights Agreement.

“Other Holders Registration Rights Agreement” means the registration rights agreement(s) to be entered into by and among the Company and the parties who exercised their tag rights in connection with the Henry Acquisition (or such parties’ designees).

“Permitted Transferee” means (a) with respect to each Investor or any other Person described in this clause (a) that becomes a Holder, (i) any of the direct or indirect partners, stockholders or members of such Investor or (ii) any trust, family partnership or family limited liability company, the sole beneficiaries, partners or members of which are a Person described in the foregoing clause (i) or Relatives of such a Person, and (b) with respect to any Holder, any Affiliate of such Holder.

“Person” means any individual, corporation, partnership, limited liability company, firm, association, trust, government, governmental agency or other entity, whether acting in an individual, fiduciary or other capacity.

“Piggyback Underwritten Offering” has the meaning set forth in Section 2.4(a).

“Piggybacking Holder” has the meaning set forth in Section 2.4(a).

“Preferred Stock” means the 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock of the Company, par value \$0.01 per share.

“Proceeding” means an action, claim, suit, arbitration, or proceeding (including, without limitation, an investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Registrable Securities” means (a) the Issued Common Shares and any shares of Common Stock issuable upon conversion of the Issued Preferred Shares and (b) any securities issued or issuable with respect to any shares described in the preceding clause (a) by way of distribution or in connection with any reorganization or other recapitalization, merger, consolidation or otherwise; *provided, however*, that a Registrable Security shall cease to be a Registrable Security when (i) such Registrable Security has been disposed of pursuant to an effective Registration Statement, (ii) such Registrable Security has been disposed of under Rule 144 or any other exemption from the registration requirements of the Securities Act as a result of which the Transferee thereof does not receive “restricted securities” as defined in Rule 144, or (iii) (1) such Registrable Security and all other Registrable Securities held by the Holder of such Registrable Security are freely tradeable by such Holder without volume or other limitations or requirements under Rule 144 and (2) such Holder and its Affiliates collectively hold less than five percent (5%) of the outstanding shares of Common Stock.

“Registration Expenses” means all expenses incurred by the Company in complying with Article II, including, without limitation, all registration and filing fees, printing expenses, road show expenses, fees and disbursements of counsel and independent public accountants and independent reserve engineers for the Company, fees and expenses (including counsel fees) incurred in connection with complying with state securities or “blue sky” laws, fees of the Financial Industry Regulatory Authority, fees of transfer agents and registrars, and the reasonable fees and disbursements of one special legal counsel to represent all Holders in an applicable Shelf Underwritten Offering or Piggyback Underwritten Offering, not to exceed \$25,000 per Shelf Underwritten Offering or Piggyback Underwritten Offering, but excluding any Selling Expenses.

“Registration Statement” means any registration statement of the Company filed or to be filed with the Commission under the Securities Act, including the related prospectus, amendments, and supplements to such registration statement, and including pre- and post-effective amendments and all exhibits and all material incorporated by reference in such registration statement.

“Relative” means, with respect to any individual: (a) such individual’s spouse, (b) any lineal descendant, parent, grandparent, great grandparent or sibling of such individual or any lineal descendant of any such sibling (in each case whether by blood or legal adoption), and (c) the spouse of an individual person described in clause (b) of this definition.

“Requesting Holders” has the meaning set forth in Section 2.2(a).

“Required Shelf Filing Date” means the tenth (10<sup>th</sup>) Business Day after the Closing Date, or such other date as may be agreed to by the parties hereto in writing.

“Section 2.2 Maximum Number of Shares” has the meaning set forth in Section 2.2(c).

“Section 2.4 Maximum Number of Shares” has the meaning set forth in Section 2.4(c).

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

“Selling Expenses” means all (a) underwriting fees, discounts and selling commissions allocable to the sale of Registrable Securities, (b) transfer taxes allocable to the sale of the Registrable Securities and (c) costs or expenses related to any roadshows conducted in connection with the marketing of any Shelf Underwritten Offering.

“Selling Holder” means a Holder selling Registrable Securities pursuant to a Registration Statement.

“Shelf Piggybacking Holder” has the meaning set forth in Section 2.2(b).

“Shelf Registration Statement” has the meaning set forth in Section 2.1(a).

“Shelf Underwritten Offering” has the meaning set forth in Section 2.2(a).

“Shelf Underwritten Offering Request” has the meaning set forth in Section 2.2(a).

“Suspension Period” has the meaning set forth in Section 2.3.

“Tall City Registration Rights Agreement” means that certain registration rights agreement, dated as of November 6, 2023, by and between the Company and Tall City Exploration III LLC.

“Transfer” means any offer, sale, pledge, encumbrance, hypothecation, entry into any contract to sell, grant of an option to purchase, short sale, assignment, transfer, exchange, gift, bequest or other disposition, direct or indirect, in whole or in part, by operation of law or otherwise. “Transfer,” when used as a verb, and “Transferee” and “Transferor” have correlative meanings.

“Underwritten Offering” means an offering (including an offering pursuant to a Shelf Registration Statement) in which shares of Common Stock are sold to an underwriter for reoffer.

“Underwritten Offering Filing” means (a) with respect to a Shelf Underwritten Offering, a preliminary prospectus supplement (or prospectus supplement if no preliminary prospectus supplement is used) to the Shelf Registration Statement relating to such Shelf Underwritten Offering, and (b) with respect to a Piggyback Underwritten Offering, (i) a preliminary prospectus supplement (or prospectus supplement if no preliminary prospectus supplement is used) to an effective shelf Registration Statement (other than the Shelf Registration Statement) or (ii) a Registration Statement, in each case relating to such Piggyback Underwritten Offering.

“WКСI” means a “well-known seasoned issuer” as such term is defined in Rule 405.

**Section 1.2 References.** In this Agreement, unless otherwise expressly indicated, (a) each reference to an Article or Section is to the applicable Article or Section of this Agreement; (b) the terms “herein”, “hereunder”, “hereof” or terms of similar import refer to this Agreement as a whole and not to any particular Article, Section or other part of this Agreement; (c) references to any Rule are to the applicable rule promulgated under the Securities Act; and (d) references to any statute, rule or regulation (or to any particular section or other part of any of the foregoing) include (i) such statute, rule or regulation (or part thereof) as amended and in effect from time to time and (ii) any successor statute, rule or regulation (or part thereof) to such statute, rule or regulation (or part thereof).

## ARTICLE II REGISTRATION RIGHTS

### Section 2.1 Shelf Registration.

(a) On or prior to the Required Shelf Filing Date, the Company shall prepare and file a “shelf” registration statement under the Securities Act to permit the resale of all of the Registrable Securities by the Holders from time to time as permitted by Rule 415 (such Registration Statement and any other Registration Statement contemplated by Section 2.1(b) or Section 2.1(c), the “Shelf Registration Statement”). The Company shall use its commercially reasonable efforts to cause the Shelf Registration Statement to become or be declared effective as soon as practicable after the filing thereof; *provided, however*, that, if the Company is a WКСI at time of filing of the Shelf Registration Statement, the Shelf Registration Statement shall be an automatic shelf registration statement that becomes effective upon filing with the Commission pursuant to Rule 462(e). The Company shall notify the Holders of the effectiveness of the Shelf Registration Statement no later than one (1) Business Day after the Shelf Registration Statement becomes or is declared effective.

(b) The Shelf Registration Statement shall be on Form S-3 or, if Form S-3 is not then available to the Company, on Form S-1 or such other form of registration statement as is then available to effect a registration for resale of the Registrable Securities pursuant to Rule 415; *provided, however*, that if the Company has filed the Shelf Registration Statement on Form S-1 and subsequently becomes eligible to use Form S-3 or any equivalent or successor form, the Company shall (i) file a post-effective amendment to the Shelf Registration Statement converting such Registration Statement on Form S-1 to a Registration Statement on Form S-3 or any equivalent or successor form or (ii) file a new Shelf Registration Statement on Form S-3 or any equivalent or successor form, upon the effectiveness of which the Company may withdraw the Shelf Registration Statement on Form S-1. The Shelf Registration Statement shall contain a prospectus in such form as to permit any Holder to sell such Registrable Securities pursuant to Rule 415 at any time beginning on the effective date for such Registration Statement. The Shelf Registration Statement shall provide for the distribution or resale pursuant to any method or combination of methods legally available to the Holders.

(c) The Company shall use its commercially reasonable efforts to cause the Shelf Registration Statement to remain effective, and to be supplemented and amended as promptly as practicable to the extent necessary to ensure that the Shelf Registration Statement is available or, if not available, that another Registration Statement is available, for the resale of all of the Registrable Securities by the Holders from time to time as permitted by Rule 415 until all of the Registrable Securities have ceased to be Registrable Securities or the earlier termination of this Agreement as to all Holders pursuant to Section 6.1.

(d) When effective, the Shelf Registration Statement (including the documents incorporated therein by reference) will comply as to form in all material respects with all applicable requirements of the Securities Act and the Exchange Act and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus contained in the Shelf Registration Statement, in the light of the circumstances under which such statements are made).

## **Section 2.2 Underwritten Shelf Offering Requests.**

(a) In the event that any Holder or group of Holders elects to dispose of Registrable Securities under a Registration Statement pursuant to an Underwritten Offering and reasonably expects gross proceeds of at least \$25 million from such Underwritten Offering (including proceeds attributable to any Registrable Securities included in such Underwritten Offering by any Shelf Piggybacking Holders), the Company shall, at the request (a “Shelf Underwritten Offering Request”) of such Holder or Holders (in such capacity, the “Requesting Holders”), enter into an underwriting agreement in a form as is customary in Underwritten Offerings of securities by the Company with the underwriter or underwriters selected by the Company (*provided* that each such underwriter shall be a nationally recognized investment banking firm reasonably acceptable to the Requesting Holders holding a majority of the shares of Common Stock requested to be included in such Underwritten Offering by the Requesting Holders) and shall take all such other reasonable actions as are requested by the Managing Underwriter of such Underwritten Offering and/or the Requesting Holders in order to expedite or facilitate the disposition of such Registrable Securities and, subject to Section 2.2(c), the Registrable Securities requested to be included by any Shelf Piggybacking Holder (a “Shelf Underwritten Offering”); *provided, however*, that the Company shall have no obligation to facilitate or participate in more than two (2) Shelf Underwritten Offerings during any 12-month period (and no more than one (1) Shelf Underwritten Offering in any 90-day period).

(b) If the Company receives a Shelf Underwritten Offering Request, it will give written notice of such proposed Shelf Underwritten Offering to each Holder (other than the Requesting Holders and any Opt-Out Holder), which notice shall include the anticipated filing date of the related Underwritten Offering Filing and, if known, the number of shares of Common Stock that are proposed to be included in such Shelf Underwritten Offering, and of such Holders' rights under this Section 2.2(b). Such notice shall be given promptly (and in any event at least five (5) Business Days before the filing of the Underwritten Offering Filing or two (2) Business Days before the filing of the Underwritten Offering Filing in connection with a bought or overnight Underwritten Offering); *provided*, that if the Shelf Underwritten Offering is a bought or overnight Underwritten Offering and the Managing Underwriter advises the Company and the Requesting Holder that the giving of notice pursuant to this Section 2.2(b) would adversely affect the offering, no such notice shall be required (and such Holders (other than the Requesting Holders) shall have no right to include Registrable Securities in such bought or overnight Underwritten Offering). If such notice is delivered pursuant to this Section 2.2(b), each such Holder shall then have two (2) Business Days (or one (1) Business Day in the case of a bought or overnight Underwritten Offering) after the date on which the Holders received notice pursuant to this Section 2.2(b) to request inclusion of Registrable Securities in the Shelf Underwritten Offering (which request shall specify the maximum number of Registrable Securities intended to be disposed of by such Holder and such other information as is reasonably required to effect the inclusion of such Registrable Securities) (any such Holder making such request, a "Shelf Piggybacking Holder"). If no request for inclusion from a Holder is received within such period, such Holder shall have no further right to participate in such Shelf Underwritten Offering.

(c) If the Managing Underwriter of the Shelf Underwritten Offering shall inform the Requesting Holders of its belief that the number of Registrable Securities requested to be included in such Shelf Underwritten Offering by the Holders (and any other shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering) would materially and adversely affect such offering, then the Company shall include in the applicable Underwritten Offering Filing, to the extent of the total number of shares of Common Stock that the Requesting Holders are so advised can be sold in such Shelf Underwritten Offering without so materially adversely affecting such offering (the "Section 2.2 Maximum Number of Shares"), Registrable Securities in the following priority:

(i) first, the Existing Holder Securities, *pro rata* among the Existing Holders based on the number of Registrable Securities each requested to be included,

(ii) second, to the extent that the number of Existing Holder Securities is less than the Section 2.2 Maximum Number of Shares, the Holder Securities, *pro rata* among the Holders based on the number of Registrable Securities each requested to be included; and

(iii) third, to the extent that the number of Holder Securities is less than the Section 2.2 Maximum Number of Shares, the shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering, *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Shelf Underwritten Offering).

(d) The Requesting Holders shall determine the pricing of the Registrable Securities offered pursuant to any Shelf Underwritten Offering and the applicable underwriting discounts and commissions and determine the timing of any such Shelf Underwritten Offering, subject to [Section 2.3](#).

(e) Each Holder shall have the right to withdraw its Registrable Securities from the Shelf Underwritten Offering at any time prior to the execution of an underwriting agreement with respect thereto by giving written notice to the Company of its request to withdraw.

**Section 2.3 Delay and Suspension Rights.** Notwithstanding any other provision of this Agreement, the Company may (a) delay filing or initial effectiveness of the Shelf Registration Statement or any amendment thereto (without regard to the Required Shelf Filing Date) (b) delay effecting a Shelf Underwritten Offering or (c) suspend the Holders' use of any prospectus that is a part of a Shelf Registration Statement upon written notice to each Holder whose Registrable Securities are included in such Shelf Registration Statement (*provided* that in no event shall such notice contain any material non-public information regarding the Company) (in which event such Holder shall discontinue sales of Registrable Securities pursuant to such Registration Statement but may settle any then-contracted sales of Registrable Securities), in each case for a period of up to sixty (60) consecutive days, if the Board determines (i) that such delay or suspension is in the best interest of the Company and its stockholders generally due to a pending financing or other transaction involving the Company and that the disclosure of such pending financing or other transaction in any such prospectus would materially and adversely affect the Company's ability to consummate such pending financing or other transaction, (ii) that such registration or offering would render the Company unable to comply with applicable securities laws or (iii) that such registration or offering would require disclosure of material information that the Company has a *bona fide* business purpose for preserving as confidential (any such period, a "[Suspension Period](#)"); *provided, however*, that in no event shall any Suspension Periods collectively exceed an aggregate of ninety (90) days in any 180-day period or exceed an aggregate of one hundred twenty (120) days in any 12-month period; *provided, further*, that (1) the number of days that the Company may so delay or suspend in accordance with this [Section 2.3](#) in the 180-day period and 12-month period immediately following the Closing Date shall be reduced by the number of days after the Required Shelf Filing Date that the Shelf Registration Statement is declared or otherwise becomes effective, and (2) the number of days that the Company may so delay or suspend in accordance with this [Section 2.3](#) in any 180-day period or 12-month period shall be reduced by the number of days in such period during which the Holders were obligated to discontinue their disposition of Registrable Securities pursuant to [Section 2.6\(b\)](#).

## **Section 2.4 Piggyback Registration Rights.**

(a) Subject to Section 2.4(c), if the Company at any time proposes to file an Underwritten Offering Filing for an Underwritten Offering of shares of Common Stock for its own account or for the account of any other Persons who have or have been granted registration rights, other than the Holders (a “Piggyback Underwritten Offering”), it will give written notice of such Piggyback Underwritten Offering to each Holder (other than any Opt-Out Holder), which notice shall include the anticipated filing date of the Underwritten Offering Filing and, if known, the number of shares of Common Stock that are proposed to be included in such Piggyback Underwritten Offering, and of such Holders’ rights under this Section 2.4(a). Such notice shall be given promptly (and in any event at least five (5) Business Days before the filing of the Underwritten Offering Filing or two (2) Business Days before the filing of the Underwritten Offering Filing in connection with a bought or overnight Underwritten Offering). If such notice is delivered to the Holder pursuant to this Section 2.4(a), each such Holder shall then have four (4) Business Days (or one (1) Business Day in the case of a bought or overnight Underwritten Offering) after the date on which the Holders received notice pursuant to this Section 2.4(a) to request inclusion of Registrable Securities in the Piggyback Underwritten Offering (which request shall specify the maximum number of Registrable Securities intended to be disposed of by such Holder and such other information as is reasonably required to effect the inclusion of such Registrable Securities) (any such Holder making such request, a “Piggybacking Holder”). If no request for inclusion from a Holder is received within such period, such Holder shall have no further right to participate in such Piggyback Underwritten Offering. Subject to Section 2.4(c), the Company shall use its commercially reasonable efforts to include in the Piggyback Underwritten Offering all Registrable Securities that the Company has been so requested to include by the Piggybacking Holders; *provided, however*, that if, at any time after giving written notice of a proposed Piggyback Underwritten Offering pursuant to this Section 2.4(a) and prior to the execution of an underwriting agreement with respect thereto, the Company or such other Persons who have or have been granted registration rights, as applicable, shall determine for any reason not to proceed with or to delay such Piggyback Underwritten Offering, the Company shall give written notice of such determination to the Piggybacking Holders and (i) in the case of a determination not to proceed, shall be relieved of its obligation to include any Registrable Securities in such Piggyback Underwritten Offering (but not from any obligation of the Company to pay the Registration Expenses in connection therewith), and (ii) in the case of a determination to delay, shall be permitted to delay inclusion of any Registrable Securities for the same period as the delay in including the shares of Common Stock to be sold for the Company’s account or for the account of such other Persons who have or have been granted registration rights, as applicable.

(b) Each Piggybacking Holder shall have the right to withdraw its request for inclusion of its Registrable Securities in any Piggyback Underwritten Offering at any time prior to the execution of an underwriting agreement with respect thereto by giving written notice to the Company of its request to withdraw.

(c) If the Managing Underwriter of the Piggyback Underwritten Offering shall inform the Company of its belief that the number of Registrable Securities requested to be included in such Piggyback Underwritten Offering, when added to the number of shares of Common Stock proposed to be offered by the Company or such other Persons who have or have been granted registration rights (and any other shares of Common Stock requested to be included by any other Persons having registration rights with respect to such offering), would materially and adversely affect such offering, then the Company shall include in such Piggyback Underwritten Offering, to the extent of the total number of securities which the Company is so advised can be sold in such offering without so materially adversely affecting such offering (the “Section 2.4 Maximum Number of Shares”), shares of Common Stock in the following priority:

(i) if the Piggyback Underwritten Offering is initiated for the account of the Company:

(1) first, the Company Securities,

(2) second, to the extent that the number of Company Securities is less than the Section 2.4 Maximum Number of Shares, the Existing Holder Securities proposed to be included, *pro rata* among the Existing Holders based on the number of shares of Common Stock each requested to be included,

(3) third, to the extent that the number of Company Securities and Existing Holder Securities is less than the Section 2.4 Maximum Number of Shares, the Holder Securities and the Other Holder Securities proposed to be included, *pro rata* among the Holders and the Other Holders based on the number of shares of Common Stock each requested to be included, and

(4) fourth, to the extent that the number of Company Securities plus the number of Existing Holder Securities, Holder Securities and Other Holder Securities proposed to be included is less than the Section 2.4 Maximum Number of Shares, the shares of Common Stock that other Persons who have or have been granted registration rights propose to include, *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Piggyback Underwritten Offering);

(ii) if the Piggyback Underwritten Offering is initiated on or before the third (3rd) anniversary of the Closing Date for the account of any Other Holder(s) or other Persons who have or have been granted registration rights:

(1) first, the Existing Holder Securities, *pro rata* among such and Existing Holders based on the number of shares of Common Stock each requested to be included; provided, however, that the Existing Holders shall participate in Section 2.4(c)(iii)(2) instead of this Section 2.4(c)(ii)(1) following (x) in the case of the Maple Holders, October 31, 2026, (ii) in the case of the Henry Holders, November 5, 2026 and (iii) in the case of the Tall City Holder, November 6, 2023,

(2) second, to the extent that the number of Existing Holder Securities is less than the Section 2.4 Maximum Number of Shares, the Holder Securities and any Other Holder Securities for whose account the Piggyback Underwritten Offering was not initiated, *pro rata* among the Holders and the Other Holders based on the number of shares of Common Stock each requested to be included,

(3) third, to the extent that the number securities of the Holders and the Other Holders covered in Section 2.4(c)(ii)(2) and the Existing Holder Securities is less than the Section 2.4 Maximum Number of Shares, the shares of Common Stock that other Persons who have or have been granted registration rights propose to include, *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Piggyback Underwritten Offering), and

(4) fourth, to the extent that the number of Existing Holder Securities, Holder Securities and Other Holder Securities covered in Section 2.4(c)(ii)(2), and the shares of Common Stock that such other Persons covered in Section 2.4(c)(iii)(2), is less than the Section 2.4 Maximum Number of Shares, any Company Securities; or

(iii) if the Piggyback Underwritten Offering is initiated on or before the third (3<sup>rd</sup>) anniversary of the Closing Date for the account of any other Persons who have or have been granted registration rights (excluding the Other Holders):

(1) first, the Holder Securities and Other Holder Securities, *pro rata* among such Holders or Other Holders based on the number of shares of Common Stock each requested to be included,

(2) second, to the extent that the number of securities of such Holders or Other Holders covered in Section 2.4(c)(iii)(1) is less than the Section 2.4 Maximum Number of Shares, the shares of Common Stock that such other Persons propose to include, *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Piggyback Underwritten Offering),

(3) third, to the extent that the number of Holder Securities, Other Holder Securities and the shares of Common Stock that such other Persons covered in Section 2.4(c)(iii)(2), is less than the Section 2.4 Maximum Number of Shares, any Company Securities; or

(iv) if the Piggyback Underwritten Offering is initiated after the third (3<sup>rd</sup>) anniversary of the Closing Date for the account of any other Persons who have or have been granted registration rights (including the Other Holders):

(1) first, the shares of Common Stock that such other Persons propose to include, *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Piggyback Underwritten Offering),

(2) second, to the extent that the number of shares of Common Stock proposed to be included by such other Persons is less than the Section 2.4 Maximum Number of Shares, the Holder Securities and the Other Holder Securities proposed to be included (to the extent not covered in Section 2.4(c)(iv)(1)), *pro rata* among the Holders and Other Holders based on the number of shares of Common Stock each requested to be included,

(3) third, to the extent that the number of shares of Common Stock proposed to be included by such other Persons plus the number of Holder Securities and Other Holder Securities proposed to be included is less than the Section 2.4 Maximum Number of Shares, the shares of Common Stock that other Persons who have or have been granted registration rights propose to include (to the extent not covered by Section 2.4(c)(iv)(1)), *pro rata* among such other Persons based on the number of shares of Common Stock each requested to be included (or on such other basis of allocation among such other Persons as may be provided for in the instruments governing the registration rights of such Persons with respect to such Piggyback Underwritten Offering), and

(4) fourth, to the extent that the number of shares of Common Stock proposed to be included by such other Persons plus the number of Holder Securities and Other Holder Securities and the shares of Common Stock covered in Section 2.4(c)(iv)(3) proposed to be included is less than the Section 2.4 Maximum Number of Shares, any Company Securities.

**Section 2.5 Participation in Underwritten Offerings.**

(a) In connection with any Underwritten Offering contemplated by Section 2.2 or Section 2.4, the underwriting agreement into which each Selling Holder and the Company shall enter into shall contain such representations, covenants, indemnities (subject to Article III) and other rights and obligations as are customary in Underwritten Offerings of securities by the Company, and the Company shall be entitled to designate counsel for the underwriters. No Selling Holder shall be required to make any representations or warranties to or agreements with the Company or the underwriters other than representations, warranties or agreements regarding such Selling Holder's authority to enter into such underwriting agreement and to sell, and its ownership of, the securities being registered on its behalf, its intended method of distribution and any other representation required by law.

(b) Any participation by the Piggybacking Holders in a Piggyback Underwritten Offering shall be in accordance with the plan of distribution of the Company or the other Persons who have registration rights, as applicable.

(c) In connection with any Piggyback Underwritten Offering in which any Piggybacking Holder includes Registrable Securities pursuant to Section 2.4, such Piggybacking Holder agrees (i) to supply any information reasonably requested by the Company in connection with the preparation of any Underwritten Offering Filing for such Piggyback Underwritten Offering and (ii) to execute and deliver any agreements and instruments being executed by all Holders on substantially the same terms reasonably requested by the Company or the Managing Underwriter, as applicable, to effectuate such Piggyback Underwritten Offering, including, without limitation, underwriting agreements (subject to Section 2.5(a)), custody agreements, powers of attorney, questionnaires, and lock-ups or "hold back" agreements pursuant to which such Piggybacking Holder agrees with the Managing Underwriter not to sell or purchase any securities of the Company for the shorter of (i) the same period of time following the registered offering as is agreed to by the Company and the other participating Holders (not to exceed the shortest number of days that any director of the Company, "executive officer" (as defined under Section 16 of the Exchange Act) of the Company or any stockholder of the Company (other than a Holder or director or employee of, or consultant to, the Company) who owns ten percent (10%) or more of the outstanding shares contractually agrees with the underwriters of such Piggyback Underwritten Offering not to sell any securities of the Company following such Piggyback Underwritten Offering) and (ii) sixty (60) days from the date of the execution of the underwriting agreement with respect to such Piggyback Underwritten Offering.

**Section 2.6 Registration Procedures.**

(a) In connection with its obligations under this Article II, the Company will take all reasonably necessary action to facilitate and effect the transactions contemplated thereby, including, but not limited to, the following:

(i) promptly prepare and file with the Commission such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary to keep such Registration Statement effective and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such Registration Statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the Selling Holder thereof set forth in such Registration Statement;

(ii) furnish to each Selling Holder, without charge, such number of conformed copies of such Registration Statement and of each such amendment and supplement thereto (in each case including without limitation all exhibits), such number of copies of the prospectus contained in such Registration Statement (including without limitation each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424, in conformity with the requirements of the Securities Act, and such other documents, as such Selling Holder may reasonably request;

(iii) if applicable, use its commercially reasonable efforts to register or qualify all Registrable Securities and other securities covered by such Registration Statement under such other securities or blue sky laws of such jurisdictions as each Selling Holder thereof shall reasonably request, to keep such registration or qualification in effect for so long as such Registration Statement remains in effect, and to take any other action which may be reasonably necessary or advisable to enable such Selling Holder to consummate the disposition in such jurisdictions of the securities owned by such Selling Holder, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this clause (iii) be obligated to be so qualified or to consent to general service of process in any such jurisdiction;

(iv) use its commercially reasonable efforts to provide to each Selling Holder and any underwriters a copy of any customary auditor "comfort" letters, legal opinions or reports of the independent reserve engineers of the Company relating to the oil and gas reserves of the Company;

(v) promptly notify each Selling Holder, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of any such Selling Holder promptly prepare and file or furnish to such Selling Holder a reasonable number of copies of a supplement or post-effective amendment to the Registration Statement or a supplement to the related prospectus or any document incorporated or deemed to be incorporated therein by reference, or file any other required document as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(vi) otherwise comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and furnish to each such Selling Holder at least the Business Day prior to the filing thereof a copy of any amendment or supplement to such Registration Statement or prospectus;

(vii) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such Registration Statement from and after a date not later than the effective date of such Registration Statement;

(viii) in connection with the preparation and filing of any Registration Statement or any sale of Registrable Securities in connection therewith, give the Holders offering and selling thereunder, any underwriters and their respective counsels the opportunity to review and provide comments on such Registration Statement, each Prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto (other than amendments or supplements that do not make any material change in the information related to the Company) (*provided* that the Company shall not file any such Registration Statement including Registrable Securities or an amendment thereto or any related prospectus or any supplement thereto to which such Holders or any underwriter shall reasonably object in writing), and give each of them, together with any underwriter, broker, dealer or sales agent involved therewith, such access to its books and records and such opportunities to discuss the business of the Company and its subsidiaries with its officers, its counsel, the independent public accountants who have certified its financial statements, and the independent reserve engineers of the Company as shall be necessary, in the opinion of the Holder's and such underwriters' (or broker's, dealer's or sales agent's, as the case may be) respective counsel, to conduct a reasonable due diligence investigation within the meaning of the Securities Act;

(ix) use its commercially reasonable efforts to prevent the issuance of any order suspending the effectiveness of the Registration Statement, and, if any such order suspending the effectiveness of such Registration Statement is issued, promptly use its commercially reasonable efforts to obtain the withdrawal of such order at the earliest possible moment;

(x) promptly notify the Holders (i) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the initiation or threat of any proceedings for that purpose, (ii) of any delisting or pending delisting of the Common Stock by any national securities exchange or market on which the Common Stock are then listed or quoted, and (iii) of the receipt by the Company of any notification with respect to the suspension of the qualification of any Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction or the initiation of any proceeding for such purpose;

(xi) cause all Registrable Securities covered by such Registration Statement to be listed on any securities exchange on which the Common Stock is then listed;

(xii) enter into such customary agreements, including but not limited to lock-up agreements by the Company (and, if reasonably requested by the Managing Underwriter(s), the Company's directors and "executive officers" (as defined under Section 16 of the Exchange Act)) that extend through thirty (30) days following the entrance into the corresponding underwriting agreement, and to take such other actions as the Holder or Holders shall reasonably request in order to expedite or facilitate the disposition of such Registrable Securities; and

(xiii) cause its officers to use their commercially reasonable efforts to support the marketing of the Registrable Securities covered by the Registration Statement (including, without limitation, participation in electronic or telephonic "road shows").

(b) Each Holder agrees by acquisition of Registrable Securities that, upon receipt of any notice from the Company of the happening of any event of the kind described in Section 2.6(a)(v), such Holder will forthwith discontinue such Holder's disposition of Registrable Securities pursuant to the Registration Statement until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 2.6(a)(v) as filed with the Commission or until it is advised in writing by the Company that the use of such Registration Statement may be resumed, and, if so directed by the Company, will deliver to the Company (at the Company's expense) all copies, other than permanent file copies, then in such Holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice. The Company may provide appropriate stop orders to enforce the provisions of this Section 2.6(b).

**Section 2.7 Cooperation by Holders.** The Company shall have no obligation to include Registrable Securities of a Holder in any Registration Statement or Underwritten Offering if such Holder has failed to timely furnish such information as the Company may, from time to time, reasonably request in writing regarding such Holder and the distribution of such Registrable Securities that the Company determines, after consultation with its counsel, is reasonably required in order for any registration statement or prospectus supplement, as applicable, to comply with the Securities Act.

**Section 2.8 Expenses.** The Company shall be responsible for all Registration Expenses incident to its performance of or compliance with its obligations under this Article II. Each Selling Holder shall pay its pro rata share of all Selling Expenses in connection with any sale of its Registrable Securities hereunder.

**Section 2.9 No Inconsistent Agreements; Additional Rights.** The Company is not currently a party to and shall not hereafter enter into any agreement with respect to its securities that is inconsistent with or that in any way violates or subordinates rights granted to the Holders by this Agreement without the prior written consent of the Majority Holders.

**Section 2.10 Opt-Out Notices.** Any Holder may deliver notice (an "Opt-Out Notice") to the Company requesting that such Holder not receive notice from the Company of any proposed Shelf Underwritten Offering or Piggyback Underwritten Offering; *provided, however*, that such Holder may later revoke any such Opt-Out Notice by giving notice to the Company of such revocation. Following receipt of an Opt-Out Notice from a Holder (unless subsequently revoked), the Company shall not deliver any notice to such Opt-Out Holder pursuant to Section 2.2 or Section 2.4, as applicable, and such Opt-Out Holder shall no longer be entitled to the rights associated with any such notice.

**ARTICLE III**  
**INDEMNIFICATION AND CONTRIBUTION**

**Section 3.1 Indemnification by the Company.** The Company will indemnify and hold harmless each Holder, its officers and directors and each Person (if any) that controls such Holder within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities, costs and expenses (including attorneys' fees) ("Losses") caused by, arising out of, resulting from or related to any untrue statement or alleged untrue statement of a material fact (a) contained in any Registration Statement relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading or (b) included in any prospectus relating to the Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or any omission or alleged omission to state therein a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, *provided, however*, that such indemnity shall not apply to that portion of such Losses caused by, or arising out of, any untrue statement, or alleged untrue statement or any such omission or alleged omission, to the extent such statement or omission was made in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of such Holder expressly for use therein.

**Section 3.2 Indemnification by the Holders.** Each Holder agrees to indemnify and hold harmless the Company, its officers and directors and each Person (if any) that controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all Losses caused by, arising out of, resulting from or related to any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement or prospectus relating to Registrable Securities (as amended or supplemented if the Company shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of any prospectus, in the light of the circumstances under which such statement is made), only to the extent such statement or omission was made in reliance upon and in conformity with information furnished in writing by or on behalf of such Holder expressly for use therein.

**Section 3.3 Indemnification Procedures.** In case any Proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 3.1 or Section 3.2, such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing (*provided* that the failure of the Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Article III, except to the extent the Indemnifying Party is actually and materially prejudiced by such failure to give notice), and the Indemnifying Party shall be entitled to participate in such Proceeding and, unless in the reasonable opinion of outside counsel to the Indemnified Party a conflict of interest between the Indemnified Party and Indemnifying Party may exist in respect of such claim, to assume the defense thereof jointly with any other Indemnifying Party similarly notified, to the extent that it chooses, with counsel reasonably satisfactory to such Indemnified Party, and after notice from the Indemnifying Party to such Indemnified Party that it so chooses, the Indemnifying Party shall not be liable to such Indemnified Party for any legal or other expenses subsequently incurred by such Indemnified Party in connection with the defense thereof other than reasonable costs of investigation; *provided, however*, that (a) if the Indemnifying Party fails to assume the defense or employ counsel reasonably satisfactory to the Indemnified Party, (b) if such Indemnified Party who is a defendant in any action or Proceeding that is also brought against the Indemnifying Party reasonably shall have concluded that there may be one or more legal defenses available to such Indemnified Party that are not available to the Indemnifying Party or (c) if representation of both parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct, then, in any such case, the Indemnified Party shall have the right to assume or continue its own defense as set forth above (but with no more than one firm of counsel for all Indemnified Parties in each jurisdiction, except to the extent any Indemnified Party or Parties reasonably shall have concluded that there may be legal defenses available to such party or parties that are not available to the other Indemnified Parties or to the extent representation of all Indemnified Parties by the same counsel is otherwise inappropriate under applicable standards of professional conduct) and the Indemnifying Party shall be liable for any expenses therefor. No Indemnifying Party shall, without the written consent of the Indemnified Party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Indemnified Party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (a) includes an unconditional release of the Indemnified Party from all liability arising out of such action or claim and (b) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any Indemnified Party.

#### **Section 3.4 Contribution.**

(a) If the indemnification provided for in this Article III is unavailable to an Indemnified Party in respect of any Losses in respect of which indemnity is to be provided hereunder, then each Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall to the fullest extent permitted by law contribute to the amount paid or payable by such Indemnified Party as a result of such Losses in such proportion as is appropriate to reflect the relative fault of such party in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. The relative fault of the Company (on the one hand) and a Holder (on the other hand) shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The Company and each Holder agree that it would not be just and equitable if contribution pursuant to this Article III were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to in Section 3.4(a). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in Section 3.4(a) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Article III, no Holder shall be liable for indemnification or contribution pursuant to this Article III for any amount in excess of the net proceeds of the offering received by such Holder, less the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

**ARTICLE IV**  
**RULE 144; ASSISTANCE WITH TRANSFERS**

**Section 4.1 Rule 144.**

(a) With a view to making available the benefits of certain rules and regulations of the Commission that may permit the resale of the Registrable Securities without registration, the Company agrees to use its commercially reasonable efforts to:

(i) make and keep public information regarding the Company available, as those terms are understood and defined in Rule 144, at all times from and after the date hereof;

(ii) file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act at all times from and after the date hereof; and

(iii) so long as a Holder owns any Registrable Securities, furnish (i) to the extent accurate, forthwith upon request, a written statement of the Company that it has complied with the reporting requirements of Rule 144 and (ii) unless otherwise available via the Commission's EDGAR filing system, to such Holder forthwith upon request a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed as such Holder may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

**Section 4.2 Assistance with Transfers.** In connection with any sale or transfer of Registrable Securities by any Holder, including any sale or transfer pursuant to Rule 144 and other rules and regulations of the Commission that may at any time permit a Holder of Registrable Securities to sell securities of the Company to the public without registration, the Company shall, to the extent allowed by law, take any and all action necessary or reasonably requested by such Holder in order to permit or facilitate such sale or transfer, including, without limitation, at the sole expense of the Company, by (a) issuing such directions to any transfer agent, registrar or depository, as applicable, (b) delivering such opinions to the transfer agent, registrar or depository as are customary for the transaction of this type and are reasonably requested by the same, and (c) taking or causing to be taken such other actions as are reasonably necessary (in each case on a timely basis) in order to cause any legends, notations or similar designations restricting transferability of the Registrable Securities held by such Holder to be removed and to rescind any transfer restrictions with respect to such Registrable Securities; *provided, however*, that such Holder shall deliver to the Company, in form and substance reasonably satisfactory to the Company, representation letters regarding such Holder's compliance with such rules and regulations, as may be applicable. In addition, the Company, at its sole expense, shall use commercially reasonable efforts to remove any restrictive legend on any shares of Common Stock that are Registrable Securities upon request by the Holder if (a) such shares of Common Stock are sold pursuant to an effective registration statement or (b) a registration statement covering the resale of such shares of Common Stock is effective under the Securities Act and the applicable Holder delivers to the Company a representation letter agreeing that such shares of Common Stock will be sold under such effective registration statement. Furthermore, if any Holder and its Affiliates collectively beneficially own at least ten percent (10%) of the outstanding shares of Common Stock following the third (3<sup>rd</sup>) anniversary of the Closing Date, at the request of such Holder, the Company shall use its commercially reasonable efforts to assist such Holders with respect to any potential private transfer of any Common Stock held by such Holder and its Affiliates, including (a) entering into customary confidentiality agreements with any prospective transferees, (b) affording to such Holders, its Affiliates and any prospective transferees and their respective counsel, accountants, lenders and other representatives, reasonable access during normal business hours to the properties, books, contracts and records of the Company and (c) providing reasonable availability of appropriate members of senior management of the Company to provide customary due diligence assistance in connection with any such transfer; *provided, however*, that any such investigation shall be conducted in such a manner as not to interfere unreasonably with the Company's business and operations.

**ARTICLE V**  
**TRANSFER OR ASSIGNMENT OF RIGHTS**

The rights to cause the Company to register Registrable Securities and other rights under this Agreement may be transferred or assigned by each Holder to one or more Transferees or assignees of Registrable Securities if (a) such Transferee is (i) a Permitted Transferee of such Holder or (ii) acquiring at least \$25 million of Registrable Securities as determined by reference to the volume weighted average price for such Registrable Securities on any securities exchange or market on which the Common Stock is then listed or quoted for the five trading days immediately preceding the applicable determination date, and (b) such Transferee has delivered to the Company a duly executed Adoption Agreement.

**ARTICLE VI**  
**MISCELLANEOUS**

**Section 6.1 Termination.** This Agreement shall terminate as to any Holder, when such Holder no longer owns any shares of or convertible into Common Stock that constitute Registrable Securities; *provided, however*, that Article III, Section 4.2 and this Article VI (other than Section 6.6) shall survive any termination hereof.

**Section 6.2 Severability.** If any provision of this Agreement, or any application thereof, is held invalid, illegal, or unenforceable in any respect under any law, this Agreement shall be reformed to the extent necessary to conform, in each case consistent with the intention of the parties, to such law, and, to the extent such provision cannot be so reformed, then such provision (or the invalid, illegal, or unenforceable application thereof) shall be deemed deleted from (or prohibited under) this Agreement, as the case may be, and the validity, legality, and enforceability of the remaining provisions contained herein (and any other application of such provision) shall not in any way be affected or impaired thereby.

**Section 6.3 Captions.** The captions in this Agreement are for convenience only and shall not be considered a part of or affect the construction or interpretation of any provision of this Agreement.

**Section 6.4 Remedies.** In the event of actual or potential breach by the Company of any of its obligations under this Agreement, each Holder, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, will be entitled to specific performance of its rights under this Agreement. The Company agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and further agrees that, in the event of any action for specific performance in respect of such breach, it shall waive the defense that a remedy at law would be adequate.

**Section 6.5 Governing Law; Waiver of Jury Trial.**

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to principles of conflicts of laws that would direct the application of the laws of another jurisdiction.

(b) THE PARTIES HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM BROUGHT BY ANY PARTY AGAINST ANOTHER IN ANY MATTER WHATSOEVER ARISING OUT OF, IN RELATION TO, OR IN CONNECTION WITH, THIS AGREEMENT.

**Section 6.6 Adjustments Affecting Registrable Securities.** The provisions of this Agreement shall apply to any and all shares of capital stock of the Company or any successor or assignee of the Company (whether by merger, consolidation, sale of assets or otherwise) that may be issued in respect of, in exchange for or in substitution for the Registrable Securities, by reason of any stock dividend, split, reverse split, combination, recapitalization, reclassification, merger, consolidation or otherwise in such a manner and with such appropriate adjustments as to reflect the intent and meaning of the provisions hereof and so that the rights, privileges, duties and obligations hereunder shall continue with respect to the capital stock of the Company as so changed.

**Section 6.7 Binding Effects; Benefits of Agreement.** This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns and each Holder and its successors and assigns. Except as provided in Article V, neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned or transferred, by operation of law or otherwise, by any Holder without the prior written consent of the Company.

**Section 6.8 Notices.** All notices that are required or may be given pursuant to this Agreement shall be sufficient in all respects if given in writing, in English and by personal delivery (if signed for receipt), by certified or registered United States mail (postage prepaid, return receipt requested), by a nationally recognized overnight delivery service for next day delivery, transmitted via electronic mail (following appropriate confirmation of receipt by return email, including an automated confirmation of receipt) and shall be deemed to have been made and the receiving party charged with notice, when received except that if received after 5:00 p.m. (in the recipient's time zone) on a Business Day or if received on a day that is not a Business Day, such notice, request or communication will not be effective until the next succeeding Business Day. All notices shall be addressed as follows:

(a) If to the Company, to:

Vital Energy, Inc.  
521 E. 2<sup>nd</sup> Street, Suite 1000  
Tulsa, Oklahoma 74120  
Attention: Mark Denny  
Email: mark.denny@vitalenergy.com

with copies to (which shall not constitute notice):

Akin Gump Strauss Hauer & Feld LLP  
1111 Louisiana Street, 44th Floor  
Houston, Texas 77002  
Attention: Christopher Centrich  
Email: ccentrich@akingump.com

(b) If to the Investors, to:

Granite Ridge Vital, LLC  
5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Tyler Farquharson  
Email: tyler@graniteridge.com

GREP IV-A Permian, LLC  
5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Emily Fuquay  
Email: emily@grey-rock.com

GREP IV-B Permian, LLC  
5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Emily Fuquay  
Email: emily@grey-rock.com

with a copy to (which shall not constitute notice):

Holland & Knight LLP  
1722 Routh Street, Suite 1500  
Dallas, Texas 75201  
Attention: Jeremiah Mayfield  
E-mail: Jeremiah.Mayfield@hklaw.com

(c) If to any other Holders, to their respective addresses set forth on the applicable Adoption Agreement.

Any party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the party to which such notice is addressed.

**Section 6.9 Modification; Waiver.** This Agreement may be amended, modified or supplemented only by a written instrument duly executed by the Company and the Majority Holders. No course of dealing between the Company and the Holders (or any of them) or any delay in exercising any rights hereunder will operate as a waiver of any rights of any party to this Agreement. The failure of any party to enforce any of the provisions of this Agreement will in no way be construed as a waiver of such provisions and will not affect the right of such party thereafter to enforce each and every provision of this Agreement in accordance with its terms.

**Section 6.10 Entire Agreement.** Except as otherwise expressly provided herein, this Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith.

**Section 6.11 Third Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement shall not confer any rights or remedies upon any Person other than the parties hereto and their respective successors and permitted assigns and other Persons expressly named herein.

**Section 6.12 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

*[Signature pages follow]*

**IN WITNESS WHEREOF**, each of the parties hereto has caused this Agreement to be executed by its undersigned duly authorized representative as of the date first written above.

**VITAL ENERGY, INC.**  
a Delaware corporation

By: \_\_\_\_\_  
Name: Jason Pigott  
Title: President and Chief Executive Officer

SIGNATURE PAGE TO REGISTRATION RIGHTS AGREEMENT

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**Granite Ridge Vital, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: [●]  
Title: [●]

**GREP IV-A Permian, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: [●]  
Title: [●]

**GREP IV-B Permian, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: [●]  
Title: [●]

**EXHIBIT A**

**ADOPTION AGREEMENT**

This Adoption Agreement (“Adoption Agreement”) is executed by the undersigned transferee (“Transferee”) pursuant to the terms of that certain Registration Rights Agreement, dated as of December [ ], 2023, by and among Vital Energy, Inc., a Delaware corporation (the “Company”), and Granite Ridge Vital, LLC, a Delaware limited liability company, GREP IV-A Permian, LLC, a Delaware limited liability company, and GREP IV-B Permian, LLC, a Delaware limited liability company, and the Holders from time to time party thereto (as amended, supplemented, or otherwise modified from time to time, the “Registration Rights Agreement”). Terms used and not otherwise defined in this Adoption Agreement have the meanings set forth in the Registration Rights Agreement.

By the execution of this Adoption Agreement, the Transferee agrees as follows:

1. Acknowledgement. Transferee acknowledges that Transferee is acquiring certain shares of [Common Stock] [and] [Preferred Stock] of the Company, subject to the terms and conditions of Registration Rights Agreement, among the Company and the Holders party thereto.
2. Agreement. Transferee (i) agrees that the shares of [Common Stock] [and] [Preferred Stock] of the Company acquired by Transferee shall be bound by and subject to the terms of the Registration Rights Agreement, pursuant to the terms thereof, and (ii) hereby adopts the Registration Rights Agreement with the same force and effect as if he, she, or it were originally a party thereto.
3. Notice. Any notice required as permitted by the Registration Rights Agreement shall be given to Transferee at the address listed beside Transferee’s signature below.
4. Joinder. The spouse of the undersigned Transferee, if applicable, executes this Adoption Agreement to acknowledge its fairness and that it is in such spouse’s best interest, and to bind such spouse’s community interest, if any, in the shares of [Common Stock] [and] [Preferred Stock] and other securities referred to above and in the Registration Rights Agreement, to the terms of the Registration Rights Agreement.

Signature:

---

Address:  
Contact Person:  
Telephone No:  
Email:

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**EXHIBIT E**

**FORM OF INVESTOR AGREEMENT**

Dated as of December[•], 2023

By and Among

Vital Energy, Inc.

and

Granite Ridge Vital, LLC,

GREP IV-A Permian, LLC,

and

GREP IV-B Permian, LLC

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**INVESTOR AGREEMENT**, dated as of December[•], 2023 (this “Agreement”), by and among Vital Energy, Inc., a corporation incorporated under the laws of Delaware (the “Company”), and Granite Ridge Vital, LLC, a Delaware limited liability company, GREP IV-A Permian, LLC, a Delaware limited liability company, and GREP IV-B Permian, LLC, a Delaware limited liability company (each, an “Investor” and, collectively, the “Investors”).

WITNESSETH:

WHEREAS, on December[•], 2023, the Company and Granite Ridge Holdings LLC, GREP IV-A Permian, LLC, and GREP IV-B Permian, LLC (collectively, the “Sellers”), entered into a Purchase and Sale Agreement (as it may be amended, supplemented or otherwise modified from time to time, the “Purchase and Sale Agreement”), pursuant to which, among other things, the Sellers agreed to sell, and the Company agreed to purchase, the Sellers’ working interests in producing assets on the terms and subject to the conditions set forth in the Purchase and Sale Agreement;

WHEREAS, pursuant to and subject to the terms and conditions of the Purchase and Sale Agreement, in connection with the closing of the transaction contemplated thereby (the “Closing”), the Investors, as designees of the Sellers, have received shares of common stock, par value \$0.01 per share, of the Company (the “Common Stock”), and/or shares of 2.0% Cumulative Mandatory Convertible Preferred Stock, par value \$0.01 per share, of the Company (the “Preferred Stock”); and

WHEREAS, in connection with and pursuant to the Purchase and Sale Agreement, each of the parties hereto wishes to set forth in this Agreement certain terms and conditions regarding the Investors’ ownership of the Company shares and to establish certain rights, restrictions and obligations of the Investors with respect to such shares.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

VOTING AGREEMENT; TRANSFERS; STANDSTILL

1.1 Transfer Restrictions.

(a) Notwithstanding anything to the contrary contained herein, no Investor Party shall Transfer any shares of Preferred Stock without the prior written consent of the Company.

(b) Notwithstanding anything to the contrary contained herein, no Investor Party shall Transfer any Voting Securities:

(i) to any Person or Group if, after giving effect to such Transfer, such Person or Group would, to such Investor Party’s knowledge, Beneficially Own 5% or more of the outstanding Voting Securities;

(ii) on any given day in an amount greater than 20% of the average daily trading volume of the Common Stock for the 20-trading day period immediately preceding the date of such Transfer; or

(iii) to any Activist Stockholder or material competitor of the Company;

except, in each case, in a Transfer effected solely through a bona fide Underwritten Offering (as defined in the Registration Rights Agreement (as defined below)) pursuant to an exercise of the registration rights provided in the Registration Rights Agreement or one or more open market transactions pursuant to Rule 144 under the Securities Act, as long as the Investor Party making such Transfer does not have knowledge that the Transfer would otherwise violate any of the foregoing clauses (i), (ii) or (iii).

(c) The restrictions set forth in Section 1.1(a) and (b) shall not apply to Transfers of Voting Securities or shares of Preferred Stock (1) to the Company or its Subsidiaries or any of their respective Affiliates, (2) in any tender offer or exchange offer that has been at any time recommended by, or approved by, the board of directors of the Company (the "Company Board") or (3) pursuant to any sale, merger, consolidation, acquisition (including by way of tender offer or exchange offer or share exchange), recapitalization or other business combination in one or a series of related transactions (i) involving the Company or any of its Affiliates pursuant to which more than 50% of the Voting Securities or the consolidated total assets of the Company and its Affiliates, taken as a whole, would be acquired or received by any Person (other than the Company or its Subsidiaries) or (ii) involving the Investors or any Affiliate of the Investors pursuant to which more than 50% of the consolidated total assets of the Investors and its Affiliates, taken as a whole, would be acquired or received by any Person (other than the Investors or their respective Subsidiaries).

(d) The Investors acknowledge and agree that, prior to the Stockholder Approval, pursuant to requirements of the New York Stock Exchange, the shares of Common Stock received by the Investors at Closing (the "Issued Common Shares") will not be entitled to vote on a proposal to approve the issuance of shares of Common Stock upon conversion of the Preferred Stock to be voted on at a meeting of the Company's stockholders, and the shares of Common Stock will bear a legend to that effect. The Investors acknowledge and agree that such legend shall not be removed, and shall be applicable to any transferees of the Issued Common Shares, prior to the Stockholder Approval.

(e) Each Investor agrees to use its commercially reasonable efforts to provide written notification to the Company within five (5) Business Days after the end of each calendar quarter in which any Investor Party has transferred any Voting Securities the number of Voting Securities transferred by the Investor Parties during such quarter and (other than in the case of a Transfer effected solely through a bona fide Underwritten Offering pursuant to an exercise of the registration rights provided in the Registration Rights Agreement or one or more open market transactions pursuant to Rule 144 under the Securities Act in which the identity of the Transferees is not reasonably ascertainable) the identity of any Transferee; *provided*, that any public disclosure (including pursuant to the Exchange Act or the Securities Act) regarding a Transfer will be deemed to have satisfied such notification obligations pursuant to this sentence with respect to such Transfer.

(f) The right of any Investor Party to Transfer Voting Securities or shares of Preferred Stock Beneficially Owned by such Person is subject to the restrictions set forth in this Section 1.1, and no Transfer by any Person of Voting Securities or shares of Preferred Stock Beneficially Owned by such Person may be effected except in compliance with this Section 1.1. Any Transfer or attempted Transfer of Voting Securities or shares of Preferred Stock in violation of this Agreement shall be of no effect and null and void *ab initio*, regardless of whether the purported Transferee has any actual or constructive knowledge of the Transfer restrictions set forth in this Agreement, and the Company shall not, and shall instruct its transfer agent and other third parties not to, record or recognize any such purported transaction on the share register of the Company.

1.2 Standstill Provisions.

(a) From the Closing Date until the termination of the Standstill Period, neither an Investor nor any of its Affiliates shall (or shall permit any of their respective Representatives, acting on the behalf of or at the direction of any of them), directly or indirectly:

(i) acquire, agree to acquire, propose or offer to acquire, facilitate the acquisition or ownership of, or solicit the acquisition of, by purchase, tender or exchange offer, through the acquisition of control of another Person (including by way of merger or consolidation), by joining a partnership, syndicate or other Group, through the use of a derivative instrument or voting agreement, or otherwise, Beneficial Ownership of any Voting Securities, or securities of the Company that are convertible, exchangeable or exercisable into Voting Securities, other than as a result of (x) the conversion of the shares of Preferred Stock into Common Stock in accordance with the certificate of designations for the Preferred Stock and (y) any stock split, stock dividend, subdivision, recapitalization or similar reorganization of Voting Securities effected by the Company;

(ii) deposit any Voting Securities into a voting trust or similar Contract or subject any Voting Securities to any voting agreement, pooling arrangement or similar arrangement or other Contract, or grant any proxy with respect to any Voting Securities (other than to the Company or a Person specified by the Company in a proxy card provided to stockholders of the Company by or on behalf of the Company);

(iii) enter, agree to enter, publicly propose or offer to enter into, or make any public announcement with respect to, any merger, business combination, recapitalization, restructuring, change in control transaction, sale of all or a material portion of the assets of the Company or any of its Subsidiaries or other similar extraordinary transaction involving the Company or any of its Subsidiaries (unless such transaction is affirmatively publicly recommended by the Company Board and there has otherwise been no breach of this Section 1.2 in connection with or relating to such transaction);

(iv) make, or knowingly and publicly facilitate, encourage or otherwise participate or engage in, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Commission) to vote, or advise or knowingly influence any Person with respect to the voting of, any Voting Securities;

(v) call, or seek to call, a meeting of the stockholders of the Company or initiate any stockholder proposal for action by stockholders of the Company, including action by written consent;

(vi) form, join or in any way participate in a Group (other than a Group which consists solely of the Investors and one or more of their respective Affiliates), with respect to any Voting Securities;

(vii) otherwise act, alone or in concert with others, to seek to control or influence the management or the policies of the Company;

(viii) sell, offer or agree to sell, directly or indirectly, through swap or hedging transactions or otherwise, voting rights decoupled from the underlying Voting Securities to any third party;

(ix) advise or knowingly assist or encourage or enter into discussions, negotiations, agreements or arrangements with any other Persons in connection with any of the foregoing activities; or

- (x) publicly disclose any intention, plan, arrangement or other Contract prohibited by, or inconsistent with, the foregoing;

*provided* that, notwithstanding anything to the contrary in this Section 1.2(a), (1) each Investor and any of its Affiliates may at any time (A) initiate and engage in private discussions with, and submit non-public, confidential proposals to, the Company Board (or any committee or other designee thereof) or (B) make a confidential request to the Company seeking an amendment or waiver of this Section 1.2(a), in each case so long as such proposals or requests do not require public disclosure and the making of such proposal or request would not reasonably be expected to require the Company to make a public announcement of its receipt and (2) for the avoidance of doubt, (x) the consummation of the transactions contemplated by the Purchase and Sale Agreement and (y) such Investor's exercise of its rights or the performance of its obligations under any other Transaction Document shall not be deemed violations of this Section 1.2(a).

(b) Each Investor further agrees that, during the Standstill Period, neither such Investor nor any of its Affiliates shall (or shall permit any of their respective Representatives, acting on the behalf of or at the direction of any of them), directly or indirectly (x) publicly request the Company to amend or waive any provision of this Section 1.2 (including this sentence) or (y) take any action that would reasonably be expected to require the Company to make a public announcement regarding the possibility of a business combination, merger or other type of transaction or any other matter described in this Section 1.2.

### 1.3 Voting Agreements.

(a) At all times during the Standstill Period, each Investor shall, and shall cause each of its Affiliates to, cause all Voting Securities Beneficially Owned by it to be counted as present for purposes of establishing a quorum.

(b) At all times during the Standstill Period, each Investor shall, and shall cause each of its Affiliates to, cause to be voted by proxy (returned sufficiently in advance of the deadline for proxy voting for the Company to have the reasonable opportunity to verify receipt) on or in accordance with the proxy card mailed by the Company to the stockholders of the Company in connection with the solicitation of any proxy (including, if applicable, through the execution of one or more written consents if stockholders of the Company are requested to vote through the execution of an action by written consent in lieu of any such annual or special meeting of stockholders of the Company), in the following manner:

(i) in favor of all those persons nominated to serve as directors of the Company by the Company Board or the Nominating, Corporate Governance, Environmental and Social Committee of the Company Board,

(ii) in favor of the Company's proposal for ratification of the appointment of the Company's independent registered public accounting firm,

(iii) in favor of the Company's "say-on-pay" proposal and any proposal by the Company relating to equity compensation that has been approved by the Compensation Committee of the Company Board and (z) in accordance with the recommendation of the Company Board with respect to any proposal brought by any stockholder of the Company (including any proposal pursuant to Rule 14a-8 under the Exchange Act), and

(iv) in accordance with the recommendation of the Company Board with respect to all matters relating to any merger, acquisition or business combination transaction involving the Company or any of its Subsidiaries or equity issuance of the Company,

to the extent such matters are to be voted upon by the stockholders of the Company (including through action by written consent), in accordance with the recommendation of the Company Board. Except as set forth in this Section 1.3(b), neither an Investor nor any of its Affiliates shall be under any obligation by virtue of this Agreement to vote in the same manner as recommended by the Company Board or any other Person, or in any other manner, other than in its sole discretion.

(c) No Investor shall vote on any proposal to approve the issuance of shares of Common Stock upon conversion of the shares of Preferred Stock submitted to the Company's stockholders at the Company's annual or special meeting of stockholders.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Investors. Each Investor hereby represents and warrants to the Company as follows:

(a) If such Investor is not an individual, such Investor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Such Investor has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) The execution and delivery by such Investor of this Agreement and the performance by such Investor of its obligations under this Agreement do not and will not conflict with or violate any provision of, or require the consent or approval of any Person (except for any such consents or approvals which have been obtained) under, (x) Applicable Law, (y) if such Investor is not an individual, its organizational documents or (z) any material contract or agreement to which it is a party.

(c) If such Investor is not an individual, the execution and delivery by such Investor of this Agreement and the performance by such Investor of its obligations under this Agreement have been duly authorized by all necessary corporate or other analogous action on its part and does not require any corporate or other action on the part of any trustee or beneficial or record owner of any equity interest in it, other than those which have been obtained prior to the date hereof and are in full force and effect.

(d) This Agreement has been duly executed and delivered by such Investor and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes a legal, valid and binding obligation of such Investor, enforceable against such Investor in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

2.2 Representations and Warranties of the Company. The Company hereby represents and warrants to the Investors as follows:

(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction of its incorporation. The Company has all requisite power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement.

(b) The execution and delivery by the Company of this Agreement and the performance by the Company of its obligations under this Agreement do not and will not conflict with or violate any provision of, or require the consent or approval of any Person (except for any such consents or approvals which have been obtained) under, (x) Applicable Law, (y) its organizational documents or (z) any material contract or agreement to which it is a party.

(c) The execution and delivery by the Company of this Agreement and the performance by the Company of its obligations under this Agreement have been duly authorized by all necessary corporate action on its part and does not require any corporate or other action on the part of any trustee or beneficial or record owner of any equity interest in it, other than those which have been obtained prior to the date hereof and are in full force and effect.

(d) This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties hereto, constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

### ARTICLE III

#### DEFINITIONS

3.1 Defined Terms. Capitalized terms when used in this Agreement have the following meanings:

“Activist Stockholder” means, as of any date of determination, a Person (other than the Investors, the Company and their respective Affiliates (and, in the case of the Investors, the Investors' Affiliates)) that has, directly or indirectly through its Affiliates, whether individually or as a member of a group, within the three (3) year period immediately preceding such date of determination (i) called or publicly sought to call a meeting of the stockholders or other equityholders of any Person not publicly approved (at the time of the first such action) by the board of directors or similar governing body of such Person, (ii) publicly initiated any proposal for action by stockholders or other equityholders of any Person initially publicly opposed by the board of directors or similar governing body of such Person, (iii) publicly sought election to, or to place a director or representative on, the board of directors or similar governing body of a Person, or publicly sought the removal of a director or other representative from such board of directors or similar governing body, in each case which election or removal was not recommended or approved publicly (at the time such election or removal is first sought) by the board of directors or (iv) publicly disclosed any intention, plan or arrangement to do any of the foregoing.

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person. For purposes of this definition, “control” when used with respect to any Person, unless otherwise specified, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have correlative meanings; *provided, however*, that the Investors shall not be deemed Affiliates of the Company or any of its Subsidiaries for purposes of this Agreement.

“Applicable Law” means, with respect to any Person, all applicable U.S., non-U.S. or transnational federal, state or local Laws.

“Beneficial Owner”, “Beneficially Own” or “Beneficial Ownership” has the meaning assigned to such term in Rule 13d-3 under the Exchange Act, and a Person's beneficial ownership of securities shall be calculated in accordance with the provisions of such Rule (in each case, irrespective of whether or not such Rule is actually applicable in such circumstance).

“Business Day” means a day, other than a Saturday or Sunday or public holiday in New York, New York on which banks are open in New York, New York for general commercial business.

“Closing Date” means the date of the Closing.

“Commission” means the Securities and Exchange Commission or any other federal agency administering the Securities Act.

“Contract” means any written or oral contract, agreement, obligation, understanding or instrument, lease or license.

“Equity Interest” means any share of capital stock or other class of equity securities of a Person, whether voting or non-voting.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Governmental Authority” means any federal, national, state, local, cantonal, municipal, international or multinational government or political subdivision thereof, governmental department, commission, board, bureau, agency, taxing or regulatory authority, instrumentality or judicial or administrative body, or arbitrator or SRO, having jurisdiction over the matter or matters in question.

“Group” has the meaning assigned to such term in Section 13(d)(3) of the Exchange Act.

“Investor Parties” means, collectively, the Investors and their respective Affiliates.

“Laws” means laws, statutes, binding Orders, rules, and regulations, ordinances, directives, treaties, rules of common law and rules of any applicable SRO.

“Order” means any order, writ, decree, judgment, award, decision, injunction, ruling, settlement, verdict, consent decree, compliance order, civil or administrative order, or stipulation issued, promulgated, made, rendered or entered into by or with any Governmental Authority or arbitrator (in each case, whether temporary, preliminary or permanent).

“Person” an individual, firm, body corporate (wherever incorporated), partnership, limited liability company, association, joint venture, trust, foundation, works council or employee representative body (whether or not having separate legal personality) or other entity or organization, including a Governmental Authority.

“Registration Rights Agreement” means the Registration Rights Agreement, dated as of November 5, 2023, by and among the Company and the Investors.

“Representatives” means an Investor’s or any of its Affiliates’ respective directors, officers, employees and authorized representatives (including attorneys, accountants, consultants, bankers and financial advisors thereof).

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

“SRO” means (i) any “self-regulatory organization” as defined in Section 3(a)(26) of the Exchange Act, (ii) any other United States or foreign securities exchange, futures exchange, commodities exchange or contract market, or (iii) any other securities exchange.

“Standstill Period” means the period beginning on the Closing and ending on the date that is thirty (30) days after the date on which the Investor Parties cease to Beneficially Own at least 10% of the outstanding Voting Securities; *provided, however*, that if the Investor Parties do not Beneficially Own 10% or more of the outstanding Voting Securities as of the Closing, the Standstill Period for the Investors shall terminate on the Closing Date.

“Stockholder Approval” means the approval by holders of a majority of the issued and outstanding shares of Common Stock (excluding the Issued Common Shares), required by the applicable rules and regulations of the New York Stock Exchange (or any successor entity) from the stockholders of the Company with respect to the issuance of shares of Common Stock upon conversion of the shares of Preferred Stock.

“Subsidiary” means, with respect to any Person, another Person with respect to which the first Person holds, directly or indirectly, (a) an amount of the voting securities, other voting ownership or voting partnership interests sufficient to elect at least a majority of its board of directors or other governing body or (b) more than 50% of the equity interests.

“Transaction Document” means this Agreement, the Purchase and Sale Agreement, the Transition Services Agreement (as defined in the Purchase and Sale Agreement) and the Registration Rights Agreement.

“Transfer” means (i) any direct or indirect offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or otherwise), either voluntary or involuntary, or entry into any contract, option or other arrangement or understanding with respect to any offer, sale, lease, assignment, encumbrance, pledge, hypothecation, disposition or other transfer (by operation of law or otherwise), of any capital stock or interest in any capital stock or (ii) in respect of any capital stock or interest in any capital stock, entry into any swap, put option, derivative, or any other agreement, transaction or series of transactions that hedges or transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of such capital stock or interest in capital stock, whether any such swap, derivative, put option, agreement, transaction or series of transaction is to be settled by delivery of securities, in cash or otherwise; *provided* that a “Transfer” will not include (A) the granting of a pledge, lien or other security interest over any capital stock or interest in any capital stock to a nationally recognized bank or broker-dealer in connection with any bona fide financing arrangements (including any bona fide margin loan transaction) entered into with any such nationally recognized bank or broker-dealer, or the ability of such a bank or broker-dealer to foreclose on and Transfer such capital stock or interest in any capital stock and any foreclosure or Transfer by such a bank or broker-dealer, as long as such bank or broker-dealer agrees with the relevant Transferee (with the Company as an express third party beneficiary of such agreement) that following such foreclosure it shall not directly or indirectly Transfer (other than pursuant to a broadly distributed public offering or a sale effected through a broker dealer) any such foreclosed capital stock or interest in any capital stock without the Company’s prior written consent, or the enforcement of any rights related thereto or (B) any indirect Transfer of Equity Interests of the Company by virtue of an issuance of a direct or indirect Equity Interest in the Investors, any of its Affiliates or any of their respective securityholders. “Transferor” means a Person that Transfers or proposes to Transfer; and “Transferee” means a Person to whom a Transfer is made or is proposed to be made.

“Voting Securities” means shares of Common Stock and any other securities of the Company entitled to vote generally in the election of directors of the Company.

### 3.2 Other Defined Terms.

<b>Term</b>	<b>Section</b>
Agreement	Preamble
Closing	Recitals
Common Stock	Recitals
Company	Preamble
Company Board	1.1(b)
Investor	Preamble
Issued Common Shares	1.1(d)
Preferred Stock	Recitals
Purchase and Sale Agreement	Recitals
Sellers	Recitals

3.3 Interpretation. Whenever used: the words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation,” and the words “hereof,” “hereunder” and “herein” and similar words shall be construed as references to this Agreement as a whole and not limited to the particular provision of the Article or Section in which the reference appears. Unless the context otherwise requires, references herein: (x) to Articles and Sections mean the Articles and Sections of this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute, rule or regulation means such statute, rule or regulation as amended or supplemented from time to time and includes any successor legislation thereto and any rules or regulations promulgated thereunder. References to “\$” or “dollars” means United States dollars. Any reference in this Agreement to any gender shall include all genders. The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms. The headings and captions herein are for convenience of reference only and do not affect the construction or interpretation of any of the provisions hereof. The word “extent” in the phrase “to the extent” shall mean the degree to which a subject or other theory extends and such phrase shall not mean “if.” The word “or” when used in this Agreement is not exclusive. If, and as often as, there is any change in the outstanding shares of the Company Common Stock by reason of any stock split, reverse stock split, stock dividend, subdivision, reclassification, recapitalization or exchange or similar reorganization of shares, appropriate adjustment shall be made in the provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the rights and obligations set forth herein that continue to be applicable on the date of such change. Any reference to “written” or “in writing” refers to printing, typing and other means of reproducing words (including electronic media) in a visible form, including e-mail. To the extent that this Agreement requires an Affiliate or Subsidiary of any party to take or omit to take any action, such covenant or agreement includes the obligation of such party to cause such Affiliate or Subsidiary to take or omit to take such action. The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. The word “party” is to be deemed to refer to a party hereto, unless the context requires otherwise.

ARTICLE IV

MISCELLANEOUS

4.1 Term. This Agreement will be effective as of the date hereof and, except as otherwise set forth herein, will continue in effect thereafter until the first date on which the Investors cease to Beneficially Own any Voting Securities or shares of Preferred Stock; *provided, however*, that the representations and warranties of the Investors and the Company in Section 2.1 and Section 2.2, respectively, and this Article IV shall survive any termination of this Agreement.

4.2 Notices.

(a) Notices and other statements in connection with this Agreement shall be in writing in the English language and shall be delivered by hand, email or overnight courier to the recipient's address as set forth below or to such other address as a party hereto may notify to the other parties hereto from time to time and shall be given:

(i) if to the Company, to:

Name: Vital Energy, Inc.  
Address: 521 E. 2nd Street, Suite 1000  
Tulsa, Oklahoma 74120  
Attention: Mark Denny  
Email: mark.denny@vitalenergy.com

with a copy to (which shall not be considered notice):

Name: Akin Gump Strauss Hauer & Feld LLP  
Address: 1111 Louisiana Street, 44th Floor  
Houston, Texas 77002  
Attention: Christopher Centrich  
Email: ccentrich@akingump.com

(ii) if to the Investors, to:

Name: Granite Ridge Vital, LLC  
Address: 5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Tyler Farquharson  
Email: tyler@graniteridge.com

Name: GREP IV-A Permian, LLC  
Address: 5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Emily Fuquay  
Email: emily@grey-rock.com

Name: GREP IV-B Permian, LLC  
Address: 5217 McKinney Ave., Suite 400  
Dallas, Texas 75205  
Attention: Emily Fuquay  
Email: emily@grey-rock.com

with a copy to (which shall not be considered notice):

Name: Holland & Knight LLP  
Address: 1722 Routh Street, Suite 1500  
Dallas, Texas 75201  
Attention: Jeremiah Mayfield  
Email: Jeremiah.Mayfield@hklaw.com

(b) A notice shall be effective upon receipt and shall be deemed to have been received: (i) at the time of delivery, if delivered by hand, or overnight courier; or (ii) at the time of transmission if sent by email (receipt confirmation requested).

4.3 Amendments and Waivers. Each of the parties hereto agrees that no provision of this Agreement may be amended or modified unless such amendment or modification is in writing and signed by the Company and the Investors. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

4.4 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided*, that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto.

4.5 Severability. It is the intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under Applicable Law and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this Agreement shall be adjudicated to be invalid or unenforceable, such provision or portion thereof shall be deemed amended to the minimum extent necessary to render such provision or portion valid and enforceable, and such amendment will apply only with respect to the operation of such provision or portion in the particular jurisdiction in which such adjudication is made.

4.6 Counterparts. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that each party need not sign the same counterpart. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments or waivers hereto or thereto, to the extent signed and delivered by means of electronic signature or by e-mail delivery of an electronic data file, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto or to any such agreement or instrument shall raise the use of electronic signature or e-mail delivery of an electronic data file to deliver a signature to this Agreement or any amendment hereto or the fact that any signature or agreement or instrument was transmitted or communicated through the use of electronic signature or e-mail delivery of an electronic data file as a defense to the formation of a contract and each party hereto forever waives any such defense.

4.7 Entire Agreement. This Agreement (including the documents and the instruments referred to in this Agreement) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter of this Agreement.

4.8 Governing Law: Jurisdiction: WAIVER OF JURY TRIAL.

(a) This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, without regard to the conflicts of law rules of such state that would cause the law of any other jurisdiction to apply.

(b) The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought exclusively in the Delaware Court of Chancery in and for New Castle County, or in the event (but only in the event) that such Delaware Court of Chancery does not have subject matter jurisdiction over such dispute, the United States District Court for the District of Delaware; *provided*, that if such court does not have jurisdiction, any such action shall be brought exclusively in any other state court sitting in the State of Delaware, so long as such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 4.2 shall be deemed effective service of process on such party.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

4.9 Specific Performance. The parties hereto agree that irreparable damage would occur, and that the parties would not have any adequate remedy at law, in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to specifically enforce the terms and provisions of this Agreement, without proof of actual damages or otherwise, in addition to any other remedy to which any party is entitled at law or in equity. Each party agrees to waive any requirement for the securing or posting of any bond in connection with such remedy. The parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to law or inequitable for any reason, nor to assert that a remedy of monetary damages would provide an adequate remedy.

4.10 No Third-Party Beneficiaries. Nothing in this Agreement shall confer any rights upon any Person other than the parties hereto and each such party's respective heirs, successors and permitted assigns.

*The remainder of this page intentionally left blank.*

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement by their authorized representatives as of the date first above written.

VITAL ENERGY, INC.

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Investor Agreement]*

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IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement by their authorized representatives as of the date first above written.

Granite Ridge Vital, LLC

By: \_\_\_\_\_  
Name:  
Title:

GREP IV-A Permian, LLC

By: \_\_\_\_\_  
Name:  
Title:

GREP IV-B Permian, LLC

By: \_\_\_\_\_  
Name:  
Title:

*[Signature Page to Investor Agreement]*

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-257799, 333-260479, 333-263752, 333-271095, 333-275259, 333-275347, and 333-275348) and Form S-8 (File Nos. 333-178828, 333-211610, 333-231593 and 333-256431) of Vital Energy, Inc. of our report dated December 5, 2023, with respect to the statements of revenues and direct operating expenses of certain properties of Granite Ridge Resources, Inc. operated by Henry Energy LP for the years ended December 2022 and 2021 included in Vital Energy, Inc.'s current report on this Form 8-K/A.

**FORVIS, LLP**

/s/ FORVIS, LLP

Dallas, Texas  
December 22, 2023

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**CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS**

We hereby consent to the inclusion in the current report on Form 8-K/A of Vital Energy, Inc. and incorporation by reference in Vital Energy, Inc.'s Registration Statements on Form S-3 (File Nos. 333-257799, 333-260479, 333-263752, 333-271095, 333-275259, 333-275347, and 333-275348) and Form S-8 (File Nos. 333-178828, 333-211610, 333-231593 and 333-256431) of all references to our firm and information from each of our reserves report as of December 31, 2022, dated December 1, 2023, relating to the oil and gas reserves of (i) Granite Ridge Resources, Inc., (ii) Grey Rock Energy Fund IV-A, LP, and (iii) Grey Rock Energy Fund IV-B Holdings, LP, respectively.

**NETHERLAND, SEWELL & ASSOCIATES, INC.**

By: /s/ Eric. J. Stevens  
Eric J. Stevens, P.E.  
President and Chief Operating Officer

Dallas, Texas  
December 22, 2023

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## **Vital Energy Acquires Additional Working Interests in Recent High-Value Acquisitions in the Permian Basin**

**TULSA, OK - December 21, 2023** - Vital Energy, Inc. (NYSE: VTLE) ("Vital Energy" or the "Company") today announced the acquisition of additional working interests in producing assets associated with the recent asset acquisition from Henry Energy LP, Moriah Henry Partners LLC and Henry Resources LLC (collectively "Henry") for total consideration of \$55 million<sup>1</sup>.

The purchase will increase Vital Energy's working interest in 45 wells by an average of 24%, increasing the Company's estimated 2024 production by approximately 1,400 BOE/d (57% oil). The transaction is expected to increase Vital Energy's 2024 Free Cash Flow<sup>2</sup> by approximately \$20 million<sup>3</sup>, furthering Vital Energy's deleveraging goals.

The transaction is associated with the exercise of tag-along rights by owners of certain assets in the Henry acquisition that enable Vital Energy to purchase and finance the assets on the same terms as the Henry purchase and sale agreement, in which the Company's shares were issued at \$54.96. Vital Energy funded the transaction through the issuance of 627,000 shares of its common stock and 595,000 shares of its 2.0% cumulative mandatorily convertible preferred securities.

"This transaction further demonstrates the opportunities provided by our increased scale in the Permian," stated Jason Pigott, President and Chief Executive Officer. "Our larger operating footprint across the Midland and Delaware basins continues to drive new efficiencies through bolt-on transactions that increase working interest or optimize our development plans by enabling longer laterals. As we successfully integrate these high-value acquisitions we expect to see continued gains in capital efficiency and stronger Free Cash Flow."

<sup>1</sup>Assumes VTLE December 21, 2023 closing price; <sup>2</sup>Non-GAAP financial measure; please see supplemental discussion of GAAP to non-GAAP financial measures at the end of this release; <sup>3</sup>Assumes \$72 WTI / \$2.50 HH for FY-24

### **About Vital Energy**

Vital Energy, Inc. is an independent energy company with headquarters in Tulsa, Oklahoma. Vital Energy's business strategy is focused on the acquisition, exploration and development of oil and natural gas properties in the Permian Basin of West Texas.

Additional information about Vital Energy may be found on its website at [www.vitalenergy.com](http://www.vitalenergy.com).

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## **Forward Looking Statements**

*This press release and any oral statements made regarding the subject of this release contain forward-looking statements as defined under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, that address activities that Vital Energy assumes, plans, expects, believes, intends, projects, indicates, enables, transforms, estimates or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events. The forward-looking statements involve risks and uncertainties.*

*General risks relating to Vital Energy include, but are not limited to, continuing and worsening inflationary pressures and associated changes in monetary policy that may cause costs to rise; changes in domestic and global production, supply and demand for commodities, including as a result of actions by the Organization of Petroleum Exporting Countries and other producing countries and the Russian-Ukrainian or Israeli-Hamas military conflicts, the decline in prices of oil, natural gas liquids and natural gas and the related impact to financial statements as a result of asset impairments and revisions to reserve estimates, reduced demand due to shifting market perception towards the oil and gas industry; competition in the oil and gas industry; the ability of the Company to execute its strategies, including its ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to its financial results and to successfully integrate acquired businesses, assets and properties, pipeline transportation and storage constraints in the Permian Basin, the effects and duration of the outbreak of disease, and any related government policies and actions, long-term performance of wells, drilling and operating risks, the possibility of production curtailment, the impact of new laws and regulations, including those regarding the use of hydraulic fracturing, including under the Inflation Reduction Act (the "IRA"), including those related to climate change, the impact of legislation or regulatory initiatives intended to address induced seismicity on the Company's ability to conduct its operations; hedging activities, tariffs on steel, the impacts of severe weather, including the freezing of wells and pipelines in the Permian Basin due to cold weather; possible impacts of litigation and regulations, the impact of the Company's transactions, if any, with its securities from time to time, the impact of new environmental, health and safety requirements applicable to the Company's business activities, the possibility of the elimination of federal income tax deductions for oil and gas exploration and development and imposition of any additional taxes under the IRA or otherwise, and other factors, including those and other risks described in its Annual Report on Form 10-K for the year ended December 31, 2022 and those set forth from time to time in other filings with the Securities and Exchange Commission (the "SEC"). These documents are available through Vital Energy's website at [www.vitalenergy.com](http://www.vitalenergy.com) under the tab "Investor Relations" or through the SEC's Electronic Data Gathering and Analysis Retrieval System at [www.sec.gov](http://www.sec.gov). Any of these factors could cause Vital Energy's actual results and plans to differ materially from those in the forward-looking statements. Therefore, Vital Energy can give no assurance that its future results will be as estimated. Any forward-looking statement speaks only as of the date on which such statement is made. Vital Energy does not intend to, and disclaims any obligation to, correct, update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.*

## **Free Cash Flow**

*Free Cash Flow is a non-GAAP financial measure that the Company defines as net cash provided by operating activities (GAAP) before net changes in operating assets and liabilities and non-budgeted acquisition costs, 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 its 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.*

## **Investor Contact**

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**Independent Auditor's Report**

Board of Directors  
Granite Ridge Resources Inc.  
Dallas, Texas

***Opinion***

We have audited the accompanying statements of revenues and direct operating expenses of certain properties of Granite Ridge Resources, Inc. operated by Henry Energy LP ("Henry") acquired by Vital Energy, Inc. (the "Henry Properties") for the years ended December 31, 2022 and 2021, and the related notes (the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the revenues and direct operating expenses of the Henry Properties for the years ended December 31, 2022 and 2021, in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of Granite Ridge Resources, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter — Basis of Presentation***

We draw attention to Note 1 to the financial statement, which describes that the accompanying financial statement was prepared for the purpose of complying with the rules and regulations of Rule 3-05 of the Securities and Exchange Commission's Regulation S-X. The presentation is not intended to be a complete financial statement presentation of the properties described above. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibilities for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
  - Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Granite Ridge Resources, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ FORVIS, LLP

Dallas, Texas  
December 5, 2023

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**HENRY PROPERTIES**  
**STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES**  
(in thousands)

	<u>Nine Months Ended September 30,</u>		<u>Year ended December 31,</u>	
	<u>2023</u>	<u>2022</u>	<u>2022</u>	<u>2021</u>
	(Unaudited)			
<b>REVENUES</b>				
Oil and natural gas sales	\$ 28,008	\$ 36,662	\$ 49,422	\$ 28,186
<b>DIRECT OPERATING EXPENSES</b>				
Lease operating expenses	5,458	4,243	5,982	3,218
Production and ad valorem taxes	1,245	2,185	3,245	1,675
Total direct operating expenses	6,703	6,428	9,227	4,893
<b>REVENUE IN EXCESS OF DIRECT OPERATING EXPENSES</b>	<u>\$ 21,305</u>	<u>\$ 30,234</u>	<u>\$ 40,195</u>	<u>\$ 23,293</u>

See accompanying Notes to the Statements of Revenues and Direct Operating Expenses.

## **1. Background and nature of operations**

The accompanying statements of Revenues and Direct Operating Expenses (the "Statements") represent the direct undivided interest in the revenue and direct operating expenses associated with certain oil and gas assets of Granite Ridge Resources, Inc. (the "Company") operated by Henry Energy LP ("Henry") ("the Henry Properties") in the Permian Basin of West Texas. The Henry Properties were acquired by Vital Energy, Inc. ("Vital").

The Statements vary from a complete income statement in accordance with accounting principals generally accepted in the United States of America ("US GAAP") as they do not include certain expenses incurred in connection with the ownership and operation of the Henry Properties, including but not limited to general and administrative expenses, effects of derivative transactions, interest expense, depletion and amortization, provision for income taxes and other expense items not directly associated with Henry Properties. Furthermore, no balance sheet has been presented for the Henry Properties because the Henry Properties were not accounted for as a separate subsidiary or division of the Company and complete financial statements thereof are not available, nor has information about the Henry Properties' operating, investing, and financing cash flows been provided for similar reasons. Accordingly, the accompanying Statements are presented in lieu of the full financial statements required under Rule 3-05 of the Securities and Exchange Commission's Regulation S-X.

The Statements for the nine months ended September 30, 2023 and 2022 are unaudited and have been prepared on the same basis as the Statements for the years ended December 31, 2022 and 2021 and, in the opinion of management of the Company, reflect all adjustments necessary to fairly state the Henry Properties' excess of revenues over direct operating expenses for the nine months ended September 30, 2023 and 2022.

## **2. Summary of significant accounting policies**

### *Use of Estimates*

The preparation of the Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting periods. Actual results could differ from those estimates.

### *Revenue Recognition*

The Company's revenues are primarily derived from its interests in the sale of oil and natural gas production. The Company recognizes revenue from its interests in the sales of oil and natural gas in the period that its performance obligations are satisfied.

Performance obligations are satisfied when the customer obtains control of product, when the Company has no further obligations to perform related to the sale, when the transaction price has been determined and when collectability is probable.

The Company receives payment from the sale of oil and natural gas production from one to three months after delivery. The transaction price is variable as it is based on market prices for oil and natural gas, less revenue deductions such as gathering, transportation and compression costs. Management has determined that the variable revenue constraint is overcome at the date control passes to the customer since the variable consideration to be received can be reasonably estimated based on daily market prices and historical transportation charges. Revenue is presented net of these costs within the Statements. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received; however, differences have been and are insignificant.

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### *Non-operated Crude Oil and Natural Gas Revenues*

The Company's proportionate share of production from non-operated properties is generally marketed at the discretion of the operators. For non-operated properties, the Company receives a net payment from the operator representing its proportionate share of sales proceeds which is net of transportation and production tax costs incurred by the operator, if any. Such non-operated revenues are recognized at the net amount of proceeds to be received by the Company during the month in which production occurs and it is probable the Company will collect the consideration it is entitled to receive. Proceeds are generally received by the Company within one to three months after the month in which production occurs.

### *Direct Operating Expenses*

Direct operating expenses are recognized when incurred and consist of direct expenses related to the operation of the Henry Properties. The direct operating expenses include lease operating expenses, production taxes and ad valorem taxes. Lease operating expenses represents field employees' salaries, saltwater disposal, repairs and maintenance, expensed workovers and other operating expenses. The Company incurs production taxes on the sale of its production. The Company incurs ad valorem tax on the value of its properties in certain states. These taxes are reported on a gross basis.

### **3. Contingencies**

The Company is subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although management believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, environmental matters are subject to regulation by various federal and state agencies.

The Company is not aware of any legal, environmental or other contingencies that would have a material effect on the Statements.

### **4. Risk Concentrations**

As a non-operator, 100% of the Company's wells are operated by third-party operating partners. As a result, the Company is highly dependent on the success of these third-party operators. If they are not successful in the development, exploitation, production and exploration activities relating to the Company's leasehold interests, or are unable or unwilling to perform, the Company's financial condition and results of operation could be adversely affected. These risks are heightened in a low commodity price environment, which may present significant challenges to these third-party operators. The Company's third-party operators will make decisions in connection with their operations that may not be in the Company's best interests, and the Company may have little or no ability to exercise influence over the operational decisions of its third-party operators.

Henry accounted for 100% of total revenue of the Henry Properties for the periods presented. The loss of Henry as an operator of the Henry Properties could adversely affect revenues attributable to the Company's assets in the short term.

### **5. Subsequent Events**

The Company has evaluated subsequent events through December 5, 2023, the date the Statements were available to be issued, and has concluded there are no material subsequent events that would require recognition or disclosure in these Statements.

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**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

**Oil and Natural Gas Reserves and Related Financial Data**

Information with respect to the Henry Properties' oil and natural gas producing activities is presented in the following tables. Reserve quantities, as well as certain information regarding future production and discounted cash flows, were determined by independent third-party reserve engineers, based on information provided by the Company.

Prices presented in the table below are the trailing 12 month simple average spot price at the first of the month for natural gas at Henry Hub and West Texas Intermediate crude oil at Cushing, Oklahoma, prior to adjustments for location, grade and quality.

	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Prices utilized in the reserve estimates before adjustments:		
Oil per Bbl	\$ 94.14	\$ 66.55
Natural gas per Mcf	6.36	3.60

The following tables present Henry Properties' third-party independent reserve engineers estimates of its proved developed and undeveloped oil and natural gas reserves. The Company emphasized that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of the available data and of engineering and geological interpretation and judgment.

	<b>Oil (MBbl)</b>	<b>Natural Gas (MMcf)</b>	<b>MBoe</b>
<b>Proved developed and undeveloped reserves at December 31, 2020</b>	2,947	5,235	3,820
Revisions of previous estimates	(802)	(774)	(931)
Extensions and discoveries	208	370	270
Production	(359)	(685)	(473)
<b>Proved developed and undeveloped reserves at December 31, 2021</b>	1,994	4,146	2,686
Revisions of previous estimates	107	1,769	402
Acquisition of reserves	348	832	487
Production	(447)	(899)	(597)
<b>Proved developed and undeveloped reserves at December 31, 2022</b>	2,002	5,848	2,978

	<b>Oil (MBbl)</b>	<b>Natural Gas (MMcf)</b>	<b>MBoe</b>
<b>Proved developed reserves:</b>			
December 31, 2021	1,133	2,359	1,527
December 31, 2022	1,654	5,016	2,491
<b>Proved undeveloped reserves:</b>			
December 31, 2021	861	1,787	1,159
December 31, 2022	348	832	487

**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

Notable changes in proved reserves for the year ended December 31, 2021 included the following:

- *Revisions of previous estimates.* In 2021, revisions of previous estimates decreased proved developed and undeveloped reserves by approximately 931 MBoe. The decrease was primarily due to unfavorable adjustments attributable to well performance, partially offset by higher oil and natural gas prices. The proved reserves at December 31, 2021 were determined using the SEC prices of \$66.55 per Bbl of oil and \$3.60 per MMBtu of natural gas, as compared to corresponding prices of \$39.54 per Bbl of oil and \$1.99 per MMBtu of natural gas at December 31, 2020.
- *Extensions and discoveries.* Extensions and discoveries of 270 MBoe were primarily the result of successful drilling activity in the Permian Basin.

Notable changes in proved reserves for the year ended December 31, 2022 included the following:

- *Revisions of previous estimates.* In 2022, revisions of previous estimates increased proved developed and undeveloped reserves by approximately 402 MBoe. The increase was primarily driven by higher oil and natural gas prices. The proved reserves at December 31, 2022 were determined using the SEC prices of \$94.14 per Bbl of oil and \$6.36 per MMBtu of natural gas, as compared to corresponding prices of \$66.55 per Bbl of oil and \$3.60 per MMBtu of natural gas at December 31, 2021.
- *Acquisition of reserves.* In 2022, acquisition of reserves of 487 MBoe were primarily attributable to the acquisition of certain proved undeveloped reserves in the Permian Basin.

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserved that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.

*Standardized Measure of Discounted Future Net Cash Inflows and Changes Therein*

Future oil and natural gas sales, production and development costs have been estimated using prices and costs in effect at the end of the years included, as required by ASC 932. ASC 932 requires that net cash flow amounts be discounted at 10%. Future production and development costs are computed by estimating the expenditures to be incurred in developing and producing our oil and natural gas reserves and for asset retirement obligations, assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the appropriate period-end statutory tax rates to the future pretax net cash flow relating to our proved oil and natural gas reserves, less the tax basis of the related properties and tax credits and loss carry forwards relating to crude oil and natural gas producing activities. The future income tax expenses do not give effect to tax credits, allowances, or the impact of general and administrative costs of ongoing operations relating to the proved oil and natural gas reserves.

The projections should not be viewed as realistic estimates of future cash flows, nor should the “standardized measure” be interpreted as representing current value to the Henry Properties. Material revisions to estimates of proved reserves may occur in the future; development and production of reserves may not occur in the period assumed; actual prices realized are expected to vary significantly from those used and actual costs may vary.

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**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

The following table sets forth the standardized measure of discounted future net cash flows attributable to the proved oil and natural gas reserves at December 31, 2022 and 2021:

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Future cash inflows	\$ 239,063	\$ 156,431
Future production costs	(64,826)	(54,481)
Future development costs	(5,705)	(14,325)
Future income tax expense	(1,255)	(821)
Future net cash flows	167,277	86,804
10% discount for estimated timing of cash flows	(63,418)	(28,560)
Standardized measure of discounted future net cash flows	<u>\$ 103,859</u>	<u>\$ 58,244</u>

A summary of the changes in the standardized measure of discounted future net cash flows attributable to proved reserves are as follow:

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2022</b>	<b>2021</b>
Balance, beginning of period	\$ 58,244	\$ 19,615
Sales of oil and natural gas produced, net of production costs	(40,195)	(23,293)
Extensions and discoveries	—	3,967
Previously estimated development cost incurred during the period	14,089	10,194
Net change of prices and production costs	48,989	44,242
Change in future development costs	(371)	6,119
Revisions of quantity and timing estimates	15,019	(10,105)
Accretion of discount	5,877	1,995
Change in income taxes	(218)	(192)
Acquisition of reserves	11,364	—
Other	(8,939)	5,702
Balance, end of period	<u>\$ 103,859</u>	<u>\$ 58,244</u>

**HENRY PROPERTIES**  
**STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES**  
**(in thousands)**

	<u>Nine Months Ended</u> <u>September 30, 2023</u> <u>(Unaudited)</u>
<b>REVENUES</b>	
Oil and natural gas sales	\$ 1,476
<b>DIRECT OPERATING EXPENSES</b>	
Lease operating expenses	184
Production and ad valorem taxes	<u>69</u>
Total direct operating expenses	<u>253</u>
<b>REVENUE IN EXCESS OF DIRECT OPERATING EXPENSES</b>	<u>\$ 1,223</u>

See accompanying Notes to the Statement of Revenues and Direct Operating Expenses.

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## **1. Background and nature of operations**

The accompanying statement of Revenues and Direct Operating Expenses (the "Statement") represent the direct undivided interest in the revenue and direct operating expenses associated with certain oil and gas assets of GREP IV-A Permian LLC (the "Fund") operated by Henry Energy LP ("Henry") ("the Henry Properties") in the Permian Basin of West Texas. The Henry Properties were acquired by Vital Energy, Inc. ("Vital").

The Statement varies from a complete income statement in accordance with accounting principals generally accepted in the United States of America ("US GAAP") as it does not include certain expenses incurred in connection with the ownership and operation of the Henry Properties, including but not limited to general and administrative expenses, effects of derivative transactions, interest expense, depletion and amortization and other expense items not directly associated with Henry Properties. Furthermore, no balance sheet has been presented for the Henry Properties because the Henry Properties were not accounted for as a separate subsidiary or division of the Fund and complete financial statements thereof are not available, nor has information about the Henry Properties' operating, investing, and financing cash flows been provided for similar reasons. Accordingly, the accompanying Statement is presented in lieu of the full financial statements required under Rule 3-05 of the Securities and Exchange Commission's Regulation S-X.

The Statement for the nine months ended September 30, 2023 is unaudited and has been prepared on the basis described above and, in the opinion of management of the Fund, reflects all adjustments necessary to fairly state the Henry Properties' excess of revenues over direct operating expenses for the nine months ended September 30, 2023. The Statements for the nine months ended September 30, 2022 are not presented as the Henry Properties did not begin producing until 2023.

## **2. Summary of significant accounting policies**

### *Use of Estimates*

The preparation of the Statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting periods. Actual results could differ from those estimates.

### *Revenue Recognition*

The Funds's revenues are primarily derived from its interests in the sale of oil and natural gas production. The Fund recognizes revenue from its interests in the sales of oil and natural gas in the period that its performance obligations are satisfied.

Performance obligations are satisfied when the customer obtains control of product, when the Fund has no further obligations to perform related to the sale, when the transaction price has been determined and when collectability is probable.

The Fund receives payment from the sale of oil and natural gas production from one to three months after delivery. The transaction price is variable as it is based on market prices for oil and natural gas, less revenue deductions such as gathering, transportation and compression costs. Management has determined that the variable revenue constraint is overcome at the date control passes to the customer since the variable consideration to be received can be reasonably estimated based on daily market prices and historical transportation charges. Revenue is presented net of these costs within the Statement. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued. Variances between the Fund's estimated revenue and actual payments are recorded in the month the payment is received; however, differences have been and are insignificant.

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### *Non-operated Crude Oil and Natural Gas Revenues*

The Fund's proportionate share of production from non-operated properties is generally marketed at the discretion of the operators. For non-operated properties, the Fund receives a net payment from the operator representing its proportionate share of sales proceeds which is net of transportation and production tax costs incurred by the operator, if any. Such non-operated revenues are recognized at the net amount of proceeds to be received by the Fund during the month in which production occurs and it is probable the Fund will collect the consideration it is entitled to receive. Proceeds are generally received by the Fund within one to three months after the month in which production occurs.

### *Direct Operating Expenses*

Direct operating expenses are recognized when incurred and consist of direct expenses related to the operation of the Henry Properties. The direct operating expenses include lease operating expenses, production taxes and ad valorem taxes. Lease operating expenses represents field employees' salaries, saltwater disposal, repairs and maintenance, expensed workovers and other operating expenses. The Fund incurs production taxes on the sale of its production. The Fund incurs ad valorem tax on the value of its properties in certain states. These taxes are reported on a gross basis.

### **3. Contingencies**

The Fund is subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although management believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, environmental matters are subject to regulation by various federal and state agencies.

The Fund is not aware of any legal, environmental or other contingencies that would have a material effect on the Statement.

### **4. Risk Concentrations**

As a non-operator, 100% of the Fund's wells are operated by third-party operating partners. As a result, the Fund is highly dependent on the success of these third-party operators. If they are not successful in the development, exploitation, production and exploration activities relating to the Fund's leasehold interests, or are unable or unwilling to perform, the Fund's financial condition and results of operation could be adversely affected. These risks are heightened in a low commodity price environment, which may present significant challenges to these third-party operators. The Fund's third-party operators will make decisions in connection with their operations that may not be in the Fund's best interests, and the Company may have little or no ability to exercise influence over the operational decisions of its third-party operators.

Henry accounted for 100% of total revenue of the Henry Properties for the periods presented. The loss of Henry as an operator of the Henry Properties could adversely affect revenues attributable to the Fund's assets in the short term.

### **5. Subsequent Events**

The Fund has evaluated subsequent events through December 5, 2023, the date the Statement was available to be issued, and has concluded there are no material subsequent events that would require recognition or disclosure in this Statement.

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**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

**Oil and Natural Gas Reserves and Related Financial Data**

Information with respect to the Henry Properties' oil and natural gas producing activities is presented in the following tables. Reserve quantities, as well as certain information regarding future production and discounted cash flows, were determined by independent third-party reserve engineers, based on information provided by the Fund.

Prices presented in the table below are the trailing 12 month simple average spot price at the first of the month for natural gas at Henry Hub and West Texas Intermediate crude oil at Cushing, Oklahoma, prior to adjustments for location, grade and quality.

	<b>December 31, 2022</b>
Prices utilized in the reserve estimates before adjustments:	
Oil per Bbl	\$ 94.14
Natural gas per Mcf	6.36

The following tables present Henry Properties' third-party independent reserve engineers estimates of its proved developed and undeveloped oil and natural gas reserves. The Fund emphasized that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of the available data and of engineering and geological interpretation and judgment.

	<b>Oil (MBbl)</b>	<b>Natural Gas (MMcf)</b>	<b>MBoe</b>
<b>Proved developed and undeveloped reserves at December 31, 2021</b>	—	—	—
Acquisition of reserves	76	182	106
<b>Proved developed and undeveloped reserves at December 31, 2022</b>	76	182	106

	<b>Oil (MBbl)</b>	<b>Natural Gas (MMcf)</b>	<b>MBoe</b>
<b>Proved developed reserves:</b>			
December 31, 2022	—	—	—
<b>Proved developed and undeveloped reserves at December 31, 2022</b>			
December 31, 2022	76	182	106

Notable changes in proved reserves for the year ended December 31, 2022 included the following:

- *Acquisitions of reserves.* In 2022, acquisition of reserves of 106 MBoe were primarily attributable to the acquisition of certain proved undeveloped reserves in the Permian Basin.

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserved that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.

**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

*Standardized Measure of Discounted Future Net Cash Inflows and Changes Therein*

Future oil and natural gas sales, production and development costs have been estimated using prices and costs in effect at the end of the years included, as required by ASC 932. ASC 932 requires that net cash flow amounts be discounted at 10%. Future production and development costs are computed by estimating the expenditures to be incurred in developing and producing our oil and natural gas reserves and for asset retirement obligations, assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the appropriate period-end statutory tax rates to the future pretax net cash flow relating to our proved oil and natural gas reserves, less the tax basis of the related properties and tax credits and loss carry forwards relating to crude oil and natural gas producing activities. The future income tax expenses do not give effect to tax credits, allowances, or the impact of general and administrative costs of ongoing operations relating to the proved oil and natural gas reserves.

The projections should not be viewed as realistic estimates of future cash flows, nor should the “standardized measure” be interpreted as representing current value to the Henry Properties. Material revisions to estimates of proved reserves may occur in the future; development and production of reserves may not occur in the period assumed; actual prices realized are expected to vary significantly from those used and actual costs may vary.

The following table sets forth the standardized measure of discounted future net cash flows attributable to the proved oil and natural gas reserves at December 31, 2022:

<i>(in thousands)</i>	<b>December 31, 2022</b>
Future cash inflows	\$ 8,491
Future production costs	(2,726)
Future development costs	(1,099)
Future income tax expense	(45)
Future net cash flows	4,621
10% discount for estimated timing of cash flows	(2,156)
Standardized measure of discounted future net cash flows	<u>\$ 2,465</u>

A summary of the changes in the standardized measure of discounted future net cash flows attributable to proved reserves are as follow:

<i>(in thousands)</i>	<b>December 31, 2022</b>
Balance, beginning of period	\$ —
Acquisition of Reserves	2,488
Change in income taxes	(23)
Balance, end of period	<u>\$ 2,465</u>

**HENRY PROPERTIES**  
**STATEMENT OF REVENUES AND DIRECT OPERATING EXPENSES**  
**(in thousands)**

	<u>Nine Months Ended</u> <u>September 30, 2023</u> (Unaudited)
<b>REVENUES</b>	
Oil and natural gas sales	\$ 771
<b>DIRECT OPERATING EXPENSES</b>	
Lease operating expenses	96
Production and ad valorem taxes	36
Total direct operating expenses	132
<b>REVENUE IN EXCESS OF DIRECT OPERATING EXPENSES</b>	<u>\$ 639</u>

See accompanying Notes to the Statement of Revenues and Direct Operating Expenses.

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## **1. Background and nature of operations**

The accompanying statement of Revenues and Direct Operating Expenses (the "Statement") represents the direct undivided interest in the revenue and direct operating expenses associated with certain oil and gas assets of GREP IV-B Permian LLC (the "Fund") operated by Henry Energy LP ("Henry") ("the Henry Properties") in the Permian Basin of West Texas. The Henry Properties were acquired by Vital Energy, Inc. ("Vital").

The Statement varies from a complete income statement in accordance with accounting principals generally accepted in the United States of America ("US GAAP") as it does not include certain expenses incurred in connection with the ownership and operation of the Henry Properties, including but not limited to general and administrative expenses, effects of derivative transactions, interest expense, depletion and amortization and other expense items not directly associated with Henry Properties. Furthermore, no balance sheet has been presented for the Henry Properties because the Henry Properties were not accounted for as a separate subsidiary or division of the Fund and complete financial statements thereof are not available, nor has information about the Henry Properties' operating, investing, and financing cash flows been provided for similar reasons. Accordingly, the accompanying Statement is presented in lieu of the full financial statements required under Rule 3-05 of the Securities and Exchange Commission's Regulation S-X.

The Statement for the nine months ended September 30, 2023 is unaudited and has been prepared on the basis described above and, in the opinion of management of the Fund, reflects all adjustments necessary to fairly state the Henry Properties' excess of revenues over direct operating expenses for the nine months ended September 30, 2023. The Statements for the nine months ended September 30, 2022 are not presented as the Henry Properties did not begin producing until 2023.

## **2. Summary of significant accounting policies**

### *Use of Estimates*

The preparation of the Statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and direct operating expenses during the reporting periods. Actual results could differ from those estimates.

### *Revenue Recognition*

The Funds's revenues are primarily derived from its interests in the sale of oil and natural gas production. The Fund recognizes revenue from its interests in the sales of oil and natural gas in the period that its performance obligations are satisfied.

Performance obligations are satisfied when the customer obtains control of product, when the Fund has no further obligations to perform related to the sale, when the transaction price has been determined and when collectability is probable.

The Fund receives payment from the sale of oil and natural gas production from one to three months after delivery. The transaction price is variable as it is based on market prices for oil and natural gas, less revenue deductions such as gathering, transportation and compression costs. Management has determined that the variable revenue constraint is overcome at the date control passes to the customer since the variable consideration to be received can be reasonably estimated based on daily market prices and historical transportation charges. Revenue is presented net of these costs within the Statement. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued. Variances between the Fund's estimated revenue and actual payments are recorded in the month the payment is received; however, differences have been and are insignificant.

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### *Non-operated Crude Oil and Natural Gas Revenues*

The Fund's proportionate share of production from non-operated properties is generally marketed at the discretion of the operators. For non-operated properties, the Fund receives a net payment from the operator representing its proportionate share of sales proceeds which is net of transportation and production tax costs incurred by the operator, if any. Such non-operated revenues are recognized at the net amount of proceeds to be received by the Fund during the month in which production occurs and it is probable the Fund will collect the consideration it is entitled to receive. Proceeds are generally received by the Fund within one to three months after the month in which production occurs.

### *Direct Operating Expenses*

Direct operating expenses are recognized when incurred and consist of direct expenses related to the operation of the Henry Properties. The direct operating expenses include lease operating expenses, production taxes and ad valorem taxes. Lease operating expenses represents field employees' salaries, saltwater disposal, repairs and maintenance, expensed workovers and other operating expenses. The Fund incurs production taxes on the sale of its production. The Fund incurs ad valorem tax on the value of its properties in certain states. These taxes are reported on a gross basis.

### **3. Contingencies**

The Fund is subject to various possible contingencies that arise primarily from interpretation of federal and state laws and regulations affecting the oil and gas industry. Such contingencies include differing interpretations as to the prices at which oil and natural gas sales may be made, the prices at which royalty owners may be paid for production from their leases, environmental issues and other matters. Although management believes that it has complied with the various laws and regulations, administrative rulings and interpretations thereof, adjustments could be required as new interpretations and regulations are issued. In addition, environmental matters are subject to regulation by various federal and state agencies.

The Fund is not aware of any legal, environmental or other contingencies that would have a material effect on the Statement.

### **4. Risk Concentrations**

As a non-operator, 100% of the Fund's wells are operated by third-party operating partners. As a result, the Fund is highly dependent on the success of these third-party operators. If they are not successful in the development, exploitation, production and exploration activities relating to the Fund's leasehold interests, or are unable or unwilling to perform, the Fund's financial condition and results of operation could be adversely affected. These risks are heightened in a low commodity price environment, which may present significant challenges to these third-party operators. The Fund's third-party operators will make decisions in connection with their operations that may not be in the Fund's best interests, and the Company may have little or no ability to exercise influence over the operational decisions of its third-party operators.

Henry accounted for 100% of total revenue of the Henry Properties for the periods presented. The loss of Henry as an operator of the Henry Properties could adversely affect revenues attributable to the Fund's assets in the short term.

### **5. Subsequent Events**

The Fund has evaluated subsequent events through December 5, 2023, the date the Statement was available to be issued, and has concluded there are no material subsequent events that would require recognition or disclosure in this Statement.

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**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

**Oil and Natural Gas Reserves and Related Financial Data**

Information with respect to the Henry Properties' oil and natural gas producing activities is presented in the following tables. Reserve quantities, as well as certain information regarding future production and discounted cash flows, were determined by independent third-party reserve engineers, based on information provided by the Fund.

Prices presented in the table below are the trailing 12 month simple average spot price at the first of the month for natural gas at Henry Hub and West Texas Intermediate crude oil at Cushing, Oklahoma, prior to adjustments for location, grade and quality.

	<b>December 31, 2022</b>
<b>Prices utilized in the reserve estimates before adjustments:</b>	
Oil per Bbl	\$ 94.14
Natural gas per Mcf	6.36

The following tables present Henry Properties' third-party independent reserve engineers estimates of its proved developed and undeveloped oil and natural gas reserves. The Fund emphasized that reserves are approximations and are expected to change as additional information becomes available. Reservoir engineering is a subjective process of estimating underground accumulations of crude oil and natural gas that cannot be measured in an exact way, and the accuracy of any reserve estimate is a function of the quality of the available data and of engineering and geological interpretation and judgment.

	<b>Oil (MBbl)</b>	<b>(MMcf)</b>	<b>MBoe</b>
<b>Proved developed and undeveloped reserves at December 31, 2021</b>	—	—	—
Acquisition of reserves	40	95	56
<b>Proved developed and undeveloped reserves at December 31, 2022</b>	40	95	56

	<b>Oil (MBbl)</b>	<b>(MMcf)</b>	<b>MBoe</b>
<b>Proved developed reserves:</b>			
December 31, 2022	—	—	—
<b>Proved undeveloped reserves:</b>			
December 31, 2022	40	95	56

Notable changes in proved reserves for the year ended December 31, 2022 included the following:

- *Acquisitions of reserves.* In 2022, acquisition of reserves of 56 MBoe were primarily attributable to the acquisition of certain proved undeveloped reserves in the Permian Basin.

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserved that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.

**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

Notable changes in proved reserves for the year ended December 31, 2022 included the following:

- *Acquisitions of reserves.* In 2022, acquisition of reserves of 56 MBoe were primarily attributable to the acquisition of certain proved undeveloped reserves in the Permian Basin.

Proved reserves are estimated quantities of crude oil and natural gas, which geological and engineering data indicates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are proved reserved that can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are included for reserves for which there is a high degree of confidence in their recoverability and they are scheduled to be drilled within the next five years.

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**UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENT OF REVENUES AND  
DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE HENRY  
PROPERTIES**

*Standardized Measure of Discounted Future Net Cash Inflows and Changes Therein*

Future oil and natural gas sales, production and development costs have been estimated using prices and costs in effect at the end of the years included, as required by ASC 932. ASC 932 requires that net cash flow amounts be discounted at 10%. Future production and development costs are computed by estimating the expenditures to be incurred in developing and producing our oil and natural gas reserves and for asset retirement obligations, assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the appropriate period-end statutory tax rates to the future pretax net cash flow relating to our proved oil and natural gas reserves, less the tax basis of the related properties and tax credits and loss carry forwards relating to crude oil and natural gas producing activities. The future income tax expenses do not give effect to tax credits, allowances, or the impact of general and administrative costs of ongoing operations relating to the proved oil and natural gas reserves.

The projections should not be viewed as realistic estimates of future cash flows, nor should the “standardized measure” be interpreted as representing current value to the Henry Properties. Material revisions to estimates of proved reserves may occur in the future; development and production of reserves may not occur in the period assumed; actual prices realized are expected to vary significantly from those used and actual costs may vary.

The following table sets forth the standardized measure of discounted future net cash flows attributable to the proved oil and natural gas reserves at December 31, 2022:

<i>(in thousands)</i>	<b>December 31, 2022</b>
Future cash inflows	\$ 4,435
Future production costs	(1,424)
Future development costs	(574)
Future income tax expense	(23)
Future net cash flows	2,414
10% discount for estimated timing of cash flows	(1,126)
Standardized measure of discounted future net cash flows	<u>\$ 1,288</u>

A summary of the changes in the standardized measure of discounted future net cash flows attributable to proved reserves are as follow:

<i>(in thousands)</i>	<b>December 31, 2022</b>
Balance, beginning of period	\$ —
Acquisition of Reserves	1,300
Change in income taxes	(12)
Balance, end of period	<u>\$ 1,288</u>



Maple Energy Holdings, LLC

FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022 AND FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2023 AND 2022

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## **Review Report of Independent Auditors**

The Board of Directors and Member  
Maple Energy Holdings, LLC

### **Results of Review of Interim Financial Information**

We have reviewed the accompanying financial statements of Maple Energy Holdings, LLC, which comprise the balance sheet as of September 30, 2023, and the related statements of operations, member equity, and cash flows for the nine-month periods ended September 30, 2023 and 2022, and the related notes (collectively referred to as the interim financial information).

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Review Results**

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of Maple Energy Holdings, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

### ***Responsibilities of Management for the Interim Financial Information***

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Our report is restricted solely for the use of management, the Board of Directors and Member of Maple Energy Holdings, LLC, and is not intended to be and should not be used by anyone other than these specified parties.

/s/ Moss Adams LLP  
Houston, Texas  
October 30, 2023

**Maple Energy Holdings, LLC**  
**Balance Sheets**  
**(Unaudited)**

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 9,272,361	\$ 12,350,682
Accounts receivable		
Receivables from oil and gas sales	14,393,597	17,546,438
Joint interest billings	387,480	887,537
Severance tax refunds	234,629	—
Assets from derivative contracts	2,831,688	3,885,172
Debt issuance costs, net	128,289	98,037
Prepaid expenses and other	499,542	621,260
Total current assets	<u>27,747,586</u>	<u>35,389,126</u>
Oil and natural gas properties, full cost method of accounting		
Proved properties, subject to amortization	156,530,649	152,873,713
Less: accumulated depletion	(41,545,423)	(20,564,353)
Total oil and natural gas properties, net	<u>114,985,226</u>	<u>132,309,360</u>
Other property and equipment		
Other property and equipment	245,511	172,389
Less: accumulated depreciation	(78,381)	(44,591)
Total other property and equipment, net	<u>167,130</u>	<u>127,798</u>
Other noncurrent assets:		
Deposits	50,000	50,000
Debt issuance costs, net	111,521	159,692
Operating lease right-of-use assets	12,704,872	14,360,231
Assets from derivative contracts	427,403	1,415,570
Total other noncurrent assets	<u>13,293,796</u>	<u>15,985,493</u>
<b>Total assets</b>	<b>\$ 156,193,738</b>	<b>\$ 183,811,777</b>
<b>Liabilities and Member Equity</b>		
Current liabilities		
Accounts payable	\$ 716,068	\$ 691,096
Accrued liabilities and other	10,470,035	14,011,721
Ad valorem taxes payable	919,027	919,027
Operating lease liabilities	1,467,600	2,152,418
Term loan, net of \$0 and \$82,211 of debt issuance costs	—	9,917,789
Liabilities from derivative contracts	4,408,229	1,149,039
Total current liabilities	<u>17,980,959</u>	<u>28,841,090</u>
Long-term liabilities		
Revolving credit facility	5,277,555	15,277,555
Term loan, net of \$0 and \$162,653 of debt issuance costs	—	19,837,347
Operating lease liabilities	11,263,427	12,250,251
Liabilities from derivative contracts	809,109	896,694
Asset retirement obligations	3,585,657	3,552,667
Total liabilities	<u>38,916,707</u>	<u>80,655,604</u>
Commitments and contingencies (Note 11)		
Member equity	117,277,031	103,156,173
<b>Total liabilities and member equity</b>	<b>\$ 156,193,738</b>	<b>\$ 183,811,777</b>

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

**Maple Energy Holdings, LLC**  
**Statements of Operations**  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Oil	\$ 53,422,662	\$ 43,031,635
Natural Gas	7,229,455	14,330,533
Natural gas liquids	17,661,999	14,858,669
Total revenues	78,314,116	72,220,837
<b>Expenses</b>		
Lease operating expenses	31,461,533	21,711,573
Production and other taxes	5,052,528	3,245,520
Depletion - oil and natural gas properties	20,981,071	8,680,155
Depreciation - other property and equipment	33,790	25,892
Accretion of asset retirement obligations	102,990	79,522
General and administrative	3,427,775	4,061,142
Total expenses	61,059,687	37,803,804
<b>Income from operations</b>	17,254,429	34,417,033
<b>Other (income) expense</b>		
Interest expense and other	1,833,990	302,229
Net (gain) loss on derivative contracts	1,192,874	3,911,906
Total other (income) expense	3,026,864	4,214,135
<b>Income before income taxes</b>	14,227,565	30,202,898
<b>Income taxes</b>	106,707	223,364
<b>Net Income</b>	\$ 14,120,858	\$ 29,979,534

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

**Maple Energy Holdings, LLC**  
**Statements of Member Equity**  
**(Unaudited)**

	<u>Member Equity</u>
Balance at December 31, 2021	\$ 69,215,642
Distribution	(5,000,000)
Net income	29,979,534
<b>Balance at September 30, 2022</b>	<b>\$ 94,195,176</b>
Balance at December 31, 2022	\$ 103,156,173
Net income	14,120,858
<b>Balance at September 30, 2023</b>	<b>\$ 117,277,031</b>

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

**Maple Energy Holdings, LLC**  
**Statements of Cash Flows**  
**(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows provided by operating activities</b>		
Net income	\$ 14,120,858	\$ 29,979,534
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, and accretion	21,117,851	8,785,569
Amortization of debt issuance costs	322,783	—
Unrealized (gain) loss on derivative contracts	5,213,254	(1,977,753)
Changes in operating assets and liabilities:		
Accounts receivable	3,418,269	(17,879,104)
Prepaid expenses and other	121,718	213,585
Accounts payable, accrued liabilities, and other	(3,533,000)	(457,675)
Net cash provided by operating activities	<u>40,781,733</u>	<u>18,664,156</u>
<b>Cash flows used in investing activities</b>		
Acquisition of oil and natural gas properties	(723,251)	(838,284)
Development of oil and natural gas properties	(3,068,368)	(14,029,676)
Other property and equipment purchases and other	(73,122)	—
Proceeds from sale of oil and natural gas properties	64,687	3,333,132
Net cash used in investing activities	<u>(3,800,054)</u>	<u>(11,534,828)</u>
<b>Cash flows used in financing activities</b>		
Payments of net profits interest financing	—	(12,618,076)
Debt issuance costs	(60,000)	(116,000)
Distributions	—	(5,000,000)
Borrowings on revolving credit facility	—	5,000,000
Repayments on revolving credit facility	(10,000,000)	—
Payments on term loan	(30,000,000)	—
Net cash used in financing activities	<u>(40,060,000)</u>	<u>(12,734,076)</u>
<b>Net change in cash and cash equivalents</b>	<u>(3,078,321)</u>	<u>(5,604,748)</u>
Cash and cash equivalents, beginning of period	12,350,682	12,499,149
<b>Cash and cash equivalents, end of period</b>	<u><b>\$ 9,272,361</b></u>	<u><b>\$ 6,894,401</b></u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash interest paid	\$ 1,524,637	\$ —
Cash taxes paid	252,000	—
<b>Disclosure of non-cash investing and financing activities:</b>		
Asset retirement obligations	\$ —	\$ 848,576
Increase (decrease) in accrued capital expenditures	(50,130)	(815,724)
Operating lease right of use assets obtained in exchange for lease obligations	—	16,729,531

The accompanying notes are an integral part of these financial statements

**MAPLE ENERGY HOLDINGS, LLC**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**

**NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Maple Energy Holdings, LLC (“the Company” or “Maple”), a Delaware limited liability company formed on November 6, 2020, is an independent oil and gas company engaged in the development and operation of oil and natural gas properties in the United States. The Company’s producing assets consist of operated and nonoperated working interests in the Permian Basin in West Texas. The Company operates in one segment, upstream oil and gas.

The Company’s oil and gas operations commenced September 17, 2021, when it closed on the acquisition from an unrelated third party of proved developed oil and gas assets in the Permian Basin in Reeves and Glasscock Counties, Texas and assumed certain associated liabilities.

Maple is owned by Riverstone Maple Investor. The Company is under the direction of a three-member Board of Managers comprised of two representatives appointed by Riverstone and the Company’s Chief Executive Officer.

On September 13, 2023, the Company entered into a purchase and sale agreement to sell substantially all of its oil and gas assets. See Note 3 – “*Acquisitions, Dispositions and Other Transactions*” for more details.

**Basis of Presentation**

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, these financial statements do not include all the information required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with the audited financial statements and notes therein for the year ended December 31, 2022. The unaudited financial statements included herein contain all adjustments which are in the opinion of management, necessary to present fairly the Company’s financial position as of September 30, 2023, and its statements of operations, member equity and cash flows for the nine months ended September 30, 2023 and 2022. The unaudited statements of operation for the nine months ended September 30, 2023 and 2022 are not necessarily indicative of the results to be expected for future periods. During interim periods, the Company follows the same accounting policies as those disclosed in the audited financial statements for the year ended December 31, 2022.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to such estimates and assumptions include: (i) oil and natural gas reserves; (ii) impairment tests of long-lived assets; (iii) depreciation, depletion and amortization; (iv) asset retirement obligations; (v) assignment of fair value and allocation of purchase price in connection with asset acquisitions; (vi) accrued liabilities; (vii) valuation of derivative instruments; and (viii) accrued revenue and related receivables. Management emphasizes that reserve estimates are inherently imprecise and that estimates of reserves of non-producing properties and more recent discoveries are more imprecise than those for properties with long production histories. Although management believes these estimates are reasonable, actual results could differ from estimates. Additionally, see Note 10 – “*Fair Value Measurements*.”

## **Cash and Cash Equivalents**

Investments in highly liquid securities with original maturities of three months or less are considered to be cash equivalents. At September 30, 2023 and December 31, 2022, the Company had no cash equivalents.

The Company places cash and cash equivalents with high quality financial institutions and at times may exceed the federally insured limits. The Company has not experienced a loss in such accounts nor does it expect any related losses in the near-term.

## **Accounts Receivable and Allowance for Doubtful Accounts**

The Company's accounts receivable are primarily receivables from joint interest owners and oil and natural gas purchasers. Accounts receivable are recorded at the amount due, less an allowance for doubtful accounts, when applicable. We establish provisions for losses on accounts receivable if it is determined that collection of all or a part of an outstanding balance is not probable. Collectability is reviewed regularly, and an allowance is established or adjusted, as necessary, using the specific identification method. The primary factors considered in determining the amount of the allowance for credit losses are collection history, the aging of the accounts, current market conditions, and reasonable and supportable forecasts of future economic conditions. The Company's historical credit losses have been immaterial and are expected to remain so in the future assuming no substantial changes in the business or creditworthiness of the Company's counterparties. At September 30, 2023 and December 31, 2022, management determined that no allowance for doubtful accounts was necessary.

## **Financial Instruments**

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and the Company's revolving credit and term loan facilities approximate their fair value due to their short-term nature and variable interest rates. The carrying values of commodity derivatives are reported at fair value as further discussed in Note 10 – "*Fair Value Measurements*."

## **Debt Issuance Costs**

The Company capitalizes certain borrower fees related to its revolving credit and term loan facilities ("loan origination fees and costs") in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310-20 "Nonrefundable Fees and Other Costs." The Company amortizes loan origination fees and costs on a straight-line basis over the life of the loan as a component of "Interest expense and other." See Note 7 – "*Long Term Debt*" for more details.

## **Concentration of Credit Risk**

The Company's primary concentrations of credit risk are the risks of uncollectible accounts receivable and of nonperformance by counterparties under the Company's derivative contracts. Each reporting period, the Company assesses the recoverability of material receivables using historical data, current market conditions and reasonable and supportable forecasts of future economic conditions to determine expected collectability of its material receivables.

The Company's accounts receivable are primarily receivables from joint interest owners and oil and natural gas purchasers. The purchasers of the Company's oil and natural gas production consist primarily of independent marketers and gas pipeline companies. The Company operates a substantial portion of its oil and natural gas properties. As the operator of a property, the Company makes full payments for costs associated with the property and seeks reimbursement from the other working interest owners in the property for their share of those costs. Joint operating agreements govern the operations of an oil or natural gas well and, in most instances, provide for the offsetting of amounts payable or receivable between the Company and its joint interest owners. The Company's joint interest partners consist primarily of independent oil and natural gas producers. If the oil and natural gas exploration and production industry in general was adversely affected, the ability of the Company's joint interest partners to reimburse the Company could be adversely affected.

The Company's exposure to credit risk under its derivative contracts is associated with one major financial institution which has an investment grade credit rating. The Company has a master netting agreement in place which provides for offsetting of amounts payable or receivable between the Company and the counterparty. To manage counterparty risk associated with derivative contracts, the Company selects, and monitors counterparties based on an assessment of their financial strength and/or credit ratings. See Note 9 – "Derivatives and Risk Management" for further discussion.

## Revenue

The Company sells its oil, natural gas and NGLs production to various purchasers in the industry. The table below presents purchasers that account for 10% or more of total oil, natural gas and NGLs sales for the nine months ended September 30, 2023 and 2022. Although changes in our primary purchasers or the loss of any single purchaser may have a short-term impact on the Company, management believes there would not be a long-term material adverse effect on the Company's financial position or results of operations due to the availability of alternative purchasers.

Purchaser	Nine Months Ended September 30,	
	2023	2022
Purchaser #1	30%	37%
Purchaser #2	70%	63%

## Oil and Gas Properties

The Company utilizes the full cost method of accounting for its investment in oil and natural gas properties as prescribed by the United States Securities and Exchange Commission ("SEC"). Accordingly, all costs incurred in the acquisition, exploration and development of proved and unproved oil and natural gas properties, including the costs of abandoned properties, treating equipment and gathering support facilities, dry holes, geophysical costs, and annual lease rentals are capitalized. All general and administrative corporate costs unrelated to drilling activities are expensed as incurred. Depletion of evaluated oil and natural gas properties is computed on the units of production method based on estimated proved reserves.

Costs associated with unevaluated properties are excluded from the full cost pool until the Company has made a determination as to the existence of proved reserves. The Company reviews its unevaluated properties at the end of each quarter to determine whether the costs incurred should be transferred to the full cost pool and thereby subject to amortization. Management assesses the Company's unproved properties for impairment considering factors such as the current exploration program and intent to drill, remaining lease term and the assignment of proved reserves. Significant unproved properties are assessed individually. Investments in unevaluated oil and natural gas properties and exploration and development projects for which depletion expense is not currently recognized, and for which exploration or development activities are in progress, qualify for interest capitalization. The Company had no unevaluated properties as of September 30, 2023 and December 31, 2022.

Capitalized costs are subject to a ceiling test which is performed quarterly. The full cost ceiling test is a limitation on capitalized costs prescribed by SEC Regulation S-X Rule 4-10. The ceiling test is not a fair value-based measurement, rather it is a standardized mathematical calculation. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using the unweighted arithmetic average of the first-day-of-the-month price for the previous twelve-month period, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and gas properties. Should the net capitalized costs exceed the sum of the components noted above, a ceiling test write-down or impairment would be recognized to the extent of the excess capitalized costs. Such impairments are permanent and cannot be recovered in future periods even if the sum of the components noted above exceeds capitalized costs in future periods. Future declines in oil and natural gas prices, increases in future operating expenses and future development costs could result in impairments of the Company's oil and gas properties in future periods. Impairments are non-cash expenses, which would not affect reported cash flows, but would adversely affect net income and member equity. At September 30, 2023 and December 31, 2022, the Company did not recognize a ceiling test impairment as the Company's net book value of its oil and gas properties did not exceed the ceiling amount. Typically, the sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized. However, in circumstances where such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, the Company would recognize a gain or loss in the statement of operations. All costs related to production activities, including workover costs incurred solely to maintain production from an existing completion interval, are charged to expense as incurred.

## Asset Retirement Obligations and Environmental Costs

Asset retirement obligations (“ARO”) relate to future costs associated with the plugging and abandonment of oil and gas wells, removal of equipment and facilities from leased acreage and returning such land to its original condition. The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 410 “Asset Retirement and Environmental Obligations”, to determine its asset retirement obligation amounts by calculating the present value of the estimated future cash outflows associated with its plug and abandonment obligations. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred (typically when a well is completed or acquired or when an asset is installed at the production location), and the cost of such liability increases the carrying amount of the related long-lived asset by the same amount. The liability is accreted each period through charges to accretion expense, and the capitalized cost is depleted as a component of oil and gas properties. Revisions typically occur due to changes in estimated abandonment costs or well economic lives, or if federal or state regulators enact new requirements regarding the abandonment of wells, and such revisions result in adjustments to the related capitalized asset and corresponding liability. See further discussion in Note 6 – “Asset Retirement Obligations.”

## Other Property and Equipment

Other property and equipment is stated at cost upon acquisition less accumulated depreciation. Costs of renewals and improvements that substantially extend the useful lives of these assets are capitalized. Repairs and maintenance are expensed as incurred. Leasehold improvements are depreciated, using the straight-line method, over the shorter of the lease term or the useful life of the asset. When other property and equipment is sold or retired, the capitalized costs and related accumulated depreciation and amortization are removed from the account. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment and software	4 Years
Furniture and office equipment	7 Years
Automobiles	5 Years

## Impairment of Other Property and Equipment

The Company reviews its other operating property and equipment for impairment in accordance with ASC 360, *Property, Plant, and Equipment* (“ASC 360”). ASC 360 requires the Company to evaluate other operating property and equipment for impairment as events occur or circumstances change that would more likely than not reduce the fair value below the carrying amount. If the carrying amount is not recoverable from its undiscounted cash flows, then the Company would recognize an impairment loss for the difference between the carrying amount and the current fair value. Further, the Company evaluates the remaining useful lives of its other operating property and equipment at each reporting period to determine whether events and circumstances warrant a revision to the remaining depreciation periods. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its other property and equipment does not exceed their estimated recoverable amount.

## Revenue Recognition

The Company's revenues are comprised solely of revenues from customers from the sale of oil, natural gas, and natural gas liquids. The Company believes that the disaggregation of revenue on its statement of operations into these three major product types appropriately depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors based on our geographic locations. Oil, natural gas, and natural gas liquids revenues are recognized at a point in time when production is sold to a purchaser at an index-based, determinable price, delivery has occurred, control has transferred, and collectability of the revenue is probable. The transaction price used to recognize revenue is a function of the contract billing terms which reference index price sources used by the industry. Revenue is calculated by calendar month based on volumes at contractually based rates with payment typically required within 30 days for oil and 60 days for natural gas and natural gas liquids after the end of the production month. At the end of each month when the performance obligations have been satisfied, the consideration can be reasonably estimated and amounts due from customers are accrued in "Receivables from oil and gas sales" in our balance sheet. As of September 30, 2023, December 31, 2022, and January 1, 2022, receivables from contracts with customers were \$14.4 million, \$17.5 million and \$11.2 million, respectively. Production imbalances are not material, thus as of September 30, 2023 and December 31, 2022, there is no asset or liability recorded for imbalances. For additional revenue recognition information see Note 2 – "Operating Revenues."

## Acquisitions

In accordance with ASC Topic 805 "Business Combinations", the Company determines whether an acquisition is a business combination, which requires that the assets acquired, and liabilities assumed constitute a business. Each business combination is then accounted for by applying the acquisition method of accounting. If the assets acquired are not a business, the Company accounts for the transaction as an asset acquisition. For transactions that are business combinations, the Company evaluates the existence of goodwill or a gain from a bargain purchase. The excess, if any, of the purchase price over the net fair value amounts assigned to assets acquired and liabilities assumed is recognized as goodwill. Conversely, if the fair value of assets acquired exceeds the purchase price, including liabilities assumed, the excess is immediately recognized in earnings as a bargain purchase gain. Business combination acquisition related costs and fees are expensed as incurred.

The Company estimates the fair values of assets acquired and liabilities assumed in acquisitions using various assumptions (many of which are Level 3 inputs within the fair value hierarchy). The most significant assumptions typically relate to the estimated fair values assigned to proved and unproved oil and natural gas properties. To estimate the fair values of the proved and unproved oil and natural gas properties, the Company develops estimates of oil, natural gas and NGLs reserves. Estimates of reserves are based on the quantities of oil, natural gas and NGLs that geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions. Additionally, a risk factor is applied to reserves by reserve type based on industry standards. The Company estimates future prices to apply to the estimated net quantities of reserves based on the applicable ownership percentage acquired and estimates future operating and development costs to arrive at estimates of future net cash flows. The future net cash flows are discounted using a market-based weighted average cost of capital rate determined appropriate at the time of the acquisition.

For asset acquisitions, the Company allocates the costs of the acquisition to the assets acquired and liabilities assumed based on a relative fair value basis of the assets acquired and liabilities assumed, with no recognition of goodwill or bargain purchase gain recorded. Incremental legal and professional fees related directly to the acquisitions are capitalized as part of the acquisition cost.

For discussion about fair value measurements, see Note 10 – "Fair Value Measurements."

## **Income Taxes**

The Company is not a taxable entity for federal income tax purposes. The accompanying financial statements do not include a provision for federal income taxes because the member is taxed on its share of the Company's earnings. Certain transactions of the Company may be subject to accounting methods for income tax purposes which differ from the accounting methods used in preparing these financial statements in accordance with GAAP.

Income taxes in the State of Texas are calculated on the basis of an entity's "margin." The following discussion applies to the Company's accounting for state income taxes.

Accounting for income taxes requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized. The Company believes its tax positions are more likely than not of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits. The Company also has no unrecognized tax benefits. The Company does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months. To the extent applicable, the Company includes interest and penalties related to taxes as a component of income tax expense. During the nine months ended September 30, 2023 and 2022, the Company did not incur any interest or penalties related to taxes.

The Accounting Standards Update No. 2015-17, Balance Sheet Classification of Deferred Taxes, requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments.

## **Derivative Financial Instruments**

The Company uses derivative financial instruments to manage defined commodity price risks and does not use them for speculative trading purposes. The Company uses derivative instruments to financially protect sales of natural gas, oil, and NGLs. Since the Company does not designate its derivatives for hedge accounting treatment, gains and losses resulting from the settlement of derivative contracts are recognized in (gain) loss on derivatives in the statement of operations when cash is received or paid. Changes in the fair value of the unsettled portion of the derivative contracts are also recognized in (gain) loss on derivatives in the statement of operations. See Note 9 – "*Derivatives and Risk Management*" for a discussion of the Company's derivative financial instruments.

## **Recently Adopted Accounting Pronouncements - Leases**

In February 2016, an accounting standard update 2016-02, Leases, codified under the Topic 842 ("ASC 842"), was issued that requires an entity to recognize a right-of-use ("ROU") asset and lease liability for all leases. Classification of leases as either a finance or operating lease determines the recognition, measurement and presentation of expenses. This accounting standards update also requires certain quantitative and qualitative disclosures about leasing arrangements.

Adoption of ASC 842 is mandatory and effective for all private companies for fiscal years beginning after December 15, 2021. Effective January 1, 2022, the Company adopted the new standard using a modified retrospective approach and recognized a ROU asset (or operating lease right-of-use asset) and a lease liability with no retained earnings impact.

The Company applied the following practical expedients as provided in the standards update which provide elections to:

- not apply the recognition requirements to short-term leases (a lease that at commencement date has a lease term of 12 months or less and does not include an option to purchase the underlying asset that the Company is reasonably certain to exercise);
- not reassess whether an expired or existing pre-adoption date contract contained a lease;
- not reassess whether a contract contains a lease, lease classification and initial direct costs;
- apply a risk-free discount rate in place of the incremental borrowing rate where an implicit rate is not readily determinable; and
- not reassess certain land easements in existence prior to adoption of the standard.

Certain of the Company's lease agreements include lease and non-lease components. For all existing asset classes with multiple component types, the Company has utilized the practical expedient that exempts it from separating lease components from non-lease components. Accordingly, the Company accounts for the lease and non-lease components in an arrangement as a single lease component. The Company recognizes lease payments related to its short-term leases in the statement of operations on a straight-line basis over the lease term which has not changed from its prior recognition. To the extent that there are variable lease payments, the Company recognizes those payments in the statement of operations in the period in which the obligation for those payments is incurred.

The Company evaluated each of its lease arrangements and enhanced its systems to track and calculate additional information required upon adoption of this standards update. The Company's adoption had an impact to the balance sheet as of December 31, 2022 relating to the recognition of operating lease ROU assets and operating lease liabilities. See Note 4 – "Leases."

The Company determines if an arrangement is a lease at inception of the arrangement. A lease exists when a contract conveys to the customer the right to control the use of an identified asset for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset, and (2) the customer has the right to control the use of the identified asset.

To the extent that it is determined that an arrangement represents a lease, the Company classifies that lease as an operating lease or a finance lease. Currently, the Company does not have any finance leases. The Company capitalizes its operating leases on its balance sheet through a ROU asset and a corresponding lease liability. ROU assets represent the Company's right to use underlying assets for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Short-term leases that have an initial term of one year or less are not capitalized but are disclosed below. Short-term lease costs exclude expenses related to leases with a lease term of one month or less.

Operating leases are reflected as operating lease ROU assets and operating lease liabilities on the Company's balance sheet. Operating lease ROU assets and liabilities are recognized at the commencement date of an arrangement based on the present value of lease payments over the lease term. In addition to the present value of lease payments, the operating lease ROU asset also includes any lease payments made to the lessor prior to lease commencement less any lease incentives and initial direct costs incurred. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

#### **Nature of Leases**

##### *H2S Treatment Leases*

The Company rents four active H2S treatment facilities from third parties. The Company's H2S treatment equipment agreements are typically structured with three-year cancellable terms. The Company has concluded that these H2S treatment equipment commitments are not considered leases due to the cancellable terms in the agreements.

## *Natural Gas Compression Leases*

The Company rents natural gas compression equipment from third parties to support its operations. The Company's natural gas compression agreements are typically structured with non-cancelable terms of twelve months to two years. The Company has concluded that its natural gas compression commitments are operating leases.

### **Impairment Review**

The Company reviews its right of use assets for impairment in accordance with ASC 360. ASC 360 requires the Company to evaluate right of use assets for impairment as events occur or circumstances change that would more likely than not reduce the fair value below the carrying amount. If the carrying amount is not recoverable from its undiscounted cash flows, then the Company would recognize an impairment loss for the difference between the carrying amount and the current fair value.

The Company monitors for events or changes in circumstances that would require a reassessment of a lease. When a reassessment results in the remeasurement of a lease liability, an adjustment is made to the carrying amount of the corresponding right of use asset unless doing so would reduce the carrying amount of the right of use asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative right of use asset balance is recorded in the statements of operations.

### **Recently Adopted Accounting Pronouncements – Financial Instruments – Credit Losses**

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, which requires the measurement of expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. It is effective for interim and annual periods beginning after December 15, 2022. The adoption of this standard did not have a material impact on the Company's financial statements and related disclosures.

Other accounting standards that have been issued by the FASB or other standard setting bodies are not expected to have a material impact on the Company's financial statements.

## **NOTE 2. OPERATING REVENUES**

### **Revenue Recognition**

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by the Company from a customer are excluded from revenue. Revenues from the sale of crude oil, natural gas and natural gas liquids are recognized, at a point in time, when a performance obligation is satisfied by the transfer of control of the commodity to the customer. Transfer of control drives the presentation of post-production expenses such as transportation, gathering, and processing deductions within the statement of operations. Fees and other deductions incurred prior to control transfer are presented as a component within the "Lease operating expenses" on the statement of operations, while fees and other deductions incurred subsequent to control transfer are embedded in the price and are presented as a reduction of oil, natural gas, and natural gas liquids production revenue.

The Company's contractual performance obligations arise upon the production of hydrocarbons from wells in which the Company has an ownership interest. The performance obligations are considered satisfied at a point in time upon control transferring to a customer at a specified delivery point. Consideration is allocated to completed performance obligations at the end of an accounting period. Because the Company's performance obligations have been satisfied and an unconditional right to consideration exists as of the balance sheet date, the Company recognized amounts due from contracts with customers of \$14.4 million and \$17.5 million at September 30, 2023 and December 31, 2022, as "Receivables from oil and gas sales" on the balance sheet. Because of the unconditional right to consideration, the Company's product sales do not give rise to contract assets or liabilities.

All the Company's revenues are derived from its single basin operations, the Delaware Basin primarily in Reeves County, Texas. The accompanying statement of operations disaggregates the Company's revenues by major product in order to depict how the nature, timing, and uncertainty of revenue and cash flows are affected by economic factors in the Company's single basin operations.

For the nine months ended September 30, 2023 and 2022, revenues recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

### **Oil Sales**

The Company's oil sales contracts are structured where the Company delivers crude oil to the customer at a contractual delivery point at which the customer takes custody, title and risk of loss of the product. The Company receives a specified index price from the customer, net of applicable market-related adjustments. Revenue is recognized when control of the crude oil transfers at the delivery point at the net price received. Settlement statements for the Company's crude oil production are typically received within the month following the date of production and therefore the amount of production delivered to the customer and the price that will be received for that production are known at the time the revenue is recorded. Payment under the Company's crude oil contracts is typically due on or before the 20th of the month following the delivery month.

### **Natural Gas and Natural Gas Liquids Sales**

The Company evaluates its natural gas sales and natural gas gathering and processing arrangements in place with midstream companies to determine when control of the natural gas is transferred. Under contracts where it is determined that control of the natural gas transfers at the wellhead, any fees incurred to gather or process the unprocessed natural gas are treated as a reduction of the sales price of unprocessed natural gas, and therefore revenues from such transactions are presented on a net basis. Under contracts where it is determined that control of the natural gas transfers at the tailgate of the midstream entity's processing plant, revenues are presented on a gross basis for amounts expected to be received from the midstream company or third party purchasers through the gathering and treating process and presented as "Natural gas" or "Natural gas liquids" and any fees incurred to gather or process the natural gas are presented as a component of "Lease operating expenses" on the statement of operations. Under certain contracts, the Company may elect to take its residue gas and/or natural gas liquids in-kind at the tailgate of the midstream entity's processing plant. The Company then sells the products to a customer at contractual delivery points at prices based on an index. In these instances, revenues are presented on a gross basis and any fees incurred to gather, process, or transport the commodities are presented as a component of "Lease operating expenses" on the statement of operations.

Settlement statements for the Company's natural gas and natural gas liquids production are typically received 30 days after the date of production and therefore the Company estimates the amount of production delivered to the customer and the price that will be received for that production are known at the time the revenue is recorded.

Payment under the Company's natural gas contracts is typically due on or before the end of the month following the delivery month.

## **NOTE 3. ACQUISITIONS, DISPOSITIONS AND OTHER TRANSACTIONS**

### **Vital Transaction**

On September 13, 2023, the Company entered into a purchase and sale agreement, pursuant to which the Company agreed to sell substantially all of the net assets of the Company in the Delaware Basin, located in Reeves County, Texas, and related assets and contracts (the "Vital Transaction") to Vital Energy, Inc. ("Vital") for consideration comprising approximately 3.58 million shares of Vital's common stock, subject to purchase price adjustments and customary closing adjustments. The Company expects the Vital Transaction to close in the fourth quarter of 2023, subject to customary closing conditions.

## Nonoperated Transaction

On December 23, 2022, the Company entered into and simultaneously closed a letter agreement (the “Nonoperated Agreement”) with Colgate Energy, LLC (“Colgate”) to acquire all of Colgate’s interests in wells that the Company operates (the “Assets”) for a purchase price of \$60 million before customary purchase price adjustments (the “Nonoperated Transaction”). The Nonoperated Transaction was completed to increase the Company’s interests in the wells it operated which increased its operation and financial scale. The Nonoperated Agreement had an effective date of November 1, 2022.

The Company accounted for the Nonoperated Transaction as an asset acquisition and allocated all of the purchase price (including capitalized transaction costs) to proved oil and natural gas properties. The Company also recognized \$0.5 million in non-cash asset retirement obligations. In connection with the Nonoperated Transaction, the Company amended its existing Revolving Credit Agreement to increase the total facility to \$60 million, which included a new Term Loan facility. Refer to Note 7, “*Long Term Debt*” for more details. The transaction was funded by a combination of cash on hand and \$45 million in borrowings.

## Glasscock County Divestiture

On January 7, 2022, the Company signed and closed on the sale of all of its interests in Glasscock County, Texas to New Height Energy, LLC, for \$3.25 million before customary closing adjustments. The transaction had an effective date of January 1, 2022. Proceeds from the sale were recorded as a reduction to the carrying value of the Company’s full cost pool with no gain or loss recorded. The Company used the net proceeds from the sale for general corporate purposes.

## NOTE 4. LEASES

### Adoption of Accounting Standards Codification Topic 842, Leases

On January 1, 2022, the Company adopted ASC 842 using the modified retrospective approach as of the adoption date. Reporting periods beginning after January 1, 2022, are presented under ASC 842. The table below details the impact of adoption on the Company’s balance sheet as of January 1, 2022 and the remaining balance at September 30, 2023 and December 31, 2022:

	Balance at		Adjustment at Adoption
	September 30, 2023	December 31, 2022	January 1, 2022
<b>Assets</b>			
Operating lease right-of-use assets	\$ 12,704,872	\$ 14,360,231	\$ 16,729,531
Finance lease right-of-use assets	—	—	—
Total right-of-use assets	\$ 12,704,872	\$ 14,360,231	\$ 16,729,531
<b>Liabilities</b>			
<b>Current</b>			
Operating	\$ 1,467,600	\$ 2,152,418	\$ 2,560,572
Finance	—	—	—
<b>Non-current</b>			
Operating	11,263,427	12,250,251	14,168,959
Finance	—	—	—
Total Lease Liabilities	\$ 12,731,027	\$ 14,402,669	\$ 16,729,531

The Company leases compressors pursuant to operating leases. Operating leases where the Company is the lessee are included in “Operating lease right-of-use assets” and “Operating lease liabilities” on the balance sheet. The lease liabilities are initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. The operating leases for compressors have initial lease terms ranging from 6 months to 24 months, with the last lease expiring January 2024. The Company believes there is a reasonable certainty that renewal options will be exercised on a portion of these leases through 2031. Payments due under the lease contracts include fixed payments plus, in some instances, variable payments.

The table below summarizes the Company's leases:

	Nine Months Ended September 30,	
	2023	2022
Operating lease cost included in lease operating expenses in the Company's statements of operations	\$ 1,824,001	\$ 1,960,101
Short-term lease cost included in lease operating expenses in the Company's statements of operations	4,175,424	909,224
Finance lease cost:	—	—
Amortization of right-of-use assets	—	—
Interest on lease liabilities	—	—
Total finance lease cost	<u>\$ —</u>	<u>\$ —</u>
Variable lease cost	\$ —	\$ —
Sublease income	\$ —	\$ —

Supplemental cash flow information related to leases:

	Nine Months Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,840,284	\$ 1,932,904
Operating cash flows from finance leases	\$ —	\$ —
Finance cash flows from finance leases	\$ —	\$ —

Future minimum lease payments associated with the Company's non-cancellable operating leases as of September 30, 2023, are presented in the table below:

	Operating Lease Liability
2023	\$ 434,028
2024	1,640,112
2025	1,640,112
2026	1,640,112
2027	1,640,112
2028	1,640,112
Thereafter	4,982,984
Total future minimum rental commitments	13,617,572
Less Imputed Interest	(886,545)
Total Lease Liability	<u>\$ 12,731,027</u>

Other information related to leases as of September 30, 2023 are as follows:

Weighted average remaining lease term	9 Years
Weighted average discount rate	1.63%

#### NOTE 5. OTHER PROPERTY AND EQUIPMENT

Other property and equipment consisted of the following at September 30, 2023 and December 31, 2022:

Automobiles	\$ 245,511	\$ 172,389
Less: accumulated depreciation	(78,381)	(44,591)
Total other property and equipment, net	<u>\$ 167,130</u>	<u>\$ 127,798</u>

During the nine months ended September 30, 2023 and 2022, the Company recognized \$33,790 and \$25,892 of depreciation expense and did not recognize an impairment.

#### NOTE 6. ASSET RETIREMENT OBLIGATIONS

The Company records ARO on oil and natural gas properties when it can reasonably estimate the fair value of an obligation to perform site reclamation, dismantle facilities or plug and abandon costs. The Company records ARO on the balance sheet and capitalizes the cost in "*Oil and natural gas properties*" during the period in which the obligation is incurred. The Company records the accretion of its ARO in "*Accretion of asset retirement obligations*" expense in the statement of operations. The additional capitalized costs are depreciated on a unit-of-production basis. ARO are initially valued utilizing Level 3 fair value measurement inputs (see Note 10 – "*Fair Value Measurements*"), including estimated costs to abandon wells in the future and credit-adjusted risk-free rates.

The Company recorded the following activity related to its asset retirement obligations:

Asset retirement obligations at December 31, 2022	\$ 3,552,667
Liabilities settled	(70,000)
Accretion expense	102,990
Asset retirement obligations at September 30, 2023	<u>\$ 3,585,657</u>

#### NOTE 7. LONG TERM DEBT

##### Revolving Credit Facility

On August 17, 2022, the Company entered into a three-year reserve-based credit facility ("Facility") with MidFirst Bank (the "Lenders") in an amount up to \$100.0 million with an initial borrowing base of \$20.0 million. The borrowing base will be redetermined on a semi-annual basis, with the Lenders and the Company each having the right to not more than two interim unscheduled redeterminations per calendar year. The borrowing base takes into account the estimated value of the Company's oil and natural gas properties, proved reserves, total indebtedness, and other relevant factors consistent with customary oil and natural gas lending criteria. The Facility included a placement fee of 0.60% on the initial borrowing base amounting to \$20.0 million and carries a commitment fee of 0.50% per annum on the undrawn portion of the borrowing base. Any borrowings under the Facility will bear interest at the Secured Overnight Funding ("SOF") rate, as defined under the Facility, plus the applicable margin based upon the utilization percentage in effect on such day as follows:

<b>Utilization Percentage</b>	<b>Applicable Margin</b>
> 75%	3.50%
> 50% and < 75%	3.25%
> 25% and < 50%	3.00%
< 25%	2.75%

The Company may elect, at its option, to prepay any borrowings outstanding under the Facility without premium or penalty. Amounts outstanding under the Facility are guaranteed by a security interest in substantially all the properties of the Company and its subsidiaries. Borrowings from the Facility may be used for the acquisition and development of oil and natural gas properties, investments in cash flow generating assets complimentary to the production of oil and natural gas, and for letters of credit or other general corporate purposes.

The Facility contains certain events of default, including non-payment; breaches or representation and warranties; non-compliance with covenants; cross-defaults to material indebtedness; voluntary or involuntary bankruptcy; judgments and change in control. The Facility also contains financial covenants including a requirement that the Company maintain, as of the last day of each fiscal quarter, (i) a maximum total leverage ratio of not more than 3.00 to 1.00, and (ii) a current ratio of not less than 1.00 to 1.00, both as defined under the Facility. At September 30, 2023 and December 31, 2022, the Company had \$5.3 million and \$15.3 million, respectively, outstanding under the Facility with an interest rate of 8.07% and 7.34%, respectively, and was in compliance with the financial covenants under the Facility.

On December 23, 2022, the Company entered into the First Amendment to the Facility (the “First Amendment”). This amendment, among other things, increased the available borrowing base to \$60.0 million from \$20.0 million and added a hedging covenant whereby the Company must hedge a minimum of 50% of future production on a rolling 12-month basis. The First Amendment allows the Company to elect to utilize one month, three month or six month Secured Overnight Funding Rates (“SOFR”) with respect to any loan. The First Amendment also included an adjustment to the annualized percentage rate of 0.00% for one month, 0.15% for three months and 0.25% for six months designations.

On August 8, 2023, the Company entered into the Second Amendment to the Facility (the “Second Amendment”). This amendment, among other things, reduced the available borrowing base from \$60.0 million to \$45.0 million in consideration of the repayment of the Company’s Term Loan facility discussed below. In addition, the applicable margin based upon the utilization percentage in effect on such day was increased as follows:

<b>Utilization Percentage</b>	<b>Applicable Margin</b>
> 75%	4.00%
> 50% and < 75%	3.50%
> 25% and < 50%	3.00%
< 25%	2.75%

On September 29, 2023, the Company received a waiver from the Lenders for any default arising under Section 6.1(d) of the Revolving Credit Agreement, as amended, solely to the extent of the Company’s failure to comply with Section 4.13 of the Revolving Credit Agreement, as amended from September 29, 2023 until November 15, 2023. This waiver allows the Company to terminate its open derivative contracts as they are not being assumed by Vital as part of the Vital Transaction.

#### **Term Loan**

In connection with the First Amendment, the Company and the Lenders entered in a new Promissory Note for \$30.0 million (the “Term Loan”). In accordance with the Term Loan, the Company is required to make monthly payments of \$833,333.33. The Term Loan expires on December 23, 2025, and includes the same general financial covenants as the Facility discussed above. Any borrowings under the Term Loan will bear interest at the same rate as the Revolving Credit Facility rate above. At December 31, 2022, the interest rate was 7.82%. The Company has the ability to prepay the Term Loan, in whole or in part, at any time without premium or penalty, but with accrued interest to the date of the prepayment.

The Term Loan also requires the Company to make excess cash flow payments to the Lenders equal to EBITDAX (as defined by the Term Loan) plus decreases in consolidated working capital minus (1) the sum of cash interest expense and scheduled principal payments on debt actually made; (2) plus permitted tax distributions; (3) increases in working capital; (4) capital expenditures; (5) prepayments of the Term Loan; (6) cash on hand not to exceed \$10.0 million; and (7) costs and expenses incurred in connection with the Colgate acquisition.

At September 30, 2023 no amounts remained outstanding under the Term Loan. At December 31, 2022, the Company had \$30.0 million outstanding under the Term Loan, \$10.0 million of which was classified as current. The Company was in compliance with the financial covenants under the Term Loan at September 30, 2023 and December 31, 2022.

#### Debt Maturities

Aggregate maturities required on debt at September 30, 2023, due in future years are as follows (excluding \$0.2 million of debt issuance costs on the revolving credit facility):

2023	\$	—
2024		—
2025		5,277,555
2026		—
2027		—
Thereafter		—
Total	\$	<u>5,277,555</u>

#### NOTE 8. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following:

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Suspended revenue payable	\$ 3,316,996	\$ 3,147,072
Revenue payable	2,375,972	5,828,137
Accrued operated capital, lease operating expenditures and other	4,670,330	4,745,456
Total accrued liabilities and other	<u>\$ 10,470,035</u>	<u>\$ 14,011,721</u>

#### NOTE 9. DERIVATIVES AND RISK MANAGEMENT

The Company is exposed to volatility in market prices and basis differentials for natural gas, oil and natural gas liquids which impacts the predictability of its cash flows related to the sales of those commodities. In accordance with the Company's policy, it generally hedges a substantial, but varying, portion of its anticipated oil, natural gas and natural gas liquids production for future periods. Derivatives are carried at fair value on the balance sheet as assets or liabilities, with the changes in the fair value included in the statement of operations for the period in which the change occurs. The Company does not enter into derivative contracts for speculative trading purposes.

It is the Company's policy to enter into derivative contracts only with counterparties that are creditworthy financial or commodity hedging institutions deemed by management as competent and competitive market makers. As of September 30, 2023 and December 31, 2022, the Company did not post collateral under any of its derivative contracts.

The Company's crude oil, natural gas and natural gas liquids derivative positions at any point in time may consist of fixed-price swaps, costless put/call collars, and basis swaps. Fixed-price swaps are designed so that the Company receives or makes payments based on a differential between fixed and variable prices for crude oil and natural gas. A costless collar consists of a sold call, which establishes a maximum price the Company will receive for the volumes under contract and a purchased put that establishes a minimum price. Basis swaps effectively lock in a price differential between regional prices where the product is sold and the relevant pricing index under which the gas production is hedged. The Company has elected not to designate any of its derivative contracts for hedge accounting. Accordingly, the Company records the net change in the mark-to-market valuation of these derivative contracts, as well as all payments and receipts on settled derivative contracts, in "Net (gain) loss on derivative contracts" on the statement of operations.

All derivative contracts are recorded at fair market value in accordance with ASC 815 and ASC 820 and included in the balance sheet as assets or liabilities. The following table summarizes the location and fair value amounts of all derivative contracts in the balance sheet as of September 30, 2023 and December 31, 2022:

Derivative contracts not designated as hedging	Asset derivative contracts			Liability derivative contracts		
	Balance sheet location	September 30,		Balance sheet location	September 30,	
		2023	December 31, 2022		2023	December 31, 2022
Commodity contracts	Current assets - assets from derivative contracts	\$ 2,831,688	\$ 3,885,172	Current liabilities - liabilities from derivative contracts	\$ (4,408,229)	\$ (1,149,039)
Commodity contracts	Other noncurrent assets - assets from derivative	427,403	1,415,570	Long-term liabilities - liabilities from derivative contracts	(809,109)	(896,694)
<b>Total derivative contracts not designated as hedging contracts under ASC 815</b>		<b>\$ 3,259,091</b>	<b>\$ 5,300,742</b>		<b>\$ (5,217,338)</b>	<b>\$ (2,045,733)</b>

The following table summarizes the location and amounts of the Company's realized and unrealized gains and losses on derivative contracts in the Company's statement of operations:

Derivatives not designated as hedging contracts under ASC 815	Location of (gain) or loss recognized in income on derivative contracts	Amount of (gain) or loss recognized in income on derivative contracts	Amount of (gain) or loss recognized in income on derivative contracts
		period ended	period ended
		September 30, 2023	September 30, 2022
<b>Commodity contracts:</b>			
Unrealized (gain) loss on derivative contracts	Other (income) expense - net (gain) loss on derivative contracts	\$ 5,213,254	\$ (1,977,753)
Realized (gain) loss on derivative contracts	Other (income) expense - net (gain) loss on derivative contracts	(4,020,380)	5,889,659
<b>Total net (gain) loss on derivative contracts</b>	Other (income) expense - net (gain) loss on derivative contracts	<b>\$ 1,192,874</b>	<b>\$ 3,911,906</b>

At September 30, 2023, the Company had the following open derivative contracts:

Period	Instrument	Commodity	Volume in	
			Mmbtu's / Bbl's	Price
October 2023 to February 2024	Producer Collar (Floor)	Oil	167,000	\$ 60.00
October 2023 to February 2024	Producer Collar (Ceiling)	Oil	167,000	83.01
October 2023 to September 2024	Producer Collar (Floor)	Oil	234,000	50.00
October 2023 to September 2024	Producer Collar (Ceiling)	Oil	234,000	95.00
October 2023 to September 2024	Producer Collar (Floor)	Natural Gas	969,000	3.00
October 2023 to September 2024	Producer Collar (Ceiling)	Natural Gas	969,000	3.56
October 2023 to December 2024	Producer Collar (Floor)	Natural Gas	2,495,000	4.00
October 2023 to December 2024	Producer Collar (Ceiling)	Natural Gas	2,495,000	5.75
October 2023 to December 2024	Producer Collar (Floor)	Natural Gas	779,000	2.50
October 2023 to December 2024	Producer Collar (Ceiling)	Natural Gas	779,000	3.85
October 2023 to September 2024	Basis Swaps	Natural Gas	969,000	0.69
October 2023 to December 2024	Basis Swaps	Natural Gas	2,072,626	1.21
November 2023 to December 2024	Basis Swaps	Natural Gas	2,305,000	1.35

At December 31, 2022, the Company had the following open derivative contracts:

Period	Instrument	Commodity	Volume in Mmbtu's / Bbl's	Price / Price Range	Weighted Average
					Price
January 2023 to March 2023	Fixed-Price Swap	Oil	46,278	\$69.92 - \$70.00	\$ 69.96
January 2023 to March 2023	Producer Collar (Floor)	Natural Gas	209,120	3.25	3.25
January 2023 to March 2023	Producer Collar (Ceiling)	Natural Gas	209,120	6.25	6.25
January 2023 to March 2023	Basis Swaps	Natural Gas	209,120	0.30	0.30
January 2023 to March 2023	Fixed-Price Swap	Natural Gas	540,000	8.87	8.87
April 2023 to December 2024	Producer Collar (Floor)	Natural Gas	3,735,000	4.00	4.00
April 2023 to December 2024	Producer Collar (Ceiling)	Natural Gas	3,735,000	5.75	5.75

The Company enters into an International Swap Dealers Association Master Agreement (“ISDA”) with each counterparty prior to a derivative contract with such counterparty. The ISDA is a standard contract that governs all derivative contracts entered into between the Company and the respective counterparty. The ISDA allows for offsetting of amounts payable or receivable between the Company and the counterparty, at the election of both parties, for transactions that occur on the same date and in the same currency.

#### NOTE 10. FAIR VALUE MEASUREMENTS

Pursuant to ASC 820, *Fair Value Measurement* (“ASC 820”), certain of the Company’s financial and nonfinancial assets and liabilities are reported at fair value on the balance sheet. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs.

As required by ASC 820, a financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There were no transfers between fair value hierarchy levels for any period presented.

The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value as of September 30, 2023 and December 31, 2022:

	<b>September 30, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Assets from derivative contracts	\$ —	\$ 3,259,091	\$ —	\$ 3,259,091
<b>Liabilities</b>				
Liabilities from derivative contracts	\$ —	\$ 5,217,338	\$ —	\$ 5,217,338
<b>December 31, 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Assets from derivative contracts	\$ —	\$ 5,300,742	\$ —	\$ 5,300,742
<b>Liabilities</b>				
Liabilities from derivative contracts	\$ —	\$ 2,045,733	\$ —	\$ 2,045,733

Derivative contracts listed above as Level 2 include fixed-price swaps, costless collars and basis swaps that are carried at fair value. The Company records the net change in the fair value of these positions in "*Net (gain) loss on derivative contracts*" in the Company's statement of operations. The Company is able to value the assets and liabilities based on observable market data for similar instruments, which resulted in the Company reporting its derivatives as Level 2. This observable data includes the forward curves for commodity prices based on quoted market prices and implied volatility factors related to changes in the forward curves. See Note 9, "*Derivatives and Risk Management*," for additional discussion of derivatives.

The Company's derivative contracts are with a major financial institution with investment grade credit ratings which is believed to have minimal credit risk. As such, the Company is exposed to credit risk to the extent of nonperformance by its counterparty in the derivative contracts; however, the Company does not anticipate such nonperformance.

The estimated fair value of cash and cash equivalents, accounts receivable, accounts payable and the Company's revolving credit and term loan facilities approximate their carrying value due to their short-term nature and variable interest rates. The Company has classified its derivatives into fair value levels depending upon the data utilized to determine their fair values. All the Company's derivative financial instruments are classified as Level 2.

The Company follows the provisions of ASC 820, for nonfinancial assets and liabilities measured at fair value on a non-recurring basis. These provisions apply to the Company's initial recognition of asset retirement obligations for which fair value is used. The asset retirement obligation estimates are derived from historical costs and management's expectation of future cost environments; and therefore, the Company has designated these liabilities as Level 3. See Note 6, "*Asset Retirement Obligations*," for a reconciliation of the beginning and ending balances of the liability for the Company's asset retirement obligations. For fair value measurements on a non-recurring basis in connection with oil and gas properties upon acquisition see Note 3 – "*Acquisitions, Dispositions and Other Transactions*."

## **NOTE 11. COMMITMENTS AND CONTINGENCIES**

### **Operating Commitments**

The Company does not have any office space leases in its name and therefore does not pay any office rent expense.

### **Environmental Risk**

The Company is subject to laws and regulations relating to the protection of the environment. Environmental and cleanup related costs of a non-capital nature are accrued when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. The Company believes any future remediation or other compliance related costs will not have a material effect on the financial position, results of operations or cash flows of the Company.

### **Contingencies**

From time to time, the Company may be involved in certain litigation that arise in the normal course of its operations. The Company records a loss contingency for these matters when it is probable that a liability has been incurred and the amount of the loss can reasonably be estimated. The Company does not believe the resolution of these matters will have a material effect on the Company's financial position, results of operations or cash flows and no amounts are accrued relative to these matters at September 30, 2023 and December 31, 2022.

## **NOTE 12. MEMBER EQUITY**

Maple is owned by Riverstone Maple Investor. All revenues, costs, and expenses of the Company are allocated to the Member. On June 10, 2022, the Company distributed \$5,000,000 to Riverstone Maple Investor.

## **NOTE 13. INCOME TAXES**

The Company has recorded a current provision for state income taxes of \$106,707 and \$223,364 for the nine months ended September 30, 2023 and 2022, respectively. The Company's state deferred income tax provision is not material. The effective income tax rate for the nine months ended September 30, 2023 and 2022, differs from the United States federal statutory income tax rate due to the entity's pass-through classification for federal tax purposes and the Texas margin tax rate of 0.75%.

## **NOTE 14. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events through October 30, 2023, the date the financial statements were available to be issued.

In conjunction with the anticipated closing of the Vital Transaction on October 31, 2023, the Company terminated its outstanding derivative contracts for a total payment of \$3.0 million on October 25, 2023. In addition, on October 26, 2023, the Company repaid all outstanding borrowings under its Revolving Credit Facility. See Note 3 – "*Acquisitions, Dispositions and Other Transactions*" for more details on the Vital Transaction.

**HENRY ENERGY LP**

Condensed Consolidated Unaudited Interim Financial Statements

September 30, 2023 and 2022

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**HENRY ENERGY LP**  
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**HENRY ENERGY LP**  
Condensed Consolidated Unaudited Balance Sheets  
*(in thousands)*

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 57,904	\$ 53,833
Accounts receivable, net	30,379	43,563
Affiliate receivable	597	830
Prepaid expenses and other current assets	338	591
Total current assets	89,218	98,817
Oil and natural gas property and equipment, based on full cost method of accounting, net	468,274	407,537
Other property and equipment, net	34,244	35,906
Right-of-use assets	10,928	7,349
Equity method investment	1,801	1,807
Other assets	1,001	1,104
Total assets	<u>\$ 605,466</u>	<u>\$ 552,520</u>
<b>LIABILITIES AND PARTNER'S CAPITAL</b>		
Current liabilities:		
Accounts payable	\$ 28,762	\$ 22,872
Accrued liabilities	19,282	11,180
Affiliate note payable	—	418
Drilling advances	6,695	2,498
Current portion of debt	1,301	1,274
Operating lease liability	6,332	5,190
Total current liabilities	62,372	43,432
Long-term debt, net	20,751	66,230
Other noncurrent liabilities:		
Asset retirement obligation	1,484	1,439
Operating lease liability	4,596	2,159
Total other noncurrent liabilities	6,080	3,598
Total liabilities	89,203	113,260
Commitments and contingencies		
Partner's capital:		
Limited partner	512,742	435,939
Noncontrolling interests	3,521	3,321
Total partner's capital	516,263	439,260
Total liabilities and partner's capital	<u>\$ 605,466</u>	<u>\$ 552,520</u>

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

**HENRY ENERGY LP**  
Condensed Consolidated Unaudited Statements of Operations  
*(in thousands)*

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>REVENUES:</b>		
Crude oil, natural gas, and NGL sales, net	\$ 155,846	\$ 218,707
Drilling and overhead fees	3,194	2,561
Water disposal fees and pipeline income	8,043	6,930
Affiliate service fee income	38,804	21,574
Loss on derivatives, net	—	(4,198)
Other income	1,073	431
Total revenues, net	<u>206,960</u>	<u>246,005</u>
<b>OPERATING EXPENSES:</b>		
Lease operating and workover expenses	28,048	25,806
Pipeline operating expenses	5,850	2,886
Severance and ad valorem taxes	7,594	10,857
Depletion, depreciation and amortization expense	31,682	26,610
Accretion expense	89	99
General and administrative	24,942	18,399
Total operating expenses	<u>98,205</u>	<u>84,657</u>
Income from operations	108,755	161,348
<b>OTHER INCOME (EXPENSE):</b>		
Other expense	(1,837)	(529)
Interest expense	(1,002)	(3,640)
Interest income	761	1
Gain (loss) on sale of assets	16	(59)
Loss from equity method investments	(42)	(39)
Total other expense	<u>(2,104)</u>	<u>(4,266)</u>
<b>NET INCOME</b>	<u>106,651</u>	<u>157,082</u>
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	268	715
<b>NET INCOME ATTRIBUTABLE TO HENRY ENERGY LP</b>	<u>\$ 106,383</u>	<u>\$ 156,367</u>

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

**HENRY ENERGY LP**  
Condensed Consolidated Unaudited Statements of Changes in Partner's Capital  
*(in thousands)*

	<b>Limited Partner</b>	<b>Noncontrolling Interests</b>	<b>Total Partner's Capital</b>
BALANCE, JANUARY 1, 2022	\$ 283,572	\$ 3,431	\$ 287,003
Distributions to parent, net	(34,404)	—	(34,404)
Distributions to noncontrolling interests	—	(718)	(718)
Net income	156,367	715	157,082
BALANCE, September 30, 2022	<u>405,535</u>	<u>3,428</u>	<u>408,963</u>
	<b>Limited Partner</b>	<b>Noncontrolling Interests</b>	<b>Total Partner's Capital</b>
BALANCE, JANUARY 1, 2023	\$ 435,939	\$ 3,321	\$ 439,260
Distributions to parent, net	(29,580)	—	(29,580)
Contributions from noncontrolling interests	—	118	118
Distributions to noncontrolling interests	—	(186)	(186)
Net income	106,383	268	106,651
BALANCE, September 30, 2023	<u>512,742</u>	<u>3,521</u>	<u>516,263</u>

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

**HENRY ENERGY LP**  
Condensed Consolidated Unaudited Statements of Cash Flows  
*(in thousands)*

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 106,651	\$ 157,082
Adjustments to reconcile net income to net cash provided by operating activities		
Depletion, depreciation and amortization	31,682	26,610
Accretion expense	89	99
Loss on derivatives, net	—	4,198
Cash settlements on commodity derivatives	—	(4,916)
Loss from equity method investments	42	39
(Gain) loss on sale of assets	(16)	59
Changes in operating assets and liabilities:		
Accounts receivable, net and affiliate receivable	13,418	(11,767)
Prepaid expenses and other current assets	253	(2,690)
Other assets	103	(588)
Accounts payable	5,891	25,444
Accrued liabilities	(3,765)	5,583
Drilling advances	4,198	(7,534)
Other long-term liabilities	(54)	(10)
Net cash provided by operating activities	<u>158,492</u>	<u>191,609</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to oil and natural gas properties	(78,879)	(125,593)
Proceeds from the sale of oil and natural gas properties	—	10,119
Additions to other property and equipment	(814)	(3,999)
Proceeds from the sale of other property and equipment	827	38
Additions to equity method investments	(36)	(36)
Net cash used in investing activities	<u>(78,902)</u>	<u>(119,471)</u>

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

**HENRY ENERGY LP**  
Condensed Consolidated Unaudited Statements of Cash Flows  
*(in thousands)*

<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Distributions to parent, net	(29,581)	(34,404)
Contributions from noncontrolling interests	118	—
Distributions to noncontrolling interests	(186)	(718)
Payments on airplane note	(952)	(926)
Payments on affiliate note payable	(418)	(407)
Proceeds from senior secured credit facility	8,000	5,000
Payments on senior secured credit facility	(52,500)	(21,500)
Net cash used in financing activities	<u>(75,519)</u>	<u>(52,955)</u>
Net increase (decrease) in cash and cash equivalents	4,071	19,183
Cash and cash equivalents at beginning of period	53,833	37,670
Cash and cash equivalents at end of period	<u>\$ 57,904</u>	<u>\$ 56,853</u>

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

## HENRY ENERGY LP

Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

### Note 1. Organization and Summary of Significant Accounting Policies

#### *Description of the Company*

The condensed consolidated unaudited interim financial statements and associated footnotes presented herein represent the financial statements of Henry Energy LP and subsidiaries (“Henry Energy”). The subsidiaries of Henry Energy include TAW Reserves 11C Mgmt LLC and subsidiary; Henry TAW Prod Mgmt LLC and subsidiaries; Henry Resources LLC and subsidiary; BITS Energy Mgmt LLC and subsidiary; and Moriah Henry Partners LLC.

Henry Energy is engaged in the exploration, development and production of crude oil, natural gas and natural gas liquids (“NGLs”) in the Midland and Delaware Basins, located in Texas. In addition, Henry Energy also operates certain pipelines for the transfer of frac water and saltwater.

On September 13, 2023, Henry Energy signed a definitive agreement with Vital Energy, Inc. (“Vital”) to sell substantially all of its oil and gas assets. As of September 30, 2023, any contemplated sale transaction was not deemed to be probable, and therefore, these unaudited condensed consolidated interim financial statements do not present assets held for sale.

#### *Basis of Presentation of Condensed Consolidated Unaudited Interim Financial Statements*

Henry Energy and all wholly owned subsidiaries are considered disregarded entities for federal income tax purposes. Disregarded entities are treated similarly to consolidated subsidiaries under accounting principles generally accepted in the United States of America (“US GAAP”), whereby the financial results are included in Henry Energy and all intercompany transactions are eliminated. As such, all subsidiaries of Henry Energy are consolidated and all intercompany accounts and transactions have been eliminated.

The condensed consolidated unaudited interim financial statements (“consolidated financial statements”) have been prepared in accordance with US GAAP and include the accounts of Henry Energy. Certain disclosures normally included in consolidated financial statements prepared in accordance with US GAAP have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial reporting. The accompanying consolidated financial statements and notes should be read in conjunction with the financial statements and notes included in the Henry Energy consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020. The accompanying consolidated financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of Henry Energy’s results of operations and cash flows for the nine-month periods ended September 30, 2023 and 2022 and its financial position as of September 30, 2023.

## HENRY ENERGY LP

Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

### Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, “*Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*” (“ASU 2016-13”). ASU 2016-13 requires that a financial asset measured at amortized cost be presented at the net amount expected to be collected. ASU 2016-13 is intended to provide more timely decision-useful information about the expected credit losses on financial instruments. In November 2019, the FASB ASU 2019-19, “*Codification Improvements to Topic 326: Financial Instruments – Credit Losses*”, which makes amendments to clarify the scope of the guidance, including clarification that receivables arising from operating leases are not within its scope. The amended guidance was effective for Henry Energy on January 1, 2023.

Henry Energy determines its allowance for each type of receivable based on the length of time the receivable is past due, its previous loss history, and customers current ability to pay its obligation. Henry Energy also bases its allowance for each type of receivable on its respective credit risks. Henry Energy writes off specific receivables when they become uncollectible. Once an allowance is recorded, any subsequent payments received on such receivables are credited to the allowance for credit losses. To date, Henry Energy has not experienced any pattern of credit losses and therefore has no allowance as of September 30, 2023 or December 31, 2022. Henry Energy will continually monitor the creditworthiness of its counterparties by reviewing credit ratings, financial statements, and payment history. The adoption of ASU 2016-13 did not result in a material impact to the financial position, cash flows, or results of operations of Henry Energy.

### Note 2. Accounts Receivable

Components of accounts receivable include the following (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Crude oil, natural gas and NGL sales	\$ 17,436	\$ 28,748
Joint interest billings and other	12,943	14,815
Gross accounts receivable	<u>30,379</u>	<u>43,563</u>
Allowance for doubtful accounts	—	—
Net accounts receivable	<u>\$ 30,379</u>	<u>\$ 43,563</u>

### Note 3. Oil and Natural Gas Properties

#### Capitalized Costs

The following table reflects the aggregate capitalized costs associated with Henry Energy (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Oil and natural gas properties:		
Proved properties	\$ 958,184	\$ 867,419
Total oil and natural gas properties	<u>958,184</u>	<u>867,419</u>
Less: Accumulated depreciation, depletion and amortization	<u>(489,910)</u>	<u>(459,882)</u>
Oil and natural gas properties, net	<u>\$ 468,274</u>	<u>\$ 407,537</u>

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

There were no proved property impairments for the nine months ended September 30, 2023 and 2022. Depletion expense was \$30.0 million and \$25.1 million for the nine months ended September 30, 2023 and 2022, respectively.

**Note 4. Other Property and Equipment**

The following table presents the other property and equipment of Henry Energy (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Building and improvements	\$ 5,037	\$ 5,412
Office furniture and equipment	3,137	3,128
Land	1,635	1,814
Pipeline	15,443	14,900
Production equipment	431	425
Airplane	18,588	18,588
Total property and equipment	44,271	44,267
Less: accumulated depreciation	(10,027)	(8,361)
Total property and equipment, net	\$ 34,244	\$ 35,906

For the nine months ended September 30, 2023 and 2022, depreciation expense for other property and equipment was \$1.7 million and \$1.5 million, respectively.

**Note 5. Equity Method Investments**

Henry Energy owns an approximate 25.0% interest in Eagles Nest Aviation, LLC (“Eagles Nest”). Eagles Nest owns and operates an airplane hanger that is utilized by Henry Energy along with other equity owners.

The following table presents Henry Energy’s proportionate investment in Eagles Nest at September 30, 2023 and December 31, 2022 (in thousands):

	<b>Nine Months Ended September 30, 2023</b>	<b>Year Ended December 31, 2022</b>
Investment balance, beginning of period	\$ 1,807	\$ 1,789
Contributions	36	72
Loss from equity investments	(42)	(54)
Investment balance, end of period	\$ 1,801	\$ 1,807

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

**Note 6. Revenue**

***Disaggregation of Revenue***

The following table presents the disaggregation of crude oil, natural gas and NGL revenue of Henry Energy (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Crude oil	\$ 138,257	\$ 185,451
Natural gas and NGL sales	17,589	33,256
Total crude oil, natural gas and NGL sales, net	<u>\$ 155,846</u>	<u>\$ 218,707</u>

***Receivable Balances***

At September 30, 2023 and December 31, 2022, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers was \$16.7 million and \$28.0 million, respectively. As of January 1, 2022, the accounts receivable balance representing amounts due or billable under the terms of contracts with purchasers was \$17.5 million.

**Note 7. Derivative Financial Instruments**

***Commodity Derivatives***

Derivative instruments are recognized at fair value and subsequently settled over the contract terms. As of September 30, 2023 and December 31, 2022, Henry Energy did not have any open derivative positions.

***Derivative Gains and Losses***

Cash receipts and payments reflect the gains or losses on derivative contracts which matured during the applicable period, calculated as the difference between the contract price and the market settlement price of matured contracts. The derivative contracts of Henry Energy are settled based upon reported settlement prices on commodity exchanges, with crude oil derivative settlements based on the New York Mercantile Exchange (“NYMEX”) West Texas Intermediate pricing and natural gas derivative settlements based primarily on NYMEX Henry Hub pricing. Non-cash gains and losses represent the change in fair value of derivative instruments which continued to be held at period end and the reversal of previously recognized non-cash gains or losses on derivative contracts that matured during the period. There were no derivative gains or losses for the nine months ended September 30, 2023 as Henry Energy did not have any open derivative positions during that time period.

The following table summarizes the commodity derivative activity of Henry Energy (in thousands):

	<b>Nine Months Ended September 30, 2022</b>
Cash paid on derivatives	\$ (4,916)
Non-cash loss on derivatives	718
Loss on derivatives, net	<u>\$ (4,198)</u>

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

**Note 8. Asset Retirement Obligations**

The following table presents changes in asset retirement obligations of Henry Energy (in thousands):

	<b>Nine Months Ended September 30, 2023</b>	<b>Year Ended December 31, 2022</b>
Asset retirement obligations at beginning of period	\$ 1,439	\$ 1,509
Liabilities incurred and assumed through acquisitions	8	188
Liabilities settled and divested	(52)	(367)
Revision of estimated obligation	—	(23)
Accretion expense on discounted obligation	89	132
Asset retirement obligations at end of period	<u>\$ 1,484</u>	<u>\$ 1,439</u>

**Note 9. Debt and Related Expenses**

The following table presents the outstanding debt and related expenses of Henry Energy (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Senior Secured Credit Facility	\$ 8,500	\$ 5,300
Airplane Note	13,552	14,504
Total debt, including current portion	<u>22,052</u>	<u>67,504</u>
Less: current portion of debt	1,301	1,274
Long-term debt, net	<u>\$ 20,751</u>	<u>\$ 66,230</u>

**Senior Secured Credit Facility**

On May 10, 2016, Henry Energy, as borrower, and InterBank, as lender, entered into a loan agreement (“Senior Secured Credit Facility”). Henry Energy Exploration LP and Henry Reserves LP are jointly and severally liable for the Senior Secured Credit Facility. The Senior Secured Credit Facility is secured by a first lien on at least 80.0% of the proved developed producing and proved developed nonproducing oil and natural gas properties of Henry Energy, Henry Exploration LP and Henry Reserves LP.

On April 1, 2023, Henry Energy entered into the Thirteenth Amendment to the Senior Secured Credit Facility (“Thirteenth Amendment”). The Thirteenth Amendment reduced the borrowing base to \$50.0 million, updated the annual redetermination to be on June 1 of each year, and extended the maturity date to June 1, 2025.

As of September 30, 2023, the Senior Secured Credit Facility has a borrowing base of \$50.0 million and matures on June 1, 2025. As of September 30, 2023, Henry Energy had \$8.5 million in outstanding borrowings under the Senior Secured Credit Facility. Amounts borrowed under the Senior Secured Credit Facility bear interest, payable quarterly, at a floating rate per annum equal to the Prime Rate, a per annum rate of interest equal to the base rate on corporate loans posted by at least seventy percent (70.0%) of the ten largest U.S. banks plus 0.5%. The effective interest rate during the nine months ended September 30, 2023 and 2022 was 8.6% and 4.7%, respectively.

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

The Senior Secured Credit Facility contains various covenants that restrict Henry Energy’s indebtedness, limits its ability to create liens securing certain indebtedness, make restricted payments and make or permit investments, among other matters.

***Airplane Note***

On March 11, 2021, Henry Energy entered into a loan and security agreement with JP Morgan Chase Bank, N.A., maturing in March 2026 on a 60-month term for \$16.7 million to finance the acquisition of an airplane (“Airplane Note”). The Airplane Note is an amortizing loan with monthly payments of \$0.1 million and a lump sum payment of \$10.4 million due on March 11, 2026. The Airplane Note has a stated interest rate of 2.8%. As of September 30, 2023 and December 31, 2022, Henry Energy had an outstanding balance of \$13.6 million and \$14.5 million, respectively, on the Airplane Note.

**Note 10. Affiliate Note Payable**

On August 15, 2018, Henry Energy entered into a promissory note with an affiliate (“Affiliate Note”) for the purpose of acquiring oil and gas interests. The Affiliate Note requires quarterly payments of principal and accrued interest at a rate of 2.8% and matured on July 1, 2023. The Affiliate Note is unsecured and had a balance of \$0.4 million at December 31, 2022. On July 1, 2023, Henry Energy paid the balance of the Affiliate Note in full, including accrued interest.

**Note 11. Leases**

Short-term leases are variable costs included in “general and administrative” and “lease operating and workover expenses” in the condensed consolidated unaudited interim statements of operations. The lease costs of Henry Energy were as follows for the nine months ended September 30, 2023 (in thousands):

	<b>Nine Months Ended September 30, 2023</b>
Operating lease cost	\$ 5,757
Short term costs	11,474
Variable lease cost	1,804
Total lease costs	\$ 19,035

The following table presents additional lease information of Henry Energy for the nine months ended September 30, 2023:

Operating cash flows for operating leases	\$ 5,757
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 9,111
Weighted-average remaining lease term (years) — operating	1.9
Weighted-average discount rate — operating	3.2%

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

The following table presents the maturity analysis of Henry Energy as of September 30, 2023 for leases expiring in each of the next 5 years and thereafter.

2023	\$ 6,598
2024	3,540
2025	1,185
2026	—
2027	—
Thereafter	—
Total lease payments	11,323
Less: interest	(395)
Present value of lease liabilities	<u>\$ 10,928</u>

**Note 12. Commitments and Contingencies**

***Environmental Remediation***

Various federal, state and local laws and regulations covering the discharge of materials into the environment, or otherwise relating to the protection of the environment, may affect the operations and the cost of crude oil and natural gas exploration, development, and production operations of Henry Energy. Henry Energy does not anticipate that it will be required in the near future to expend significant amounts for compliance with such federal, state and local laws and regulations, and therefore, no amounts have been accrued for such purposes.

***Litigation***

Henry Energy is involved in various legal proceedings including, but not limited to, commercial disputes, claims from royalty and surface owners, property damage claims, personal injury claims, regulatory compliance matters, disputes with tax authorities and other matters. While the outcome of these legal matters cannot be predicted with certainty, Henry Energy does not expect any such matters to have a material effect on its financial condition, results of operations or cash flows.

**Note 13. Concentrations of Credit Risk**

Henry Energy is subject to credit risk resulting from the concentration of its crude oil, natural gas and NGL receivables with significant purchasers. Receivables from purchasers are generally unsecured as Henry Energy does not require collateral. Henry Energy does not believe the loss of any single purchaser would materially impact its financial position, results of operations, or cash flows as crude oil, natural gas and NGLs are fungible products with well-established markets and numerous purchasers in its areas of operations. For the years nine months ended September 30, 2023 and 2022, Henry Energy has experienced no such credit losses.

Henry Energy maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits. Henry Energy has not experienced any losses related to amounts in excess of FDIC limits and believes it is not exposed to significant credit risk in this area.

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

**Note 14. Transactions with Affiliates**

***Oil and Natural Gas Operations***

Certain affiliates as well as employees participate in wells operated by Henry Energy. Henry Energy invoices these affiliates for drilling and completion, lease operating costs and other related expenses and service and incentive fees.

During the nine months ended September 30, 2023 and 2022, these affiliates were invoiced the following amounts (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Henry Reserves	\$ 1	\$ 6,801
Henry TAW LP	1	452
Davlin LLC	1,769	933
DSD, LTD	100	100
Challenger Crude, LTD	100	20
Henry Heirs LTD	50	1
Henry Production LLC	1	1
Employee participants and affiliated companies	4,691	4,955
<b>Total</b>	<b>\$ 6,713</b>	<b>\$ 13,263</b>

Henry Energy has received reimbursement for all amounts shown above, with the exception of certain amounts reflected as affiliate receivables on the condensed consolidated unaudited interim balance sheet. Affiliate receivables were \$0.6 million and \$0.8 million at September 30, 2023 and December 31, 2022, respectively.

Henry Energy receives revenue earned by its oil and natural gas properties and distributes such revenues to the various working interest owners. Certain affiliates and employees of Henry Energy receive a portion of these revenue distributions. During the nine months ended September 30, 2023 and 2022, these affiliates received revenue distributions in the following amounts (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Davlin LLC	\$ 1,481	\$ 2,235
Employee participants and affiliated companies	7,670	9,609
<b>Total</b>	<b>\$ 9,151</b>	<b>\$ 11,844</b>

## HENRY ENERGY LP

Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

### *Affiliate Service Fee Income*

Henry Energy has two separate agreements (“G&A Agreements”) with Henry Reserves LP and Henry TAW LP. These G&A Agreements were both entered into to pay all the general and administrative expenses of Henry Reserves LP and Henry Taw LP. These expenses include accounting fees, bank fees, consulting fees, interest charges, payroll expenses and other expenses as outlined in the G&A Agreements. In return, Henry Energy will receive a monthly fee based upon predetermined rates. The affiliate service fee income is presented net of interest expense paid by Henry Energy. For the nine months ended September 30, 2023 and 2022, Henry Energy recorded \$38.8 million and \$21.6 million of affiliate service fee income in the condensed consolidated unaudited statements of operations.

### **Note 15. Supplemental Disclosures to Consolidated Financial Statements**

#### *Accrued Liabilities*

Accrued liabilities consisted of the following at the dates indicated (in thousands):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Accrued oil and natural gas capital expenditures	\$ 15,082	\$ 3,215
Accrued lease operating and workover expenses	4,200	7,965
Total accrued liabilities	<u>\$ 19,282</u>	<u>\$ 11,180</u>

#### *Supplemental Cash Flow Information*

The following table provides certain supplemental cash flow information for the periods indicated (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 1,002	3,640
Supplemental Disclosure of Non-Cash Information:		
Additions to oil and natural gas properties included in accounts payable and accrued liabilities	\$ 11,867	\$ 7,282
Revisions and additions to asset retirement obligations, net	<u>\$ 7</u>	<u>\$ 81</u>
Non-Cash Financing Activities:		
ROU assets obtained in exchange for operating lease liabilities	<u>\$ 9,111</u>	<u>\$ —</u>

**HENRY ENERGY LP**  
Notes to Condensed Consolidated Unaudited Interim Financial Statements  
September 30, 2023 and 2022

**Note 16. Subsequent Events**

In preparing the accompanying consolidated financial statements of Henry Energy, management has evaluated all subsequent events and transactions for potential recognition or disclosure through November 1, 2023, the date the consolidated financial statements of Henry Energy were available for issuance.

Subsequent to September 30, 2023, the following events and transactions have occurred:

- As of October 24, 2023, Henry Energy had reduced the outstanding balance of the Senior Secured Credit Facility to approximately \$6.0 million.

**Tall City Exploration III LLC  
and Subsidiaries**

Condensed Consolidated Financial Statements  
Interim Periods Ended September 30, 2023 and 2022

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**Tall City Exploration III LLC and Subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2023 and December 31, 2022**

<b>Assets</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
	<b>(unaudited)</b>	
<b>Current Assets</b>		
Cash and cash equivalents	\$ 22,083,955	\$ 9,094,962
Accounts receivable, net	33,599,919	29,231,174
Derivative assets, short term	—	629,979
Prepaid expenses and other current assets	466,253	380,840
<b>Total current assets</b>	<b>56,150,127</b>	<b>39,336,955</b>
<b>Property and Equipment</b>		
Proved oil and gas properties, net	718,736,901	655,830,252
Unproved oil and gas properties, not being amortized	8,331,242	13,859,247
Other property and equipment, net	280,532	276,469
<b>Net Property and Equipment</b>	<b>727,348,675</b>	<b>669,965,968</b>
<b>Other Assets</b>		
Right of use asset, net	3,323,897	4,833,335
Other non-current assets	26,230	26,230
<b>Total non-current assets</b>	<b>3,350,127</b>	<b>4,859,565</b>
<b>Total Assets</b>	<b>\$ 786,848,929</b>	<b>\$ 714,162,488</b>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 44,334,935	\$ 109,224,430
Revenue payable	43,090,858	41,147,988
Derivative liabilities, short term	9,576,241	5,679,076
Asset retirement obligations, current	200,000	200,000
Lease obligations, current	2,065,428	2,029,586
Note payable, net	238,685,302	—
<b>Total Current Liabilities</b>	<b>337,952,764</b>	<b>158,281,080</b>
<b>Long-Term Liabilities</b>		
Note payable, net	—	178,442,593
Lease obligations, noncurrent	1,275,692	2,818,799
Asset retirement obligations	2,390,344	2,119,026
Derivative liabilities, long term	894,870	490,227
<b>Total Long-Term Liabilities</b>	<b>4,560,906</b>	<b>183,870,645</b>
<b>Total Liabilities</b>	<b>342,513,670</b>	<b>342,151,725</b>
<b>Members' Equity</b>	<b>444,335,259</b>	<b>372,010,763</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$ 786,848,929</b>	<b>\$ 714,162,488</b>

**Tall City Exploration III LLC and Subsidiaries**  
**Consolidated Statements of Operations**  
**Nine months ended September 30, 2023 and 2022**

	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)
<b>Revenues:</b>		
Oil	\$ 207,713,310	\$ 164,406,311
Gas	7,485,423	19,328,745
Natural gas liquids	18,088,869	22,879,123
Unrealized and realized gains/(losses), net	(6,698,373)	(19,754,379)
<b>Total Revenues</b>	<b>226,589,229</b>	<b>186,859,800</b>
<b>Expenses:</b>		
Lease operating expense	70,977,311	29,306,665
Gathering, processing, and transportation expenses	7,317,874	4,871,226
Production tax and other	10,742,453	10,399,049
General and administrative expenses	8,074,920	8,097,481
Equity-based compensation expense	221,783	2,449,875
Depreciation, depletion, amortization, and impairment	55,309,124	33,364,800
Accretion of asset retirement obligations	114,201	92,715
<b>Total Operating Expenses</b>	<b>152,757,666</b>	<b>88,581,811</b>
Gain from operations	73,831,563	98,277,989
<b>Other income (expense):</b>		
Interest expense, net	(16,778,807)	(4,627,985)
Other non-operating income	49,957	—
<b>Total other income (expense)</b>	<b>(16,728,850)</b>	<b>(4,627,985)</b>
<b>Net Income</b>	<b>\$ 57,102,713</b>	<b>\$ 93,650,004</b>

**Tall City Exploration III LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Nine months ended September 30, 2023 and 2022**

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<b>Balance, December 31, 2021</b>	\$ 270,870,470
Equity-based compensation expense	2,449,875
Net income	93,650,004
<b>Balance, September 30, 2022</b>	<u>\$ 366,970,349</u>
<b>Balance, December 31, 2022</b>	\$ 372,010,763
Members' contributions	15,000,000
Equity-based compensation expense	221,783
Net income	57,102,713
<b>Balance, September 30, 2023</b>	<u>\$ 444,335,259</u>

**Tall City Exploration III LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Nine months ended September 30, 2023 and 2022**

	Nine Months Ending	
	September 30, 2023 (unaudited)	September 30, 2022 (unaudited)
<b>Cash flows from operating activities:</b>		
Net Income	\$ 57,102,713	\$ 93,650,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	55,309,124	33,364,800
Impairment		
Accretion of asset retirement obligations	114,201	92,715
Equity-based compensation expense	221,783	2,449,875
Amortization of debt issuance costs	967,893	365,082
Unrealized (gain) loss on derivatives	4,931,787	(13,088,389)
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,368,745)	(6,484,845)
Prepaid expenses and other current assets	(85,413)	247,121
Accounts payable and accrued liabilities and other	23,883,658	29,250,510
Net cash provided by operating activities	<u>138,077,001</u>	<u>139,846,873</u>
<b>Cash flows from investing activities</b>		
Additions to oil and gas properties	(199,362,824)	(190,429,465)
Net cash used in investing activities	<u>(199,362,824)</u>	<u>(190,429,465)</u>
<b>Cash flows from financing activities</b>		
Contributions from members	15,000,000	—
Proceeds from note payable	60,000,000	70,000,000
Deferred financing costs	(725,184)	(1,026,005)
Net cash provided by financing activities	<u>74,274,816</u>	<u>68,973,995</u>
Net change in cash and cash equivalents	12,988,993	18,391,403
Cash and cash equivalents, beginning of period	9,094,962	7,411,198
Cash and cash equivalents, end of period	<u>\$ 22,083,955</u>	<u>\$ 25,802,601</u>
<b>Supplemental Cash flow disclosures:</b>		
Cash paid for interest	13,016,555	2,886,030
Changes in capital expenditures financed by accounts payable	86,670,993	5,263,567

**1. Organization and Nature of Business**

Tall City Exploration III LLC (“TCE3”) and Subsidiaries, was organized on August 10, 2018 as a Delaware limited liability company and is governed by a Limited Liability Company Agreement (the “LLC Agreement”). TCE3 and its subsidiaries are collectively referred to in the accompanying consolidated financial statements as the “Company”.

Subsidiaries to TCE3 include: Tall City Operations III LLC (“TCO3” – owned 100% by TCE3) which operates TCE3’s oil and gas properties, Tall City Property Holdings III LLC (“TCPH3” – owned 100% by TCE3) which owns all of the oil and gas property interests for TCE3, Mucaro Minerals LLC (“Mucaro” – owned 100% by TCE3) which holds the mineral and royalty interests for TCE3, and Tall City Management Holdings III LLC (“Holdings” – owned 100% by TCE3) which is a holding company organized as a corporation to hold the interest of Tall City Management III LLC (“TCM3” – owned 99.99% by TCE3 and 0.01% by Holdings) which has all of the employees of TCE3.

The Company is primarily engaged in the domestic exploration, acquisition, development, production and sale of oil and gas. All of the Company’s operations are conducted in the United States within the Permian Basin of West Texas. The Company is substantially owned (98%) by entities controlled by Warburg Pincus LLC (“Warburg”). In accordance with the Company’s LLC Agreement, Warburg, along with the Company’s other owners, agreed to contribute up to \$500 million of equity financing, subject to certain terms and conditions. As of September 30, 2023, Warburg and the Company’s other owners had contributed approximately \$369,233,100.

On September 13, 2023, the Company entered into a purchase and sale agreement, pursuant to which it agreed to sell all of its oil and gas assets and related assets and contracts, comprising substantially all of the Company’s operations, for consideration comprising (i) \$300 million in cash and (ii) approximately 2.27 million shares of Vital Energy, Inc. common stock, each subject to purchase price adjustments. The transaction is expected to close during the fourth quarter of 2023, subject to customary closing conditions.

**2. Basis of Presentation**

**(a) Presentation**

In the opinion of management, the unaudited interim consolidated financial statements of the Company as of September 30, 2023 and for the nine months ended September 30, 2023 and 2022 include all adjustments and accruals, consisting of normal, recurring adjustments and accruals necessary for a fair presentation of the results of the interim periods in conformity with U.S. GAAP. The operating results for the nine months ended September 30, 2023 are not necessarily indicative of results for a full year.

Certain information and footnote disclosures normally included in financial statements in accordance with U.S. GAAP have been condensed or omitted. These unaudited interim consolidated financial statements should be read together with the audited consolidated financial statements and notes for the year ended December 31, 2022.

**(b) Liquidity**

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

As of September 30, 2023, the Company was not in compliance with its current ratio covenant as defined in its credit facility. This noncompliance has given rise to substantial doubt as to the Company’s ability to continue as a going concern one year from the issuance of the financial statements, absent addressing this matter.

As discussed above, the Company has signed a purchase and sale agreement. The credit facility is planned to be paid off in conjunction with this sale. Furthermore, in the event that the sale does not close, the Company intends to pursue options available with its lenders to cure the current ratio default through the mechanisms of the credit agreement.

While management believes that implementation of the foregoing plans will sufficiently address its liquidity matters, the Company's ability to successfully achieve this objective is subject to a numbers of risks outside of its control. There can be no assurance that the sale transaction will close or that the cure period requirements will be met. If such plans do not materialize, the Company may not be able to satisfy its credit facility obligations as they come due.

**(c) Recent accounting pronouncements**

In June 2016, the Financial Accounting Standards Board issued ASU 2016-13, "Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("ASU 2016-13") which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. ASU 2016-13 replaces the existing incurred loss impairment model with an expected loss methodology, which will result in more timely recognition of credit losses. ASU 2016-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2022. It requires a cumulative effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. On January 1, 2023, we adopted ASC 326 "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," ("ASC 326") using the prospective transition approach. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

**(d) Use of Estimates**

The preparation of the Company's consolidated financial statements requires the Company to make estimates, judgments, and assumptions that affect the accompanying consolidated financial statements and disclosures. Items subject to such estimates and assumptions include (1) cash flow estimates used in impairment tests of long-lived assets; (2) depreciation, depletion, and accretion; (3) evaluation of asset retirement obligations; (4) valuation of derivative instruments; (5) accrued oil and gas sales and other receivables; (6) accrued expenses and related payables; and (7) the grant date fair value of equity-based awards. Actual results could differ from the estimates.

Oil, natural gas, and NGL reserve estimates, which are the basis for unit-of-production depletion and the impairment analysis, have a number of inherent uncertainties. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, testing, and production subsequent to the date of the estimate may justify revision of such estimate. Accordingly, reserve estimates are often different from the quantities of oil, natural gas, and NGLs that are ultimately recovered. In addition, reserve estimates are vulnerable to changes in prices of crude oil, natural gas, and NGLs. Such prices have been volatile in the past and can be expected to be volatile in the future.

**3. Accounts Receivable, net**

The following table presents the components of accounts receivable, net as of September 30, 2023 and December 31, 2022:

	<b>2023</b>	<b>2022</b>
Accounts receivable - trade	31,708,362	20,737,763
Joint interest billing receivable	1,891,557	8,493,411
Total accounts receivable, net	<u>33,599,919</u>	<u>29,231,174</u>

**Tall City Exploration III LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023 and 2022 (unaudited)**

**4. Property and Equipment**

Property and equipment, net consisted of the following:

	<b>2023</b>	<b>2022</b>
<b>Oil and natural gas properties</b>		
Proved oil and natural gas properties	\$ 968,259,209	\$ 850,054,541
Unproved oil and natural gas properties, not being amortized	8,331,242	13,859,247
Accumulated depletion	(157,804,306)	(102,506,287)
Accumulated impairment	(91,718,002)	(91,718,002)
Oil and natural gas properties, full cost method, net	<u>727,068,143</u>	<u>669,689,499</u>
<b>Other property and equipment</b>		
Other property and equipment	527,959	512,791
Accumulated depreciation	(247,427)	(236,322)
Other property and equipment, net	<u>280,532</u>	<u>276,469</u>
<b>Net property and equipment</b>	<u><u>\$ 727,348,675</u></u>	<u><u>\$ 669,965,968</u></u>

The total transfers from unproved oil and natural gas properties to proved oil and natural gas properties was \$9,138,735 and \$15,296,000 for the nine months ended September 30, 2023 and 2022, respectively.

**5. Derivatives**

The following tables presents gross derivative balances prior to applying netting adjustments and net balances as recorded in the consolidated balance sheet as of September 30, 2023 and December 31, 2022:

	<b>September 30, 2023</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net Position</b>
Current	3,740	(9,579,981)	(9,576,241)
Long Term	—	(894,870)	(894,870)
	<b>December 31, 2022</b>		
	<b>Asset</b>	<b>Liability</b>	<b>Net Position</b>
Current	629,979	(5,679,076)	(5,049,097)
Long Term	-	(490,227)	(490,227)

**Tall City Exploration III LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2023 and 2022 (unaudited)**

For the nine months ended September 30, 2023, the amount of the derivative instrument gains and losses reported on the consolidated statements of operations as losses on derivatives, net was \$6,698,373, comprised of unrealized losses of approximately \$4,931,787 and realized losses of \$1,766,586. For the nine months ended September 30, 2022, the amount of the derivative instrument gains and losses reported on the consolidated statements of operations as losses on derivatives, net was \$19,754,379, comprised of unrealized gains of \$13,088,388 and realized losses of \$32,842,767. The following tables presents the Company's outstanding future commodity derivative positions as of September 30, 2023 and December 31, 2022, respectively:

<b>September 30, 2023</b>				
<b>Wells Fargo</b>				
<b>Period</b>	<b>Contract Type</b>	<b>Volume BBLs</b>	<b>Weighted Average Contract Price</b>	<b>Asset / (Liability)</b>
<b>Crude Oil</b>				
10/01/23 - 12/31/23	Collar	92,000	\$ 55.00 - 63.55	(2,255,369)
01/01/24 - 12/31/24	Collar	73,200	\$ 57.50 - 70.50	(884,614)
10/01/23 - 12/31/23	Collar	36,800	\$ 60.00 - 75.00	(500,478)
10/01/23 - 12/31/23	Collar	55,200	\$ 70.00 - 84.85	(293,676)
01/01/24 - 12/31/24	Collar	292,800	\$ 65.00 - 78.80	(1,670,898)
10/01/23 - 12/31/23	Collar	27,600	\$ 80.00 - 94.25	(4,784)
01/01/24 - 12/31/24	Collar	73,200	\$ 75.00 - 84.68	(10,942)
01/01/24 - 12/31/24	Collar	109,800	\$ 70.00 - 85.25	(161,237)
10/01/23 - 12/31/23	Collar	82,800	\$ 70.00 - 82.20	(601,644)
01/01/24 - 12/31/24	Collar	183,000	\$ 65.00 - 79.15	(1,010,011)
10/01/23 - 12/31/23	Swap	46,000	\$ 75.10	(598,704)
01/01/24 - 03/31/24	Swap	45,500	\$ 73.80	(435,833)
07/01/24 - 09/30/24	Swap	18,400	\$ 71.40	(134,856)
10/01/24 - 12/31/24	Swap	9,200	\$ 70.45	(62,649)
<b>Total Wells Fargo, Crude Oil</b>				<b>\$ (8,625,694)</b>

<b>Fifth Third</b>				
<b>Period</b>	<b>Contract Type</b>	<b>Volume BBLs</b>	<b>Weighted Average Contract Price</b>	<b>Asset / (Liability)</b>
<b>Crude Oil</b>				
10/01/23 - 12/31/23	Collar	27,600	\$ 80.00 - 95.50	3,740
04/01/24 - 06/30/24	Swap	27,300	\$ 72.53	(221,210)
<b>Total Fifth Third, Crude Oil</b>				<b>\$ (217,470)</b>

<b>Comerica</b>				
<b>Period</b>	<b>Contract Type</b>	<b>Volume BBLs</b>	<b>Weighted Average Contract Price</b>	<b>Asset / (Liability)</b>
<b>Crude Oil</b>				
10/01/23 - 12/31/23	Collar	61,000	\$ 70.00 - 79.00	(453,649)
01/01/24 - 12/31/24	Collar	183,000	\$ 65.00 - 77.60	(1,174,298)
<b>Total Comerica, Crude Oil</b>				<b>\$ (1,627,947)</b>

Tall City Exploration III LLC and Subsidiaries  
Notes to Consolidated Financial Statements  
September 30, 2023 and 2022 (unaudited)

			December 31, 2022	
Wells Fargo			Weighted Average Contract Price	Asset / (Liability)
Period	Contract Type	Volume BBLs		
<b>Crude Oil</b>				
01/01/23 - 12/31/23	Collar	365,000	\$ 55.00 - 63.55	(6,092,621)
01/01/24 - 12/31/24	Collar	73,200	\$ 57.50 - 70.50	(597,200)
01/01/23 - 12/31/23	Collar	146,000	\$ 60.00 - 75.00	(1,210,918)
01/01/23 - 12/31/23	Collar	219,000	\$ 70.00 - 84.85	(268,956)
01/01/24 - 12/31/24	Collar	292,800	\$ 65.00 - 78.80	(526,425)
01/01/23 - 12/31/23	Collar	109,500	\$ 80.00 - 94.25	602,202
01/01/24 - 12/31/24	Collar	73,200	\$ 75.00 - 84.68	347,432
01/01/24 - 12/31/24	Collar	109,800	\$ 70.00 - 85.25	285,966
Total Crude Oil				\$ (7,460,520)

			Weighted Average Contract Price	Asset / (Liability)
Period	Contract Type	Volume MCF		
<b>Natural Gas</b>				
01/01/23 - 03/31/23	Collar	225,000	\$ 3.95 - 5.23	16,952
01/01/23 - 03/31/23	Collar	450,000	\$ 7.25 - 10.85	1,274,265
Total Natural Gas				1,291,217
Total Wells Fargo Derivatives, net				\$ (6,169,303)

			December 31, 2022	
Fifth Third Bank			Weighted Average Contract Price	Asset / (Liability)
Period	Contract Type	Volume BBLs		
<b>Crude Oil</b>				
01/01/23 - 12/31/23	Collar	109,500	\$ 80.00 - 95.50	629,979
Total Crude Oil				629,979
Total Fifth Third Derivatives, net				\$ 629,979

**6. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent and knowledgeable parties who are willing and able to transact for an asset or liability at the measurement date. The Company uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs when determining fair value and then ranks the estimated values based on the reliability of the inputs used following the fair value hierarchy.

The three input levels of the fair value hierarchy are as follows:

**Level 1:** Observable inputs, such as quoted market prices for identical assets or liabilities in active markets.

**Level 2:** Inputs other than quoted prices in active markets that are either directly or indirectly observable. Instruments categorized in Level 2 include non-exchange traded derivatives, such as over-the-counter swaps.

**Level 3:** Unobservable inputs in which little or no market data exists.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes observable requires significant judgment by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Unobservable inputs reflect the assumptions of the Company with regard to what assumptions a market participant would use to price an asset or liability based on the best information available under the circumstances. The guidance requires the evaluator to maximize the use of observable inputs.

**Recurring Fair Value Measurements**

The Company's recurring financial assets and liabilities measured at fair value as of September 30, 2023 and December 31, 2022 are comprised of commodity derivatives that consist of privately negotiated OTC swap contracts that are valued based on a specific market index and are classified as Level 2. See footnote 5. Changes in market values represent gains or losses that occur due to fluctuations in commodity prices. Specifically, as of September 30, 2023, commodity derivatives are valued using NYMEX values. The Company has a master netting arrangement with each counterparty which supports the netting of derivative positions on the consolidated financial statements. The estimated fair value of cash and cash equivalents, prepaid expenses, accounts receivable, and accounts payable approximate the carrying amounts due to the relatively short maturity of these instruments. The fair value of the Company's debt obligations is considered to approximate carrying value due to its variable interest rates. None of these instruments are held for trading purposes.

**7. Asset Retirement Obligations**

The Company's asset retirement obligations represent the present value of estimated future costs associated with the plugging and abandonment of oil and gas wells, removal of equipment and facilities from leased acreage, and land restoration in accordance with applicable local, state and federal laws. The Company follows FASB ASC Topic 410, "Asset Retirement and Environmental Obligations". The offsetting amount associated with the asset retirement costs are capitalized as part of the carrying amount of proved properties and are reflected in oil and gas properties, full cost method on the consolidated balance sheets. Revisions in estimated liabilities can result from changes in estimated inflation, changes in service and equipment costs and changes in the estimated timing of an asset's retirement. Subsequent to initial measurement, the asset retirement liability is required to be accreted each period over the estimated productive life of the related assets.

The following table provides a reconciliation of the Company's asset retirement obligations for the nine months ended September 30, 2023:

<b>Asset retirement obligations as of December 31, 2022</b>	<b>\$ 2,319,026</b>
Additions	157,117
Accretion	114,201
<b>Asset retirement obligations as of September 30, 2023</b>	<b><u>\$ 2,590,344</u></b>

**8. Note Payable, Net**

Note payable, net consisted of the following as of September 30, 2023:

	<b>September 30, 2023</b>
Note payable	<b>\$ 240,000,000</b>
Deferred financing costs	(1,314,698)
<b>Note payable, net</b>	<b><u>\$ 238,685,302</u></b>

On March 21, 2019, the Company entered into a credit agreement with Wells Fargo Bank for an initial lender commitment of \$60 million with a maturity date of March 21, 2024. As of September 30, 2023, the lender increased the borrowing base to \$250 million along with an increase in the commitment to \$240 million and extended the maturity date to March 21, 2025. The interest rate charged on the loan is calculated the applicable Interest Period on the day (such day, the "Periodic Term SOFR Determination Day") that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided that, if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day. The Company's obligations under the credit agreement are secured by a pledge of the majority of the Company's proved oil and gas properties.

The Company is subject to certain financial covenants as a result of the credit agreement described above. These financial covenants consist of a consolidated total leverage ratio not to exceed 3.00 to 1.00 and a current ratio, which includes the remaining capacity on the credit facility, not to be less than 1.0 to 1.0. As of September 30, 2023, the Company was not in compliance with the financial covenant related to its current ratio. As such, and due to factors described in the Liquidity section above, the Company has classified its obligations outstanding under its credit facility as a current liability on its consolidated balance sheets.

**9. Members' Equity**

The LLC Agreement provides for two classes of membership interests referred to as "Series A Units" and "Series B Units," collectively referred to as "Members". As of September 30, 2023 and December 31, 2022, the Company had issued 36,923,310 Series A Units and 9,575,000 Series B Units and 35,423,310 Series A Units and 9,575,000 Series B Units, respectively. The LLC Agreement provides for the issuance of up to 10,000,000 Series B Units. Series B Units are intended to constitute profit interests.

Per the Company's LLC Agreement, available cash may be distributed as declared by the Board of Directors and is allocated first to Series A Units in accordance with their respective class sharing percentages until they have received an amount equal to an internal rate of return of 8% from the date of contributions and, thereafter, split between Series A and Series B Units in accordance with certain agreed-upon threshold sharing ratios.

Cumulative net earnings and losses are allocated among the holders of Series A Units and Series B Units in accordance with the distribution provisions described above. Under this approach, cumulative losses are allocated to Series A Units and cumulative earnings are allocated either entirely to Series A Units or between Series A Units and Series B Units in proportion to their entitled share of the liquidated earnings. In addition, available cash may be distributed to each Member in respect of the Members' assumed tax liability as of each tax distribution date. If, as of any tax distribution date, the Company has insufficient available cash to make distributions in an amount equal to the aggregate of the Members' assumed tax liabilities, the Company may make distributions to the Members, pro rata, in proportion to the Members' assumed tax liabilities. No Member has any obligation to make any capital contribution to fund any distributions described above. Any such distribution is treated as an advance against the next distribution payable.

The Company received a contribution of \$15,000,000 during the nine months ended September 30, 2023 and has made no distributions as of September 30, 2023 and December 31, 2022.

#### *Equity-Based Compensation*

Equity-based compensation expense recorded for the nine months ended September 30, 2023 and 2022 was approximately \$221,783 and \$2,449,875, respectively.

Total unrecognized compensation expense expected to be recognized in the future related to Series B Units awards was \$6.3 million and \$6.8 million as of September 30, 2023 and December 31, 2022, respectively. The portion of this expense related to the vesting upon the occurrence of the final exit event was \$5.6 million and \$5.6 million as of September 30, 2023 and December 31, 2022, respectively. The compensation expense related to the remaining 25% of the awards that vest upon a final exit event will be recognized upon consummation of the event.

#### **10. Related Party Transactions**

The Company entered into agreements with affiliates owned by the Company's Chief Executive Officer ("CEO") and other parties for the Company's Midland headquarters office space. Rental expense under these agreements was \$294,923 for the nine months ended September 30, 2023 and \$314,392 during the nine months ended September 30, 2022, which has been included in general and administrative expenses in the accompanying consolidated statements of operations.

#### **11. Leases**

On January 1, 2022, the Company adopted ASC 842, "Leases" with an effective date of January 1, 2022 using the modified retrospective approach for all leases that existed at the date of adoption.

At September 30, 2023, the weighted average remaining lease term for operating leases was 19 months and the weighted average discount rate was 2.10%. Total operating lease expense for the nine months ended September 30, 2023 and 2022 was \$1,583,352, including approximately \$294,900 paid to related parties and \$1,078,478, including approximately \$314,400 paid to related parties, respectively. These amounts are recorded in general and administrative expenses in the accompanying consolidated statements of operations.

**12. Commitments and Contingencies**

In the course of its operations, the Company is subject to possible loss contingencies arising from federal, state and local environmental, health and safety laws and regulations and third-party litigation. There are no matters pending that, in the opinion of the Company, will have a material adverse effect on the consolidated financial position, results of operations, or cash flows of the Company.

**13. Subsequent Events**

Other than those described above, the Company has evaluated and not identified any subsequent events that require additional disclosure through November 2, 2023 the date that these consolidated financial statements were available to be issued.

## Vital Energy, Inc.

## Unaudited Pro Forma Condensed Combined Financial Information

Maple Energy Acquisition

On September 13, 2023, Vital Energy, Inc., a Delaware corporation (“Vital” or the “Company”), as buyer, entered into a purchase and sale agreement (the “Maple Purchase Agreement”), with Maple Energy Holdings, LLC (“Maple Properties Seller”). Pursuant to the Maple Purchase Agreement, Vital agreed to acquire certain oil and natural gas properties (the “Acquired Maple Assets”) located in the Delaware Basin including approximately 15,500 net acres located in Reeves County (“Maple Acquisition”).

On October 31, 2023, Vital and the Maple Properties Seller completed the Maple Acquisition pursuant to the Maple Purchase Agreement. Total consideration paid to the Maple Properties Seller was \$168.7 million on October 31, 2023, after closing adjustments, subject to post-closing adjustments. The consideration paid to the Maple Properties Seller consisted of 3.37 million shares of common stock of Vital. In addition, Vital assumed suspended revenue obligations of \$3.3 million and asset retirement obligations of \$1.9 million, both based upon estimated fair value as of October 31, 2023.

The Maple Acquisition has been assumed to be an asset acquisition for purposes of these unaudited pro forma condensed combined financial statements under ASC 805. The fair value of the consideration paid by Vital and the allocation of that amount to the underlying assets acquired was recorded on a relative fair value basis. Additionally, costs directly related to the Maple Acquisition were capitalized as a component of the purchase price. The unaudited pro forma condensed combined financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Vital’s historical condensed consolidated financial information in order to account for the Maple Acquisition and include the assumption of liabilities as set forth in the Maple Purchase Agreement.

Henry Acquisition

On September 13, 2023, Vital, as buyer, entered into a purchase and sale agreement (the “Henry Purchase Agreement”), with Henry Energy LP, Henry Resources LLC and Moriah Henry Partners LLC (collectively, the “Henry Properties Seller”). Pursuant to the Henry Purchase Agreement, Vital agreed to acquire approximately 93.0% of the working interests in certain oil and natural gas properties (the “Acquired Henry Assets”) located in the Midland and Delaware Basins including approximately 15,900 net acres located in Midland, Reeves and Upton Counties (“Henry Acquisition”). In addition, Vital acquired certain pipelines and associated infrastructure used in the transfer of frac water and saltwater.

On November 5, 2023, Vital and the Henry Properties Seller completed the Henry Acquisition pursuant to the Henry Purchase Agreement. Total consideration paid to the Henry Properties Seller was \$432.9 million on November 5, 2023, after closing adjustments, subject to post-closing adjustments. The consideration paid to the Henry Properties Seller consisted of 2.15 million shares of common stock of Vital and the issuance of 6.13 million shares of newly created 2.0% Cumulative Mandatorily Convertible Series A preferred stock, par value \$0.01 per share (“Preferred Stock”), both after closing adjustments, subject to post-closing adjustments. In addition, Vital assumed drilling advance liabilities of \$6.7 million, revenues in suspense of \$24.4 million and asset retirement obligations of \$1.5 million, all based upon estimated fair value as of November 5, 2023.

The Preferred Stock was entitled to cumulative preferred cash dividends at an initial rate of 2.0% per annum of the liquidation preference per share, payable quarterly in arrears commencing on October 1, 2023, if, and when, declared. The Preferred Stock was determined to be a part of permanent equity as the Preferred Stock is not subject to SEC guidance on redeemable securities for purposes of these pro forma financial statements as Vital controls redemption. On November 29, 2023, the Company converted all outstanding shares of Preferred Stock into common shares of the Company on a 1-to-1 basis. Upon conversion, Vital paid a cash dividend for the outstanding Preferred Stock for the period beginning on the issuance date of November 5, 2023 through the conversion date of November 29, 2023.

The Henry Acquisition has been assumed to be a business combination for purposes of these unaudited pro forma condensed combined financial statements under ASC 805. The assets acquired and liabilities assumed are recorded at their respective fair values as of the closing date. Any transaction costs were expensed as incurred in accordance with ASC 805. The unaudited pro forma condensed combined financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Vital’s historical condensed consolidated financial information in order to account for the Henry Acquisition and include the assumption of liabilities as set forth in the Henry Purchase Agreement.

### Tall City Acquisition

On September 13, 2023, Vital, as buyer, entered into a purchase and sale agreement (the “Tall City Purchase Agreement”), with Tall City Property Holdings III LLC and Tall City Operations III LLC (collectively, the “Tall City Properties Seller”). Pursuant to the Tall City Purchase Agreement, Vital agreed to acquire certain oil and natural gas properties (the “Acquired Tall City Assets”) located in the Delaware Basin including approximately 21,450 net acres located in Reeves County (“Tall City Acquisition”).

On November 6, 2023, Vital and the Tall City Properties Seller completed the Tall City Acquisition pursuant to the Tall City Purchase Agreement. Total consideration paid to the Tall City Properties Seller was \$350.3 million on November 6, 2023, after closing adjustments, subject to post-closing adjustments. The consideration paid to the Tall City Properties Seller consisted of \$279.5 million in cash and 1.40 million shares of common stock of Vital, both after closing adjustments, subject to post-closing adjustments. In addition, Vital will assume suspended revenue obligations of \$32.7 million and asset retirement obligations of \$2.7 million, both based upon estimated fair value as of November 6, 2023.

The Tall City Acquisition has been assumed to be an asset acquisition for purposes of these unaudited pro forma condensed combined financial statements under ASC 805. The fair value of the consideration paid by Vital and the allocation of that amount to the underlying assets acquired is recorded on a relative fair value basis. Additionally, costs directly related to the Tall City Acquisition are capitalized as a component of the purchase price. The unaudited pro forma condensed combined financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Vital’s historical condensed consolidated financial information in order to account for the Tall City Acquisition and include the assumption of liabilities as set forth in the Tall City Purchase Agreement.

### Grey Rock Acquisition

On December 21, 2023, Vital, as buyer, signed and closed a purchase and sale agreement (the Grey Rock Agreement) with Granite Ridge Holdings LLC, GREP IV-A Permian LLC, and GREP IV-B LLC (collectively, the "Grey Rock Properties Seller"), which represents the purchase of additional working interest in the properties associated with the Henry Acquisition (the "Grey Rock Acquisition" or "Grey Rock"). The purchase will increase Vital’s working interest in 45 wells by an average of 24%. Total consideration payable to the Grey Rock Seller is estimated at \$62.9 million at December 8, 2023, subject to closing and post-closing adjustments. The consideration payable to the Grey Rock Seller is payable in the form of 0.63 million shares of common stock of Vital and 0.84 million shares of Preferred Stock, both subject to closing and post-closing adjustments. No liabilities will be assumed. The Company entered into the Grey Rock Agreement as a result of Grey Rock's exercise of its tag rights triggered by the execution of the Henry Purchase Agreement on September 13, 2023.

The Grey Rock Acquisition has been assumed to be an asset acquisition for purposes of these unaudited pro forma condensed combined financial statements under ASC 805. The fair value of the consideration paid by Vital and the allocation of that amount to the underlying assets acquired is recorded on a relative fair value basis. Additionally, costs directly related to the Grey Rock Acquisition are capitalized as a component of the purchase price. The unaudited pro forma condensed combined financial statements presented herein have been prepared to reflect the transaction accounting adjustments to Vital’s historical condensed consolidated financial information in order to account for the Grey Rock Acquisition.

### Previously Completed Acquisition - Forge

As previously disclosed in its Current Report on Form 8-K filed on June 30, 2023 with the SEC, Vital and Northern Oil and Gas, Inc. (“NOG”) completed the Forge acquisition (“Forge Acquisition”) of the assets of Forge Energy II Delaware, LLC, an Encap portfolio company (“Forge”) pursuant to the purchase and sale agreement (“Forge Purchase Agreement”) on June 30, 2023. Vital and NOG jointly acquired Forge’s oil and natural gas properties located in the Delaware Basin in Ward, Reeves and Pecos Counties. Vital acquired an undivided 70% interest in Forge’s oil and natural gas properties, or 24,000 net acres, and NOG acquired the remaining undivided 30% interest in Forge’s oil and natural gas properties. Aggregate consideration for the Forge Acquisition, excluding the undivided 30.0% interest acquired by NOG, was \$398.2 million, comprised of (i) \$391.6 million in cash after closing price adjustments and (ii) \$6.6 million in transaction related expenses.

### Previously Completed Acquisition - Driftwood

As previously disclosed in its Current Report on Form 8-K filed on April 3, 2023 with the SEC, on April 3, 2023, Vital completed the Driftwood acquisition ("Driftwood Acquisition") of the assets of Driftwood Energy Operating, LLC, a Delaware limited liability company (“Driftwood”). At the closing of the Driftwood Acquisition, among other things, Vital acquired interests in oil and natural gas leases and related property of Driftwood located in the Midland Basin, for aggregate consideration of approximately (i) \$117.0 million in cash, after closing price adjustments, (ii) 1.58 million shares of Vital’s common stock and (iii) \$4.2 million in transaction related expenses.

## Unaudited Pro Forma Condensed Combined Financial Statements

The Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2023 gives effect to the Henry Acquisition, Maple Acquisition, Tall City Acquisition and Grey Rock Acquisition as if they had been completed on September 30, 2023. The Forge Acquisition and Driftwood acquisition were completed prior to September 30, 2023 and therefore are reflected in the historical unaudited condensed consolidated balance sheet of Vital at September 30, 2023.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2023 and the year ended December 31, 2022 give effect to the Henry Acquisition, Maple Acquisition, Tall City Acquisition, Grey Rock Acquisition, Driftwood Acquisition and Forge Acquisition (collectively, the "Acquisitions") as if they been completed on January 1, 2022. Assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined financial information is provided for illustrative purposes only and does not purport to represent what the actual consolidated results of operations or the consolidated financial position of Vital would have been had the Acquisitions and related financing occurred on the dates noted above, nor are they necessarily indicative of future consolidated results of operations or consolidated financial position. Future results may vary significantly from the results reflected because of various factors. For income tax purposes, the Acquisitions will be treated as an asset purchase such that the tax bases in the assets and liabilities will generally reflect the allocated fair value at closing. In Vital's opinion, all adjustments that are necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

The unaudited pro forma condensed combined financial information does not reflect the benefits of potential cost savings or the costs that may be necessary to achieve such savings, opportunities to increase revenue generation or other factors that may result from the Acquisitions and, accordingly, does not attempt to predict or suggest future results.

The unaudited pro forma financial statements have been developed from and should be read in conjunction with:

- The audited consolidated financial statements and accompanying notes of Vital contained in Vital's Annual Report on Form 10-K for the year ended December 31, 2022;
- The unaudited consolidated financial statements and accompanying condensed notes contained in Vital's Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2023;
- The audited financial statements and related notes of Forge as of December 31, 2022 and 2021 and for the years then ended, which are incorporated by reference from Exhibit 99.1 to Vital's Current Report on Form 8-K/A filed with the SEC on July 13, 2023;
- The unaudited condensed financial statements and related notes of Forge as of March 31, 2023, and for the three-month periods ended March 31, 2023 and 2022, which are incorporated by reference from Exhibit 99.2 to Vital's Current Report on Form 8-K/A filed with the SEC on July 13, 2023;
- The audited consolidated financial statements and related notes of Driftwood Energy Partners, LLC and its wholly-owned subsidiaries, Driftwood Energy Operating, LLC, Driftwood Energy Management, LLC and Driftwood Energy Intermediate, LLC (collectively, the "Driftwood Entities") as of December 31, 2022 and 2021 and for the years then ended, which are incorporated by reference from Exhibit 99.1 to Vital's Current Report on Form 8-K/A filed with the SEC on June 15, 2023;
- The unaudited consolidated financial statements and related notes of the Driftwood Entities as of March 31, 2023, and for the three-month periods ended March 31, 2023 and 2022, which are incorporated by reference from Exhibit 99.2 to Vital's Current Report on Form 8-K/A filed with the SEC on June 15, 2023;
- The unaudited pro forma condensed combined financial information of Vital as of the year ended December 31, 2022, which is incorporated by reference from Exhibit 99.3 to Vital's Current Report on Form 8-K/A filed with the SEC on June 15, 2023;

- The unaudited pro forma condensed combined financial information of Vital as of the year ended December 31, 2022, which are incorporated by reference from Exhibit 99.1 to Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023;
- The audited financial statements and related notes of Maple Energy Holdings, LLC ("Maple") as of December 31, 2022 and 2021 and for the years then ended, which are incorporated by reference from Exhibit 99.4 to Vital's Current Report on Form 8-K/A filed with the SEC on September 13, 2023;
- The unaudited financial statements and related notes of Maple as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022, which are included elsewhere in this filing;
- The audited consolidated financial statements and related notes of Henry Energy LP ("Henry") as of December 31, 2022, 2021 and 2020 and for the years then ended, which are incorporated by reference from Exhibit 99.2 to Vital's Current Report on Form 8-K/A filed with the SEC on September 13, 2023;
- The unaudited condensed consolidated financial statements and related notes of Henry as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022, which are included elsewhere in this filing;
- The audited consolidated financial statements and related notes of Tall City Exploration III LLC ("Tall City") and Subsidiaries as of December 31, 2022 and 2021 and for the years then ended, which are incorporated by reference from Exhibit 99.6 to Vital's Current Report on Form 8-K/A filed with the SEC on September 13, 2023; and
- The unaudited consolidated financial statements and related notes of Tall City as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022, which are included elsewhere in this filing; and
- The unaudited statements of revenue and direct operating expenses and related notes of certain properties of Granite Ridge Resources, Inc. operated by Henry Energy LP as of September 30, 2023 and for the nine-month periods ended September 30, 2023 and 2022, and the audited statements of revenues and direct operating expenses and related notes of certain properties of Granite Ridge Resources, Inc. operated by Henry Energy LP as of December 31, 2022 and 2021 and for the years then ended, which are included elsewhere in this filing; and
- The unaudited statements of revenues and direct operating expenses and the related notes of GREP IV-A Permian LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023, which are included elsewhere in this filing; and
- The unaudited statements of revenues and direct operating expenses and the related notes of GREP IV-B Permian LLC operated by Henry Energy LP for the nine-month period ended September 30, 2023, which are included elsewhere in this filing.

**Vital Energy, Inc.**  
**Pro forma condensed combined balance sheets**  
**As of September 30, 2023**  
**(in thousands)**  
**(Unaudited)**

	Historical				Transaction accounting adjustments		Pro forma combined
	Vital <sup>1</sup>	Maple	Henry	Tall City	Conforming and reclass	Acquisition Adjustments	
<b>Assets</b>							
Current assets:							
Cash and cash equivalents	\$ 589,695	\$ 9,272	\$ 57,904	\$ 22,084	\$ (89,260)(a)	\$ (279,458)(j)	\$ 293,037
						(5,350)(g)	
						(3,450)(h)	
						(6,900)(u)	
						(1,500)(y)	
Accounts receivable, net	199,838	—	30,379	33,600	(63,979)(a)	—	199,838
Receivables from oil and gas sales	—	14,394	—	—	(14,394)(a)	—	—
Joint interest billings	—	387	—	—	(387)(a)	—	—
Severance tax refunds	—	235	—	—	(235)(a)	—	—
Assets from derivative contracts	—	2,832	—	—	(2,832)(a)	—	—
Debt issuance costs, net	—	128	—	—	(128)(a)	—	—
Derivatives	3,775	—	—	—	—	—	3,775
Affiliate receivable	—	—	597	—	(597)(a)	—	—
Prepaid expenses and other current assets	—	500	338	466	(1,304)(a)	—	—
Other current assets	20,900	—	—	—	—	—	20,900
Total current assets	814,208	27,748	89,218	56,150	(173,116)	(296,658)	517,550
Property and equipment:							
Oil and natural gas properties, full cost method:							
Evaluated properties	10,512,608	—	—	—	—	350,258(d)	11,569,300
						168,660(e)	
						391,444(f)	
						5,350(g)	
						3,450(h)	
						2,679(p)	
						1,929(q)	
						1,529(r)	
						3,285(o)	
						6,696(o)	
						24,360(o)	
						32,688(o)	
						62,864(v)	
						1,500	
Proved oil and gas properties, net	—	—	—	718,737	(718,737)(b)	—	—
Proved properties, subject to amortization	—	156,531	—	—	(156,531)(b)	—	—
Unevaluated properties not being depleted	199,490	—	—	—	—	28,345(t)	227,835
Unproved oil and gas properties, not being amortized	—	—	—	8,331	(8,331)(b)	—	—
Oil and natural gas property and equipment, based on full cost method of accounting, net	—	—	468,274	—	(468,274)(b)	—	—

	Historical				Transaction accounting adjustments		Pro forma combined
	Vital <sup>1</sup>	Maple	Henry	Tall City	Conforming and reclass	Acquisition Adjustments	
Less: accumulated depletion	—	(41,546)	—	—	41,546(b)	—	—
Less: accumulated depletion and impairment	(7,616,830)	—	—	—	—	—	(7,616,830)
Oil and natural gas properties, net	3,095,268	114,985	468,274	727,068	(1,310,327)	1,085,037	4,180,305
Other property and equipment, net	—	—	34,244	281	(34,525)(a)	—	—
Other property and equipment	—	246	—	—	(246)(a)	—	—
Less: accumulated depreciation	—	(78)	—	—	78(a)	—	—
Midstream and other fixed assets, net	129,115	—	—	—	—	13,136(s)	142,251
Property and equipment, net	3,224,383	115,153	502,518	727,349	(1,345,020)	1,098,173	4,322,556
Right of use assets, net	—	—	10,928	3,324	(14,252)(i)	—	—
Equity method investment	—	—	1,801	—	(1,801)(a)	—	—
Derivatives	27,163	—	—	—	—	—	27,163
Assets from derivative contracts	—	427	—	—	(427)(a)	—	—
Operating lease right-of-use assets	116,634	12,705	—	—	(12,705)(i)	27,000(i)	143,634
Deposits	—	50	—	—	(50)(a)	—	—
Debt issuance costs, net	—	111	—	—	(111)(a)	—	—
Deferred income taxes	220,382	—	—	—	—	—	220,382
Other assets	—	—	1,001	—	(1,001)(a)	—	—
Other noncurrent assets, net	23,482	—	—	26	(26)(a)	—	23,482
<b>Total assets</b>	<b>\$ 4,426,252</b>	<b>\$ 156,194</b>	<b>\$ 605,466</b>	<b>\$ 786,849</b>	<b>\$ (1,548,509)</b>	<b>\$ 828,515</b>	<b>\$ 5,254,767</b>
<b>Liabilities and stockholders' equity</b>							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 106,376	\$ —	\$ —	\$ 44,335	\$ (44,335)(a)	\$ —	\$ 106,376
Accounts payable	—	716	28,762	—	(29,478)(a)	—	—
Accrued liabilities	—	—	19,282	—	(19,282)(a)	—	—
Accrued liabilities and other	—	10,470	—	—	(10,470)(a)	—	—
Accrued capital expenditures	74,149	—	—	—	—	—	74,149
Ad valorem taxes payable	—	919	—	—	(919)(a)	—	—
Undistributed revenue and royalties	165,027	—	—	—	—	60,333(o)	225,360
Revenue payable	—	—	—	43,091	(43,091)(n)	—	—
Derivatives	106,767	—	—	—	—	—	106,767
Derivative liabilities, short term	—	—	—	9,576	(9,576)(a)	—	—
Liabilities from derivative contracts	—	4,408	—	—	(4,408)(a)	—	—
Drilling advances	—	—	6,695	—	(6,695)(n)	6,696(o)	6,696
Current portion of debt	—	—	1,301	—	(1,301)(a)	—	—
Asset retirement obligations, current	—	—	—	200	(200)(a)	—	—
Lease obligations, current	—	—	—	2,065	(2,065)(i)	—	—
Operating lease liabilities	47,399	1,468	6,332	—	(7,800)(i)	9,865(i)	57,264
Note payable, net	—	—	—	238,685	(238,685)(a)	—	—
Other current liabilities	71,984	—	—	—	—	—	71,984
Total current liabilities	571,702	17,981	62,372	337,952	(418,305)	76,894	648,596
Long-term debt, net	1,926,966	—	20,751	—	(20,751)(a)	—	1,926,966
Revolving credit facility	—	5,278	—	—	(5,278)(a)	—	—
Derivatives	5,885	—	—	—	—	—	5,885

	Historical				Transaction accounting adjustments		Pro forma combined
	Vital <sup>1</sup>	Maple	Henry	Tall City	Conforming and reclass	Acquisition Adjustments	
Derivative liabilities, long term	—	—	—	895	(895)(a)	—	—
Liabilities from derivative contracts	—	809	—	—	(809)(a)	—	—
Asset retirement obligations	75,416	3,586	1,484	2,391	(7,461)(a)	2,679(p)	81,553
						1,929(q)	
						1,529(r)	
Lease obligations, non-current	—	—	—	1,276	(1,276)(i)	—	—
Operating lease liabilities	66,366	11,263	4,596	—	(15,859)(i)	17,135(i)	83,501
Other noncurrent liabilities	6,853	—	—	—	—	—	6,853
Total liabilities	2,653,188	38,917	89,203	342,514	(470,634)	100,166	2,753,354
Commitments and contingencies							
Stockholders' equity:							
Preferred stock	—	—	—	—	—	61(c)	69
						8(x)	
Common stock	218	—	—	—	—	14(k)	293
						34(l)	
						21(m)	
						6(w)	
Members' equity	—	117,277	—	444,335	(561,612)(a)	—	—
Limited partner	—	—	512,742	—	(512,742)(a)	—	—
Noncontrolling interests	—	—	3,521	—	(3,521)(a)	—	—
Additional paid-in capital	3,002,709	—	—	—	—	70,786(k)	3,737,814
						168,626(l)	
						112,093(m)	
						320,749(c)	
						36,164(x)	
						26,687(w)	
Accumulated deficit	(1,229,863)	—	—	—	—	(6,900)(u)	(1,236,763)
Total stockholders' equity	1,773,064	117,277	516,263	444,335	(1,077,875)	728,349	2,501,413
Total liabilities and stockholders' equity	\$ 4,426,252	\$ 156,194	\$ 605,466	\$ 786,849	\$ (1,548,509)	\$ 828,515	\$ 5,254,767

(1) Vital's historical balance sheet, as shown in the table above, includes the assets acquired and liabilities assumed from both the Forge Acquisition and the Driftwood Acquisition, as both closed prior to September 30, 2023.

**Vital Energy, Inc.**  
**Pro forma condensed combined statements of operations**  
**For the nine months ended September 30, 2023**  
**(in thousands, except per share data)**  
**(Unaudited)**

	Historical						Transaction accounting adjustments		Pro forma combined	
	Vital <sup>1</sup>	Driftwood - Three Months Ended March 31, 2023	Forge <sup>2</sup> - Six Months Ended June 30, 2023	Maple	Henry	Tall City	Grey Rock <sup>(ag)</sup>	Conforming and reclass		Acquisition Adjustments
<b>Revenues:</b>										
Oil sales	\$ 940,982	\$ —	\$ 116,373	\$ 53,423	\$ —	\$ 207,713	\$ —	\$ 185,911(a)	\$ (9,678)(u)	\$ 1,459,812
NGL sales	97,196	—	11,170	17,662	—	18,089	—	14,859(a)	(34,912)(ad)	154,862
Natural gas sales	48,260	—	2,929	7,229	—	7,485	—	9,111(a)	(763)(u)	73,667
Crude oil, natural gas, and NGL sales, net	—	—	—	—	155,846	—	—	(155,846)(a)	(879)(ad)	—
Oil and natural gas sales, net	—	23,780	—	—	—	—	30,255	(54,035)(a)	—	—
Sales of purchased oil	14,192	—	—	—	—	—	—	—	—	14,192
Drilling and overhead fees	—	—	—	—	3,194	—	—	(3,194)(w)	—	—
Water disposal fees and pipeline income	—	—	—	—	8,043	—	—	—	(563)(u)	7,480
Affiliate service fee income	—	—	—	—	38,804	—	—	(38,804)(l)	—	—
Unrealized and realized gains/losses, net	—	—	—	—	—	(6,698)	—	6,698(b)	—	—
Other income	—	—	—	—	1,073	—	—	(1,073)(e)	—	—
Other operating revenues	2,453	—	107	—	—	—	—	1,073(c)	(75)(u)	3,526
									(32)(ad)	
Total revenues	1,103,083	23,780	130,579	78,314	206,960	226,589	30,255	(35,300)	(50,721)	1,713,539
<b>Costs and expenses:</b>										
Lease operating expenses	173,939	3,396	27,485	31,462	—	70,977	5,738	31,748(d)	(1,963)(u)	330,456
								(3,194)(w)	224(u)	
									(9,356)(ad)	
Workover expenses	—	—	3,700	—	—	—	—	(3,700)(d)	—	—
Lease operating and workover expenses	—	—	—	—	28,048	—	—	(28,048)(d)	—	—
Pipeline operating expenses	—	—	—	—	5,850	—	—	(5,850)(z)	—	—
Gathering, processing and transportation expenses	371	—	—	—	—	7,318	—	727(n)	—	8,416
Gathering and processing	—	727	—	—	—	—	—	(727)(n)	—	—
Production and ad valorem taxes	69,498	998	8,192	—	—	—	1,350	23,389(e)	(532)(u)	100,437
									(2,458)(ad)	
Production tax and other	—	—	—	5,052	—	10,743	—	(15,795)(e)	—	—

	Historical							Transaction accounting adjustments		
	Vital <sup>1</sup>	Driftwood - Three Months Ended March 31, 2023	Forge <sup>2</sup> - Six Months Ended June 30, 2023	Maple	Henry	Tall City	Grey Rock <sup>(ag)</sup>	Conforming and reclass	Acquisition Adjustments	Pro forma combined
Severance and ad valorem taxes	—	—	—	—	7,594	—	—	(7,594)(e)	—	—
Oil transportation and marketing expenses	32,391	—	—	—	—	—	—	—	—	32,391
Costs of purchased oil	14,856	—	—	—	—	—	—	—	—	14,856
General and administrative	73,053	884	904	3,428	24,942	8,075	—	222(f)	(271)(ad)	94,576
Equity-based compensation expense	—	—	—	—	—	222	—	(16,661)(x)	(222)(f)	—
Depletion, depreciation and amortization	310,618	—	—	—	31,682	—	—	(31,682)(g)	45,634(q)	451,391
									21,299(r)	—
									35,541(s)	—
									23,208(t)	—
									5,697(ac)	—
									806(y)	—
									8,588(ac)	—
Depletion, depreciation, amortization and impairment	—	—	—	—	—	55,309	—	(55,309)(g)	—	—
Depletion - oil and gas properties	—	—	—	20,981	—	—	—	(20,981)(g)	—	—
Depreciation - other property and equipment	—	—	—	33	—	—	—	(33)(g)	—	—
Depletion and depreciation	—	—	23,063	—	—	—	—	(23,063)(g)	—	—
Depletion expense	—	5,069	—	—	—	—	—	(5,069)(g)	—	—
Accretion of asset retirement obligations	—	—	—	103	—	114	—	(217)(h)	—	—
Accretion expense	—	12	238	—	89	—	—	(339)(h)	—	—
Exploration	—	116	—	—	—	—	—	(116)(ab)	—	—
Other operating expenses, net	4,538	—	—	—	—	—	—	5,850(z)	543(h)	10,521
									(410)(u)	—
Total costs and expenses	679,264	11,202	63,582	61,059	98,205	152,758	7,088	(156,664)	126,550	1,043,044
Gain on disposal of assets, net	540	—	—	—	—	—	—	—	—	540
Operating income	424,359	12,578	66,997	17,255	108,755	73,831	23,167	121,364	(177,271)	671,035
Non-operating income (expense):										
Loss on derivatives, net	(132,875)	—	—	(1,193)	—	—	—	1,352(b)	(1,525)(ad)	(134,241)
Loss on realized derivatives	—	(1,916)	(1,346)	—	—	—	—	3,262(b)	—	—

	Historical							Transaction accounting adjustments		
	Vital <sup>1</sup>	Driftwood - Three Months Ended March 31, 2023	Forge <sup>2</sup> - Six Months Ended June 30, 2023	Maple	Henry	Tall City	Grey Rock <sup>(ag)</sup>	Conforming and reclass	Acquisition Adjustments	Pro forma combined
Gain on unrealized derivatives	—	4,883	6,429	—	—	—	—	(11,312)(b)	—	—
Gain on unrealized fair value of contingent consideration	—	—	52	—	—	—	—	(52)(aa)	—	—
Other expense	—	—	—	—	(1,837)	—	—	1,837(i)	—	—
Interest expense	(99,388)	(1,170)	(3,018)	—	(1,002)	(16,778)	—	21,968(j)	(33,599)(m)	(132,987)
Interest expense and other	—	—	—	(1,834)	—	—	—	1,834(j)	—	—
Interest income	—	—	—	—	761	—	—	(761)(i)	—	—
Other income, sale of assets	—	—	—	—	16	—	—	(16)(o)	—	—
Gain on sale of assets	—	1,301	—	—	—	—	—	(1,301)(af)	—	—
Loss from equity method investments	—	—	—	—	(42)	—	—	42(p)	—	—
Other income, net	3,697	—	—	—	—	50	—	(1,076)(i)	(129)(u)	2,595
									53(u)	
Total non-operating income (expense), net	(228,566)	3,098	2,117	(3,027)	(2,104)	(16,728)	—	15,777	(35,200)	(264,633)
Income before income taxes	195,793	15,676	69,114	14,228	106,651	57,103	23,167	137,141	(212,471)	406,402
Income tax (benefit) expense:										
Current	(2,298)	—	—	—	—	—	—	—	—	(2,298)
Deferred	220,149	—	—	—	—	—	—	(107)(v)	(112,734)(v)	107,308
Income taxes	—	—	—	(107)	—	—	—	107(v)	—	—
Total income tax expense	217,851	—	—	(107)	—	—	—	—	(112,734)	105,010
Net income	\$ 413,644	\$ 15,676	\$ 69,114	\$ 14,121	\$ 106,651	\$ 57,103	\$ 23,167	\$ 137,141	\$ (325,205)	\$ 511,412
Net income per common share:										
Basic	\$ 23.44								(k)	\$ 20.07
Diluted	\$ 23.32								(k)	\$ 15.85
Weighted-average common shares outstanding:										
Basic	17,646								(k)	25,192
Diluted	17,740								(k)	32,257

- (1) Vital's historical statement of operations, as shown in the table above, include the historical results of Vital, Forge after June 30, 2023 and Driftwood after March 31, 2023.
- (2) The Forge Acquisition was completed on June 30, 2023. As such, the results of operations of Vital, as presented in the above table, do not include the results of operations of Forge for the six months ended June 30, 2023. The above table includes estimates of the results of operations for the three months ended June 30, 2023 of Forge.

**Vital Energy, Inc.**  
**Pro forma condensed combined statements of operations**  
**For the year ended December 31, 2022**  
**(in thousands, except per share data)**  
**(Unaudited)**

	Historical					Transaction accounting adjustments		Pro forma combined
	Vital <sup>1</sup>	Maple	Henry	Tall City	Grey Rock	Conforming and reclass	Acquisition Adjustments	
Revenues:								
Oil sales	\$ 1,596,040	\$ 63,803	\$ —	\$ —	\$ —	\$ 253,390(a)	\$ (17,737)(u)	\$ 2,140,546
						202,035(a)		
NGL sales	259,720	19,471	—	—	—	43,015(a)	(1,860)(u)	336,484
						26,570(a)		
						26,176(a)		
Natural gas sales	226,851	17,480	—	—	—	6,407(a)	(1,140)(u)	280,629
						16,285(a)		
						21,153(a)		
Crude oil, natural gas, and NGL sales, net	—	—	296,245	—	—	(296,245)(a)		—
Oil and natural gas	—	—	—	249,364	49,422	(298,786)(a)		—
Sales of purchased oil	119,408	—	—	—	—			119,408
Drilling and overhead fees	—	—	3,819	—	—	(3,819)(w)		—
Water disposal fees and pipeline income	—	—	10,433	—	—		(730)(u)	9,703
Affiliate service fee income	—	—	33,524	—	—	(33,524)(l)		—
Loss on derivatives, net	—	—	(4,129)	—	—	4,129(b)		—
Unrealized and realized losses, net	—	—	—	(27,929)	—	27,929(b)		—
Other income	—	—	606	—	—	(606)(c)		—
Other operating revenues	7,333	—	—	—	—	606(c)	(42)(u)	7,897
Total revenues	2,209,352	100,754	340,498	221,435	49,422	(5,285)	(21,509)	2,894,667
Costs and expenses:								
Lease operating expenses	210,835	31,910	—	41,260	5,982	36,162(d)	(2,531)(u)	320,066
						(3,819)(w)	267(u)	
Lease operating and workover expenses	—	—	36,162	—	—	(36,162)(d)		—
Pipeline operating expenses	—	—	5,150	—	—	(5,150)(z)		—
Production and ad valorem taxes	127,851	—	—	12,532	3,245	19,794(e)	(1,032)(u)	162,390
Production and other taxes	—	5,052	—	—	—	(5,052)(e)		—
Severance and ad valorem taxes	—	—	14,742	—	—	(14,742)(e)		—
Transportation and marketing expenses	53,692	—	—	—	—	5,462(n)		59,154
Gathering, processing, and transportation expenses	—	—	—	5,462	—	(5,462)(n)		—
Costs of purchased oil	122,118	—	—	—	—			122,118
General and administrative	72,518	5,172	28,853	10,479	—	2,617(f)		103,363
						(16,276)(x)		
Equity-based compensation expense	—	—	—	2,617	—	(2,617)(f)		—
Organizational restructuring expenses	10,420	—	—	—	—			10,420
Depletion, depreciation and amortization	369,324	—	38,651	42,788	—	(81,439)(g)	35,688(q)	494,831
							19,022(r)	
							58,500(s)	
							11,399(ae)	
							898(y)	
Depletion - oil and natural gas properties	—	17,626	—	—	—	(17,626)(g)		—

	Historical					Transaction accounting adjustments		Pro forma combined
	Vital <sup>1</sup>	Maple	Henry	Tall City	Grey Rock	Conforming and reclass	Acquisition Adjustments	
Depreciation - other property and equipment	—	35	—	—	—	—	(35)(g)	—
Accretion expense	—	107	132	128	—	—	(367)(h)	—
Impairment expense	40	—	—	—	—	—	—	40
Other operating expenses, net	8,846	—	—	—	—	—	5,150(z)	14,205
							(361)(u)	
Total costs and expenses	975,644	59,902	123,690	115,266	9,227	(119,562)	122,420	1,286,587
Loss on disposal of assets, net	(1,079)	—	—	—	—	—	—	(1,079)
Operating income	1,232,629	40,852	216,808	106,169	40,195	114,277	(143,929)	1,607,001
Non-operating income (expense):								
Gain on sale of assets	—	—	51	—	—	—	(51)(o)	—
Loss on derivatives, net	(330,761)	(1,240)	—	—	—	—	(27,929)(b)	(363,770)
							(4,129)(b)	
Interest income	—	—	3	—	—	—	(3)(i)	—
Interest expense	(160,310)	—	(5,394)	(7,646)	—	—	13,040(j)	(187,557)
Interest expense and other	—	(383)	—	—	—	—	383(j)	—
Loss on extinguishment of debt, net	(1,459)	—	—	—	—	—	—	(1,459)
Loss from equity method investments	—	—	(54)	—	—	—	54(p)	—
Other income, net	2,155	—	—	—	—	—	3(i)	1,167
							(1,066)(i)	75(u)
Other expense	—	—	(1,066)	—	—	—	1,066(i)	—
Total non-operating income (expense), net	(490,375)	(1,623)	(5,394)	(7,646)	—	(18,632)	(26,883)	(551,619)
Income before income taxes	742,254	39,229	211,414	98,523	40,195	95,645	(170,812)	1,055,382
Income tax expense:								
Current	(6,121)	—	—	—	—	—	—	(6,121)
Deferred	619	—	—	—	—	—	(288)(v)	331
Income taxes	—	(288)	—	—	—	—	288(v)	—
Total income tax expense	(5,502)	(288)	—	—	—	—	—	(5,790)
Net income	\$ 736,752	\$ 38,941	\$ 211,414	\$ 98,523	\$ 40,195	\$ 95,645	\$ (170,812)	\$ 1,049,592
Net income per common share:								
Basic	\$ 40.37						(k)	\$ 40.39
Diluted	\$ 39.94						(k)	\$ 31.84
Weighted-average common shares outstanding:								
Basic	18,251						(k)	25,797
Diluted	18,446						(k)	32,963

(1) Vital's historical statement of operations, as shown in the table above, include the historical results of Vital, Forge and Driftwood through December 31, 2022, including the effect of pro forma adjustments for the Forge Acquisition and Driftwood Acquisition through December 31, 2022, as presented in Exhibit 99.1 to Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023 and incorporated by reference into these unaudited pro forma condensed combined financial statements.

## Vital Energy, Inc.

### Notes to Unaudited Pro Forma Condensed Combined Financial Information

#### 1. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements were prepared based on the historical consolidated financial statements of Vital, Maple, Henry, Tall City, Grey Rock, Forge and Driftwood. The Forge Acquisition and Driftwood Acquisition have been accounted for as asset acquisitions in accordance with ASC 805. The Maple Acquisition, Tall City Acquisition and Grey Rock Acquisition have been assumed to be asset acquisitions in accordance with ASC 805 for purposes of these unaudited pro forma condensed combined financial statements. The fair value of the consideration paid by Vital for the Maple Acquisition, Tall City Acquisition and Grey Rock Acquisition will be allocated to the underlying assets acquired on a relative fair value basis. Additionally, costs directly related to the Maple Acquisition, Tall City Acquisition and Grey Rock Acquisition are assumed to be capitalized as a component of the purchase price. The Henry Acquisition has been assumed to be a business combination for purposes of these unaudited pro forma condensed combined financial statements under ASC 805. The assets acquired and liabilities assumed are recorded at their respective fair values as of the closing date. Any transaction costs were expensed as incurred in accordance with ASC 805. Certain of the historical amounts for the Acquisitions have been reclassified to conform to the financial statement presentation of Vital. Additionally, adjustments have been made to the historical financial information Maple, Henry, Tall City, Grey Rock, Forge and Driftwood to remove certain assets and liabilities retained by the sellers in each separate transaction.

The Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2023 gives effect to the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition as if they had been completed on September 30, 2023. The Forge Acquisition and Driftwood Acquisition were completed prior to September 30, 2023 and therefore are reflected in the historical unaudited condensed consolidated balance sheet of Vital at September 30, 2023.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2023 and the year ended December 31, 2022 give effect to Acquisitions as if they been completed on January 1, 2022.

The unaudited pro forma condensed combined financial information and related notes are presented for illustrative purposes only. If the Acquisitions and other transactions contemplated herein had occurred in the past, Vital's operating results might have been materially different from those presented in the unaudited pro forma condensed combined financial information. The unaudited pro forma condensed combined financial information should not be relied upon as an indication of operating results that Vital would have achieved if the Acquisitions and other transactions contemplated herein had taken place on the specified dates. In addition, future results may vary significantly from the results reflected in the unaudited pro forma condensed combined financial statement of operations and should not be relied upon as an indication of the future results Vital will have after the contemplation of the Acquisitions and the other transactions contemplated by the unaudited pro forma condensed combined financial information. In Vital's opinion, all adjustments that are necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

#### 2. Consideration and Purchase Price Allocation

The preliminary allocation of the total purchase price in the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition is based upon management's estimates and assumptions related to the fair value of assets to be acquired and liabilities to be assumed as of the closing date of the transaction using currently available information and market data. Because the unaudited pro forma condensed combined financial information has been prepared based on these preliminary estimates, the final purchase price allocation and the resulting effect on financial position and results of operations may differ significantly from the pro forma amounts included herein.

The preliminary purchase price allocations are subject to change due to several factors, including but not limited to:

- Changes in the fair value of common stock of Vital up to the close date of the Grey Rock Acquisition, which could significantly change the preliminary amount of consideration transferred used in these unaudited pro forma condensed combined financial statements;

- Changes in the fair value of Preferred Stock up to the close date of the Grey Rock Acquisition which could significantly change the preliminary amount of consideration transferred used in these unaudited pro forma condensed combined financial statements;
- Changes to Vital's preliminary assessment as to whether, under ASC 805, the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition each represent a business combination or asset acquisition, along with changes in estimated direct transaction costs, which could significantly change the preliminary allocation of value to assets acquired and liabilities assumed in these unaudited pro forma condensed combined financial statements;
- Changes in the identified oil and gas properties, specifically related to unevaluated properties not being depleted, which could significantly change the amount of pro forma depletion expense used in these unaudited pro forma condensed combined financial statements;
- Changes in the identification of any intangible assets or goodwill, specifically associated with the Henry Acquisition, which could result from our evaluation of the fair value of the assets acquired and liabilities assumed in such business combination; and
- Changes in the estimated fair value of assets acquired and liabilities assumed as of the closing date of the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition, which could result from changes in future oil and natural gas commodity prices, reserve estimates, interest rates, as well as other factors, which could significantly change the preliminary values assigned to the assets acquired in these unaudited pro forma condensed combined financial statements.

The estimated consideration transferred and the relative fair value of assets acquired and liabilities assumed by Vital are as follows (in thousands, except share amounts, which are rounded and shown in whole shares, and share stock price):

	<u>Maple</u>	<u>Henry</u>	<u>Tall City</u>	<u>Grey Rock</u>	<u>Total</u>
<b>Consideration:</b>					
Net shares of Vital common stock to be issued	3,370,497	2,145,725	1,402,258	627,026	7,545,506
Vital common stock price <sup>(1)</sup>	\$ 50.04	\$ 52.25	\$ 50.49	\$ 42.57	
Common stock consideration, net of estimated liabilities assumed by Vital	<u>\$ 168,660</u>	<u>\$ 112,114</u>	<u>\$ 70,800</u>	<u>\$ 26,692</u>	<u>\$ 378,266</u>
Net shares of Vital Preferred Stock to be issued	—	6,131,381	—	839,643	6,971,024
Fair value of Vital Preferred Stock <sup>(1)</sup>	\$ —	\$ 52.25	\$ —	\$ 42.57	
Preferred Stock consideration, net of estimated liabilities assumed by Vital	\$ —	\$ 320,365	\$ —	\$ 35,744	\$ 356,109
Fair value of Preferred Stock dividends	—	446	—	428	874
Fair value of Preferred Stock	<u>\$ —</u>	<u>\$ 320,811</u>	<u>\$ —</u>	<u>\$ 36,172</u>	<u>\$ 356,983</u>
Cash consideration, net of estimated liabilities assumed by Vital	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 279,458</u>	<u>\$ —</u>	<u>\$ 279,458</u>
Estimated fair value of consideration to be paid to sellers	\$ 168,660	\$ 432,925	\$ 350,258	\$ 62,864	\$ 1,014,707
Estimated direct transaction costs	3,450	—	5,350	1,500	10,300
Estimated total consideration	<u>\$ 172,110</u>	<u>\$ 432,925</u>	<u>\$ 355,608</u>	<u>\$ 64,364</u>	<u>\$ 1,025,007</u>
<b>Relative fair value of assets acquired:</b>					
Oil and natural gas properties:					
Evaluated properties – full cost method	\$ 175,395	\$ 422,500	\$ 388,296	\$ 64,364	\$ 1,050,555
Unevaluated properties	—	28,345	—	—	28,345
Asset retirement obligations	1,929	1,529	2,679	—	6,137
Operating lease right-of-use assets	12,731	10,928	3,341	—	27,000
Other property and equipment	—	13,136	—	—	13,136
Amount attributable to assets acquired	<u>\$ 190,055</u>	<u>\$ 476,438</u>	<u>\$ 394,316</u>	<u>\$ 64,364</u>	<u>\$ 1,125,173</u>
<b>Fair value of liabilities assumed:</b>					
Asset retirement obligations	\$ 1,929	\$ 1,529	\$ 2,679	\$ —	\$ 6,137
Suspended revenues	3,285	24,360	32,688	—	60,333
Drilling advances	—	6,696	—	—	6,696
Operating lease liabilities	12,731	10,928	3,341	—	27,000
Amount attributable to liabilities assumed	<u>\$ 17,945</u>	<u>\$ 43,513</u>	<u>\$ 38,708</u>	<u>\$ —</u>	<u>\$ 100,166</u>

(1) For Maple, Henry, and Tall City, these amounts are as of the respective closing dates. For Grey Rock, these amounts are as of December 8, 2023.

The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market and therefore represent Level 3 inputs. The fair value of oil and natural gas properties and asset retirement obligations were measured using the discounted cash flow technique of valuation.

Significant unobservable inputs included future commodity prices adjusted for differentials, projections of estimated quantities of recoverable reserves, forecasted production based on decline curve analysis, estimated timing and amount of future operating and development costs, and a weighted average cost of capital.

### **3. Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet and Unaudited Pro Forma Condensed Combined Statements of Operations**

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Vital. Actual results may differ materially from the assumptions and estimates contained herein.

The pro forma adjustments are based on currently available information and certain estimates and assumptions that Vital believes provide a reasonable basis for presenting the significant effects of the Acquisitions. General descriptions of the pro forma adjustments are provided below.

#### ***Unaudited Pro Forma Condensed Combined Balance Sheet***

The following adjustments were made in the preparation of the unaudited pro forma condensed combined balance sheet as of September 30, 2023:

- (a) Adjustment to remove assets and liabilities not acquired as part of the Acquisitions as well as associated historical book equity.
- (b) Adjustment to eliminate the historical book value and accumulated depreciation, depletion and amortization of Maple, Henry and Tall City's oil and natural gas properties as of September 30, 2023.
- (c) Adjustment for the issuance of 6,131,381 shares of Preferred Stock, net of closing adjustments, pursuant to the Henry Purchase Agreement, based on Preferred Stock to be issued multiplied by the fair value per share of Preferred Stock of \$52.25, determined as of November 3, 2023.
- (d) Adjustment to reflect the assets acquired of Tall City, on a relative fair value basis.
- (e) Adjustment to reflect the assets acquired of Maple, on a relative fair value basis.
- (f) Adjustment to reflect the fair value of the proved Henry assets acquired.
- (g) Adjustment for the payment of estimated transaction costs incurred for the Tall City Acquisition.
- (h) Adjustment for the payment of estimated transaction costs incurred for the Maple Acquisition.
- (i) Adjustments to conform the presentation of the right-of-use assets acquired and operating lease liabilities assumed from Henry, Maple and Tall City to the presentation by Vital.
- (j) Adjustment to record cash consideration paid related to the Tall City Acquisition.
- (k) Adjustment to reflect the issuance of 1,402,258 shares of Vital common stock, net of closing adjustments, pursuant to the Tall City Purchase Agreement, based on the November 6, 2023 closing price of Vital of \$50.49 per common share.
- (l) Adjustment to reflect the issuance of 3,370,497 shares of Vital common stock, net of closing adjustments, pursuant to the Maple Purchase Agreement, based on the October 31, 2023 closing price of Vital of \$50.04 per common share.
- (m) Adjustment to reflect the issuance of 2,145,725 shares of Vital common stock pursuant to the Purchase Agreement of Henry, based on the November 3, 2023 closing price of Vital of \$52.25 per common share.
- (n) Adjustment to remove the book value of drilling advances and undistributed revenues and royalties assumed by Vital.
- (o) Adjustment to reflect the fair value of drilling advances and suspended revenues assumed by Vital.
- (p) Adjustment for the asset retirement obligations incurred for the Tall City Acquisition.
- (q) Adjustment for the asset retirement obligations incurred for the Maple Acquisition.
- (r) Adjustment for the asset retirement obligations incurred for the Henry Acquisition.
- (s) Adjustment to reflect the fair value of certain pipeline assets obtained by Vital as part of the Henry Acquisition.
- (t) Adjustment to reflect the fair value of the unevaluated Henry assets acquired.
- (u) Adjustment for the payment of estimated transaction expenses incurred for the Henry Acquisition.
- (v) Adjustment to reflect the assets acquired of Grey Rock, on a relative fair value basis.

- (w) Adjustment to reflect the issuance of 627,026 shares of Vital common stock pursuant to the Grey Rock Purchase Agreement, based on the December 8, 2023 closing price of Vital of \$42.57 per common share.
- (x) Adjustment to reflect the issuance of 839,643 shares of Vital Preferred Stock pursuant to the Grey Rock Purchase Agreement, based on the estimated issuance date fair value, which was determined based on Preferred Stock to be issued, multiplied by the fair value per share of Preferred Stock of \$42.57, determined as of December 8, 2023.
- (y) Adjustment for the payment of estimated transaction costs incurred for the Grey Rock Acquisition.

***Unaudited Pro Forma Condensed Combined Statements of Operations***

The following adjustments were made in the preparation of the unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2023, and the year ended December 31, 2022:

- (a) Adjustment to conform Maple, Henry, Tall City, Grey Rock and Driftwood's presentation of historical crude oil, natural gas and NGL sales to the presentation by Vital.
- (b) Adjustment to conform Henry and Tall City's presentation of historical derivative gains and losses to the presentation by Vital.
- (c) Adjustment to conform Henry's historical other income to the presentation by Vital.
- (d) Adjustment to conform Henry's historical lease operating and workover expenses and Forge's historical workover expenses to the presentation by Vital.
- (e) Adjustment to conform Maple and Tall City's historical production and other taxes and Henry's historical severance and ad valorem taxes to the presentation by Vital.
- (f) Adjustment to conform Tall City's historical equity-based compensation expense to the presentation by Vital.
- (g) Adjustment to remove the historical amount of Driftwood's depletion expense, Forge's historical depletion and depreciation, Maple's historical depletion - oil and natural gas properties and depreciation - other property and equipment, Henry's historical depletion, depreciation, and amortization and Tall City's historical depletion, depreciation, amortization, and impairment.
- (h) Adjustment to remove historical accretion expense of Maple, Henry, Tall City, Forge and Driftwood associated with asset retirement obligations and recalculate accretion expense based upon estimated fair value.
- (i) Adjustment to conform Henry's historical other expense and interest income to the presentation by Vital.
- (j) Adjustment to remove Maple, Henry, Tall City, Forge and Driftwood's historical interest expense, and Maple's historical interest expense and other prior to the acquisition.
- (k) The following table provides reconciliation between basic and diluted net income for the nine months ended September 30, 2023 and year ended December 31, 2022 (in thousands, except per share amounts):

	Nine Months Ended September 30, 2023		Year Ended December 31, 2022	
	Vital <sup>1</sup>	Pro-Forma	Vital <sup>2</sup>	Pro-Forma
Net income	\$ 413,644	\$ 511,412	\$ 736,752	\$ 1,049,592
Less: Preferred dividends	—	(5,790)	—	(7,663)
Net income available to common shareholders	413,644	505,622	736,752	1,041,929
Weighted-average common shares outstanding:				
Basic	17,646	25,192	18,251	25,797
Dilutive non-vested restricted stock	93	93	183	183
Dilutive non-vested performance awards	1	1	12	12
Dilutive preferred stock	—	6,971	—	6,971
Diluted	17,740	32,257	18,446	32,963
Net income per share				
Basic	\$ 23.44	\$ 20.07	\$ 40.37	\$ 40.39
Diluted	\$ 23.32	\$ 15.85	\$ 39.94	\$ 31.84

1. Amounts shown above for Vital are from the unaudited consolidated financial statements and accompanying notes contained in Vital's Quarterly Report on Form 10-Q for the period ended September 30, 2023.
2. Vital historical results, as shown in the table above, include the historical results of Vital, Forge and Driftwood through December 31, 2022, including the effect of pro forma adjustments for the Forge Acquisition and Driftwood Acquisition through December 31, 2022, as presented in Exhibit 99.1 to Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023 and incorporated by reference into these unaudited pro forma condensed combined financial statements.
  - (l) Adjustment to eliminate Henry's affiliate service fee income.
  - (m) Adjustment to reflect the estimated interest expense in the periods presented with respect to the incremental borrowings necessary to finance the Forge Acquisition and Tall City Acquisitions. The interest rates utilized as of September 30, 2023 for the Forge Acquisition and Tall City Acquisitions were 7.98% and 9.75%, respectively. A one-eighth percent increase or decrease in the interest rate would have changed interest expense by \$0.2 million and \$0.4 million for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively, for the Forge Acquisition. A one-eighth percent increase or decrease in the interest rate would have changed interest expense by \$0.3 million and \$0.4 million for the nine months ended September 30, 2023 and year ended December 31, 2022, respectively, for the Tall City Acquisition.
  - (n) Adjustment to conform Tall City's historical gathering, processing and transportation expenses to the presentation by Vital.
  - (o) Adjustment to remove gains and losses on the sale of other property and equipment not being acquired by Vital.
  - (p) Adjustment to remove Henry's historical loss from equity method investments as Vital is not acquiring such investments.
  - (q) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Tall City Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.
  - (r) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Maple Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.
  - (s) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Henry Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.

- (t) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Forge Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.
- (u) Adjustment to reflect the approximate 7.0% of oil and gas properties working interest being retained by Henry Properties Seller.
- (v) The adjustment pertains to estimated income tax considerations associated with the Acquisitions. These entities were previously held within a flow-through structure, making them exempt from federal income taxes. In the 2022 proforma income statement, Vital maintained a full valuation allowance for federal deferred tax assets. The income tax expense generated from the Acquisitions at the effective tax rate of 21.5% was fully offset in 2022 by Vital's existing valuation allowance. For the 2023 proforma income statement, income tax expenses for the Acquisitions are recorded at an effective tax rate of 21.5%. Additionally, the release of Vital's valuation allowance, which occurred in Q2 2023 for Vital, was adjusted to account for the impact of the 2022 valuation allowance impact from the Acquisitions.
- (w) Adjustment to reclassify Henry's historical drilling and overhead fees to the presentation by Vital.
- (x) Adjustment to remove a portion of general and administrative costs for certain entities related to Henry that are not being acquired by Vital.
- (y) Adjustment to include depreciation on other property and equipment pipeline assets acquired as part of the Henry Acquisition.
- (z) Adjustment to conform Henry's pipeline operating expenses to the presentation by Vital.
- (aa) Adjustment to remove the gain on unrealized fair value of contingent consideration, which was not acquired as part of the Forge Acquisition.
- (ab) Adjustment to remove exploration expense to align the presentation by Driftwood with the full cost method of accounting utilized by Vital.
- (ac) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Driftwood Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.
- (ad) Adjustments necessary to remove the historical revenues, gains, expenses and losses associated with the 30% undivided interest acquired by NOG in the oil and natural gas properties of Forge.
- (ae) Represents depreciation, depletion, and amortization expense resulting from the change in basis of property and equipment acquired as a result of the Grey Rock Acquisition. The depletion adjustment was calculated using the unit-of-production method under the full cost method of accounting using estimated proved reserves and production volumes attributable to the acquired assets.
- (af) Adjustment to remove Driftwood's gain on on sale of assets as Vital utilizes the full cost method of accounting.
- (ag) Represents the combined unaudited historical statements of revenue and direct operating expenses for Granite Ridge Resources, Inc., GREP IV-A Permian LLC, and GREP IV-B Permian LLC for the nine months ended September 30, 2023. GREP IV-A Permian LLC and GREP IV-B Permian LLC did not have revenue or direct operating expenses for the year ended December 31, 2022.

**Nine Months Ended  
September 30, 2023**

	<b>Granite Ridge Resources, Inc.</b>	<b>GREP IV-A Permian LLC</b>	<b>GREP IV-B Permian LLC</b>	<b>Total</b>
<b>Revenues</b>				
Oil and natural gas sales	\$ 28,008	\$ 1,476	\$ 771	\$ 30,255
<b>Direct Operating Expenses</b>				
Lease operating expenses	5,458	184	96	5,738
Production and ad valorem taxes	1,245	69	36	1,350
Total direct operating expenses	<u>6,703</u>	<u>253</u>	<u>132</u>	<u>7,088</u>
<b>Revenue in excess of direct operating expenses</b>	<u>\$ 21,305</u>	<u>\$ 1,223</u>	<u>\$ 639</u>	<u>\$ 23,167</u>

## Supplemental Unaudited Pro Forma Combined Oil and Natural Gas Reserves and Standardized Measure Information

The following tables set forth information with respect to the historical and pro forma combined estimated oil and natural gas reserves as of December 31, 2022 for Vital (which includes the Forge Acquisition and Driftwood Acquisition) combined with the estimated oil and natural gas reserves from the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition. The reserve information has been prepared by the following independent petroleum engineers: (i) Ryder Scott Company, L.P. for Vital, Forge and Tall City; (ii) Netherland, Sewell & Associates, Inc. for the Driftwood Entities, Maple and Grey Rock; and (iii) Cawley, Gillespie & Associates, Inc for Henry. The following unaudited pro forma combined proved reserve information is not necessarily indicative of the results that might have occurred had the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition taken place on January 1, 2022, nor is it intended to be a projection of future results. The accuracy of any reserve estimate is a function of the quality of available data and of engineering and geological interpretation and judgment. Periodic revisions or removals of estimated reserves and future cash flows may be necessary as a result of a number of factors, including reservoir performance, new drilling, crude oil and natural gas prices, changes in costs, technological advances, new geological or geophysical data, changes in business strategies, or other economic factors. Accordingly, proved reserve estimates may differ significantly from the quantities of crude oil and natural gas ultimately recovered. For Vital, Forge, Driftwood, Maple, Henry, Tall City and Grey Rock, the reserve estimates shown below were determined using the average first day of the month price for each of the preceding 12 months for oil and natural gas for the year ended December 31, 2022.

### Estimated oil and natural gas reserves

	As of December 31, 2022						Transaction Adjustment <sup>1</sup>	Pro forma combined
	Vital <sup>4</sup>	Maple	Henry	Tall City	Grey Rock			
Estimated proved developed reserves:								
Oil (MBbl)	90,604	6,840	12,691	16,649	1,654	(888)	127,550	
Natural gas (MMcf)	509,137	42,167	49,397	51,609	5,019	(3,458)	653,871	
Natural gas liquids <sup>3</sup> (MBbl)	83,904	6,157	—	10,469	—	—	100,530	
Total equivalent reserves (Mboe) <sup>2</sup>	259,364	20,025	20,924	35,720	2,491	(1,465)	337,059	
Estimated proved undeveloped reserves:								
Oil (MBbl)	74,671	4,229	13,630	56,568	464	(954)	148,608	
Natural gas (MMcf)	133,146	33,544	37,216	208,709	1,109	(2,605)	411,119	
Natural gas liquids <sup>3</sup> (MBbl)	27,870	4,898	—	42,705	—	—	75,473	
Total equivalent reserves (Mboe) <sup>2</sup>	124,733	14,718	19,833	134,058	649	(1,388)	292,603	
Estimated proved reserves:								
Oil (MBbl)	165,275	11,069	26,321	73,217	2,118	(1,842)	276,158	
Natural gas (MMcf)	642,283	75,711	86,613	260,318	6,128	(6,063)	1,064,990	
Natural gas liquids <sup>3</sup> (MBbl)	111,774	11,055	—	53,174	—	—	176,003	
Total equivalent reserves (Mboe) <sup>2</sup>	384,097	34,743	40,757	169,778	3,139	(2,853)	629,661	

(1) Adjustment to remove a portion of the oil and natural gas reserves working interest retained by the Henry Properties Seller in the Henry Acquisition.

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

(3) Henry reserve quantities are shown in 2-streams, with natural gas liquids included with natural gas.

(4) Vital reserve volumes, as shown in the table above, include the Forge Acquisition and Driftwood Acquisition, as presented in Exhibit 99.1 Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023, and incorporated by reference into these unaudited pro forma condensed combined financial statements.

The following table presents the standardized measure of discounted future net cash flows relating to the proved oil and natural gas reserves of Vital (which includes the Forge Acquisition and Driftwood Acquisition) and of the properties acquired in the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition on a pro forma combined basis as of December 31, 2022. The pro forma combined standardized measure shown below represents estimates only and should not be construed as the market value of the acquired oil and natural gas reserves attributable to the Maple Acquisition, Henry Acquisition, Tall City Acquisition or Grey Rock Acquisition.

**Standardized measure of discounted future cash flows**

*(in thousands)*

	As of December 31, 2022								
	Vital <sup>2</sup>	Maple	Henry	Tall City	Grey Rock	Transaction Adjustment <sup>1</sup>	Tax Adjustment	Pro forma combined	
Oil and natural gas producing activities:									
Future cash inflows	\$ 21,899,569	\$ 1,888,501	\$ 3,168,036	\$ 10,349,128	\$ 251,989	\$ (221,762)	\$ —	\$ 37,335,461	
Future production costs	(5,640,216)	(487,091)	(768,534)	(3,051,348)	(68,976)	53,797	—	(9,962,368)	
Future development costs	(2,084,462)	(186,382)	(307,979)	(1,367,034)	(7,378)	21,559	—	(3,931,676)	
Future income tax expense	(1,616,847)	(9,915)	(16,632)	(54,333)	(1,323)	(304,898)	(1,983,357)	(3,987,305)	
Future net cash flows	12,558,044	1,205,113	2,074,891	5,876,413	174,312	(451,304)	(1,983,357)	19,454,112	
10% discount for estimated timing of cash flows	(6,240,781)	(604,305)	(1,021,177)	(3,369,981)	(66,700)	217,681	1,058,651	(10,026,612)	
Standardized measure of discounted future net cash flows	<u>\$ 6,317,263</u>	<u>\$ 600,808</u>	<u>\$ 1,053,714</u>	<u>\$ 2,506,432</u>	<u>\$ 107,612</u>	<u>\$ (233,623)</u>	<u>\$ (924,706)</u>	<u>\$ 9,427,500</u>	

- (1) Adjustment to remove a portion of the oil and natural gas reserves working interest retained by the Henry Properties Seller in the Henry Acquisition as well as pro forma tax impacts of Vital acquiring LLC's.
- (2) Vital reserve volumes, as shown in the table above, include the Forge Acquisition and Driftwood Acquisition, as presented in Exhibit 99.1 Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023, and incorporated by reference into these unaudited pro forma condensed combined financial statements.

The following table sets forth the changes in the standardized measure of discounted future net cash flows attributable to estimated net proved crude oil and natural gas reserves of Vital (which includes the Forge Acquisition and Driftwood Acquisition) and the oil and natural gas properties acquired in the Maple Acquisition, Henry Acquisition, Tall City Acquisition and Grey Rock Acquisition on a pro forma combined basis for the year ending December 31, 2022:

**Changes in standardized measure of discounted future net cash flows**

(in thousands)

	As of December 31, 2022								
	Vital <sup>2</sup>	Maple	Henry	Tall City	Grey Rock	Transaction Adjustment <sup>1</sup>	Tax Adjustment	Pro forma combined	
Standardized measure of discounted future net cash flows, beginning of year	\$ 4,290,178	\$ 164,941	\$ 729,858	\$ 2,727,155	\$ 58,244	\$ (51,090)	\$ (645,053)	\$ 7,274,233	
Changes in the year resulting from:									
Sales, less production costs	(1,705,323)	(63,791)	(249,624)	(188,311)	(40,195)	17,474	—	(2,229,770)	
Revisions of previous quantity estimates	(4,535)	63,969	(25,671)	(1,453,700)	15,019	1,797	—	(1,403,121)	
Extensions, discoveries and other additions	1,022,765	262,429	160,439	7,842	—	(11,231)	—	1,442,244	
Net change in prices and production costs	3,042,656	94,941	439,859	1,143,739	48,989	(30,790)	—	4,739,394	
Changes in estimated future development costs	(238,391)	(7,878)	(39,818)	(152,267)	(371)	2,787	—	(435,938)	
Previously estimated development incurred capital expenditures during the period	318,267	393	69,721	231,391	14,089	(4,880)	—	628,981	
Acquisitions of reserves in place	9,143	37,594	842	—	15,152	(59)	—	62,672	
Divestitures of reserves in place	(122,501)	(5,706)	(79,104)	—	—	5,537	—	(201,774)	
Accretion of discount	458,933	16,637	73,616	275,925	5,877	(5,153)	—	825,835	
Net change in income taxes	(424,344)	(3,688)	(2,206)	6,954	(253)	154	(439,516)	(862,899)	
Timing differences and other	(329,585)	40,967	(24,198)	(92,296)	(8,939)	1,694	—	(412,357)	
Standardized measure of discounted future net cash flows, end of year	<u>\$ 6,317,263</u>	<u>\$ 600,808</u>	<u>\$ 1,053,714</u>	<u>\$ 2,506,432</u>	<u>\$ 107,612</u>	<u>\$ (73,760)</u>	<u>\$ (1,084,569)</u>	<u>\$ 9,427,500</u>	

- (1) Adjustment to remove a portion of the oil and natural gas reserves working interest retained by the Henry Properties Seller in the Henry Acquisition as well as pro forma tax impacts of Vital acquiring LLC's.
- (2) Vital reserve volumes, as shown in the table above, include the Forge Acquisition and Driftwood Acquisition, as presented in Exhibit 99.1 Vital's Current Report on Form 8-K/A filed with the SEC on August 22, 2023, and incorporated by reference into these unaudited pro forma condensed combined financial statements.

December 1, 2023

Mr. Luke Brandenburg  
Granite Ridge Resources, Inc.  
5217 McKinney Avenue, Suite 400  
Dallas, Texas 75205

Dear Mr. Brandenburg:

In accordance with your request, we have estimated the proved reserves and future revenue, as of December 31, 2022, to the Granite Ridge Divestiture interest in certain oil and gas properties located in Reeves and Upton Counties, Texas. Granite Ridge Resources, Inc. (Granite Ridge) owns the interest in these properties as of November 7, 2023. We completed our evaluation on or about November 7, 2023; however, we did not consider any geologic or engineering data for this evaluation after December 31, 2022. The estimates in this report have been prepared in accordance with the definitions and regulations of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the Granite Ridge Divestiture interest in these properties, as of December 31, 2022, to be:

Category	Net Reserves		Future Net Revenue (M\$)	
	Oil (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	1,653.8	5,016.4	147,223.7	93,243.6
Proved Undeveloped	348.3	832.0	21,308.3	11,363.7
<b>Total Proved</b>	<b>2,002.1</b>	<b>5,848.4</b>	<b>168,532.0</b>	<b>104,607.3</b>

The oil volumes shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. Our study indicates that as of December 31, 2022, there are no proved developed non-producing reserves for these properties. As requested, probable and possible reserves that exist for these properties have not been included. The estimates of reserves and future revenue included herein have not been adjusted for risk. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated.

Gross revenue is the interest owner's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for the interest owner's share of production taxes, ad valorem taxes, capital costs, abandonment costs, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2022. For oil volumes, the average West Texas Intermediate spot price of \$94.14 per barrel is adjusted for quality, transportation fees, and market differentials. For gas volumes, the average Henry Hub spot price of \$6.357 per MMBTU is adjusted for energy content, transportation fees, and market differentials. Gas prices have been adjusted to include the value for natural gas liquids. All prices are held constant throughout the lives of the properties. The average adjusted product prices weighted by production over the remaining lives of the properties are \$95.00 per barrel of oil and \$8.354 per MCF of gas.

Operating costs used in this report are based on operating expense records of Granite Ridge. These costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Operating costs have been divided into per-well costs and per-unit-of-production costs. Since all properties are nonoperated, headquarters general and administrative overhead expenses are not included. Operating costs are not escalated for inflation.

Capital costs used in this report were provided by Granite Ridge and are based on authorizations for expenditure and actual costs from activity conducted in the months prior to December 31, 2022. Capital costs are included as required for new development wells and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment costs used in this report are Granite Ridge's estimates of the costs to abandon the wells and production facilities, net of any salvage value. Capital costs and abandonment costs are not escalated for inflation.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Granite Ridge Divestiture interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on the interest owner receiving its net revenue interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical accounting statements.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Granite Ridge, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

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For the purposes of this report, we used technical and economic data including, but not limited to, well location and acreage maps, production data, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from Granite Ridge, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical person primarily responsible for preparing the estimates presented herein meets the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. Nathan C. Shahan, a Licensed Professional Engineer in the State of Texas, has been practicing consulting petroleum engineering at NSAI since 2007 and has over 5 years of prior industry experience. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,  
**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

By: /s/ Richard B. Talley, Jr.  
Richard B. Talley, Jr., P.E.  
Chief Executive Officer

By: /s/ Nathan C. Shahan  
Nathan C. Shahan, P.E. 102389  
Vice President  
[SEAL]

Date Signed: December 1, 2023

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2018 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

- (i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
- (ii) Same environment of deposition;
- (iii) Similar geological structure; and
- (iv) Same drive mechanism.

*Instruction to paragraph (a)(2):* Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves.* Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

*Supplemental definitions from the 2018 Petroleum Resources Management System:*

*Developed Producing Reserves – Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate. Improved recovery Reserves are considered producing only after the improved recovery project is in operation.*

*Developed Non-Producing Reserves – Shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.*

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
- (ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
- (iv) Provide improved recovery systems.

(8) *Development project.* A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible.* The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR).* Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs.* Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
- (ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
- (iii) Dry hole contributions and bottom hole contributions.
- (iv) Costs of drilling and equipping exploratory wells.
- (v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

- (i) Oil and gas producing activities include:
  - (A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;
  - (B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;
  - (C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:
    - (1) Lifting the oil and gas to the surface; and
    - (2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

*Instruction 1 to paragraph (a)(16)(i):* The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

- a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
- b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

*Instruction 2 to paragraph (a)(16)(i):* For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

- (ii) Oil and gas producing activities do not include:

- (A) Transporting, refining, or marketing oil and gas;
- (B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
- (C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
- (D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

- (i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.
- (ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.
- (iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.
- (iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.
- (v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.
- (vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

- (i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.
  - (iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.
  - (iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.
- (19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.
- (20) *Production costs.*
- (i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:
    - (A) Costs of labor to operate the wells and related equipment and facilities.
    - (B) Repairs and maintenance.
    - (C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.
    - (D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
    - (E) Severance taxes.
  - (ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.
- (21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.
- (22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
- (i) The area of the reservoir considered as proved includes:
    - (A) The area identified by drilling and limited by fluid contacts, if any, and
    - (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
  - (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
  - (iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
  - (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:
    - (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

*Note to paragraph (a)(26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

*Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas:*

932-235-50-30 *A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:*

- a. *Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)*
- b. *Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).*

*The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.*

932-235-50-31 *All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:*

- a. *Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.*
- b. *Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.*
- c. *Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.*
- d. *Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.*

- e. *Discount. This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.*
- f. *Standardized measure of discounted future net cash flows. This amount is the future net cash flows less the computed discount.*

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

(28) *Resources*. Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
- (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

*From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):*

*Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.*

*Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:*

- *The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);*
- *The company's historical record at completing development of comparable long-term projects;*
- *The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;*
- *The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and*
- *The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).*

- (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

December 1, 2023

Mr. Ryan Riggelson  
Grey Rock Energy Management, LLC  
5217 McKinney Avenue, Suite 400  
Dallas, Texas 75205

Dear Mr. Riggelson:

In accordance with your request, we have estimated the proved undeveloped reserves and future revenue, as of December 31, 2022, to the Grey Rock Fund IV-A Divestiture interest in certain oil and gas properties located in Reeves County, Texas. Grey Rock Energy Fund IV-A, LP, which is a subsidiary of Grey Rock Energy Management, LLC (Grey Rock), owns the interest in these properties as of November 7, 2023. We completed our evaluation on or about November 7, 2023; however, we did not consider any geologic or engineering data for this evaluation after December 31, 2022. The estimates in this report have been prepared in accordance with the definitions and regulations of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the Grey Rock Fund IV-A Divestiture interest in these properties, as of December 31, 2022, to be:

Category	Net Reserves		Future Net Revenue (M\$)	
	Oil (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Undeveloped	76.3	182.2	4,665.6	2,488.1

The oil volumes shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. Grey Rock Energy Fund IV-A, LP does not own an interest in any proved developed reserves that exist for these properties. As requested, probable and possible reserves that exist for these properties have not been included. The estimates of reserves and future revenue included herein have not been adjusted for risk. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated.

Gross revenue is the interest owner's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for the interest owner's share of production taxes, ad valorem taxes, capital costs, abandonment costs, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2022. For oil volumes, the average West Texas Intermediate spot price of \$94.14 per barrel is adjusted for quality, transportation fees, and market differentials. For gas volumes, the average Henry Hub spot price of \$6.357 per MMBTU is adjusted for energy content, transportation fees, and market differentials. Gas prices have been adjusted to include the value for natural gas liquids. All prices are held constant throughout the lives of the properties. The average adjusted product prices weighted by production over the remaining lives of the properties are \$94.43 per barrel of oil and \$7.078 per MCF of gas.

Operating costs used in this report are based on operating expense records of Grey Rock. These costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Operating costs have been divided into per-well costs and per-unit-of-production costs. Since all properties are nonoperated, headquarters general and administrative overhead expenses are not included. Operating costs are not escalated for inflation.

Capital costs used in this report were provided by Grey Rock and are based on authorizations for expenditure and actual costs from activity conducted in the months prior to December 31, 2022. Capital costs are included as required for new development wells and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment costs used in this report are Grey Rock's estimates of the costs to abandon the wells and production facilities, net of any salvage value. Capital costs and abandonment costs are not escalated for inflation.

For the purposes of this report, we did not perform any field inspection of the properties. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Grey Rock Fund IV-A Divestiture interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on the interest owner receiving its net revenue interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical accounting statements.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Grey Rock, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well location and acreage maps, production data from analogous properties, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

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The data used in our estimates were obtained from Grey Rock, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical person primarily responsible for preparing the estimates presented herein meets the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. Nathan C. Shahan, a Licensed Professional Engineer in the State of Texas, has been practicing consulting petroleum engineering at NSAI since 2007 and has over 5 years of prior industry experience. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,  
**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

By: /s/ Richard B. Talley, Jr.  
Richard B. Talley, Jr., P.E.  
Chief Executive Officer

By: /s/ Nathan C. Shahan  
Nathan C. Shahan, P.E. 102389  
Vice President  
[SEAL]

Date Signed: December 1, 2023

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2018 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

- (i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
- (ii) Same environment of deposition;
- (iii) Similar geological structure; and
- (iv) Same drive mechanism.

*Instruction to paragraph (a)(2):* Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves.* Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

*Supplemental definitions from the 2018 Petroleum Resources Management System:*

*Developed Producing Reserves – Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate. Improved recovery Reserves are considered producing only after the improved recovery project is in operation.*

*Developed Non-Producing Reserves – Shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.*

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
- (ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
- (iv) Provide improved recovery systems.

(8) *Development project.* A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible.* The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR).* Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs.* Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
- (ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
- (iii) Dry hole contributions and bottom hole contributions.
- (iv) Costs of drilling and equipping exploratory wells.
- (v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

- (i) Oil and gas producing activities include:
  - (A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;
  - (B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;
  - (C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:
    - (1) Lifting the oil and gas to the surface; and
    - (2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

*Instruction 1 to paragraph (a)(16)(i):* The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

- a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
- b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

*Instruction 2 to paragraph (a)(16)(i):* For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

- (ii) Oil and gas producing activities do not include:

- (A) Transporting, refining, or marketing oil and gas;
- (B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
- (C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
- (D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

- (i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.
- (ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.
- (iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.
- (iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.
- (v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.
- (vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

- (i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.
  - (iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.
  - (iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.
- (19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.
- (20) *Production costs.*
- (i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:
    - (A) Costs of labor to operate the wells and related equipment and facilities.
    - (B) Repairs and maintenance.
    - (C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.
    - (D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
    - (E) Severance taxes.
  - (ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.
- (21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.
- (22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
- (i) The area of the reservoir considered as proved includes:
    - (A) The area identified by drilling and limited by fluid contacts, if any, and
    - (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
  - (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
  - (iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
  - (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:
    - (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

*Note to paragraph (a)(26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

*Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas:*

*932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:*

- a. Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)*
- b. Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).*

*The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.*

*932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:*

- a. Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.*
- b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.*
- c. Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.*
- d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.*

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- e. *Discount.* This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.
- f. *Standardized measure of discounted future net cash flows.* This amount is the future net cash flows less the computed discount.

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

(28) *Resources.* Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
- (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

*From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):*

*Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.*

*Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:*

- The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);*
- The company's historical record at completing development of comparable long-term projects;*
- The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;*
- The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and*
- The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).*

- (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.

December 1, 2023

Mr. Ryan Riggelson  
Grey Rock Energy Management, LLC  
5217 McKinney Avenue, Suite 400  
Dallas, Texas 75205

Dear Mr. Riggelson:

In accordance with your request, we have estimated the proved undeveloped reserves and future revenue, as of December 31, 2022, to the Grey Rock Fund IV-B Divestiture interest in certain oil and gas properties located in Reeves County, Texas. Grey Rock Energy Fund IV-B Holdings, LP, which is a subsidiary of Grey Rock Energy Management, LLC (Grey Rock), owns the interest in these properties as of November 7, 2023. We completed our evaluation on or about November 7, 2023; however, we did not consider any geologic or engineering data for this evaluation after December 31, 2022. The estimates in this report have been prepared in accordance with the definitions and regulations of the U.S. Securities and Exchange Commission (SEC) and, with the exception of the exclusion of future income taxes, conform to the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas. Definitions are presented immediately following this letter. This report has been prepared for use in filing with the SEC; in our opinion the assumptions, data, methods, and procedures used in the preparation of this report are appropriate for such purpose.

We estimate the net reserves and future net revenue to the Grey Rock Fund IV-B Divestiture interest in these properties, as of December 31, 2022, to be:

Category	Net Reserves		Future Net Revenue (M\$)	
	Oil (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Undeveloped	39.8	95.2	2,437.3	1,299.8

The oil volumes shown include crude oil and condensate. Oil volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases.

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. Grey Rock Energy Fund IV-B Holdings, LP does not own an interest in any proved developed reserves that exist for these properties. As requested, probable and possible reserves that exist for these properties have not been included. The estimates of reserves and future revenue included herein have not been adjusted for risk. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated.

Gross revenue is the interest owner's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for the interest owner's share of production taxes, ad valorem taxes, capital costs, abandonment costs, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

Prices used in this report are based on the 12-month unweighted arithmetic average of the first-day-of-the-month price for each month in the period January through December 2022. For oil volumes, the average West Texas Intermediate spot price of \$94.14 per barrel is adjusted for quality, transportation fees, and market differentials. For gas volumes, the average Henry Hub spot price of \$6.357 per MMBTU is adjusted for energy content, transportation fees, and market differentials. Gas prices have been adjusted to include the value for natural gas liquids. All prices are held constant throughout the lives of the properties. The average adjusted product prices weighted by production over the remaining lives of the properties are \$94.43 per barrel of oil and \$7.078 per MCF of gas.

Operating costs used in this report are based on operating expense records of Grey Rock. These costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Operating costs have been divided into per-well costs and per-unit-of-production costs. Since all properties are nonoperated, headquarters general and administrative overhead expenses are not included. Operating costs are not escalated for inflation.

Capital costs used in this report were provided by Grey Rock and are based on authorizations for expenditure and actual costs from activity conducted in the months prior to December 31, 2022. Capital costs are included as required for new development wells and production equipment. Based on our understanding of future development plans, a review of the records provided to us, and our knowledge of similar properties, we regard these estimated capital costs to be reasonable. Abandonment costs used in this report are Grey Rock's estimates of the costs to abandon the wells and production facilities, net of any salvage value. Capital costs and abandonment costs are not escalated for inflation.

For the purposes of this report, we did not perform any field inspection of the properties. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Grey Rock Fund IV-B Divestiture interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on the interest owner receiving its net revenue interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical accounting statements.

The reserves shown in this report are estimates only and should not be construed as exact quantities. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be economically producible; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves. Estimates of reserves may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Grey Rock, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the reserves, and that our projections of future production will prove consistent with actual performance. If the reserves are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred in recovering such reserves may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well location and acreage maps, production data from analogous properties, historical price and cost information, and property ownership interests. The reserves in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to categorize and estimate reserves in accordance with SEC definitions and regulations. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

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The data used in our estimates were obtained from Grey Rock, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. (NSAI) and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical person primarily responsible for preparing the estimates presented herein meets the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. Nathan C. Shahan, a Licensed Professional Engineer in the State of Texas, has been practicing consulting petroleum engineering at NSAI since 2007 and has over 5 years of prior industry experience. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,  
**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

By: /s/ Richard B. Talley, Jr.  
Richard B. Talley, Jr., P.E.  
Chief Executive Officer

By: /s/ Nathan C. Shahan  
Nathan C. Shahan, P.E. 102389  
Vice President  
[SEAL]

Date Signed: December 1, 2023

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

The following definitions are set forth in U.S. Securities and Exchange Commission (SEC) Regulation S-X Section 210.4-10(a). Also included is supplemental information from (1) the 2018 Petroleum Resources Management System approved by the Society of Petroleum Engineers, (2) the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas, and (3) the SEC's Compliance and Disclosure Interpretations.

(1) *Acquisition of properties.* Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(2) *Analogous reservoir.* Analogous reservoirs, as used in resources assessments, have similar rock and fluid properties, reservoir conditions (depth, temperature, and pressure) and drive mechanisms, but are typically at a more advanced stage of development than the reservoir of interest and thus may provide concepts to assist in the interpretation of more limited data and estimation of recovery. When used to support proved reserves, an "analogous reservoir" refers to a reservoir that shares the following characteristics with the reservoir of interest:

- (i) Same geological formation (but not necessarily in pressure communication with the reservoir of interest);
- (ii) Same environment of deposition;
- (iii) Similar geological structure; and
- (iv) Same drive mechanism.

*Instruction to paragraph (a)(2):* Reservoir properties must, in the aggregate, be no more favorable in the analog than in the reservoir of interest.

(3) *Bitumen.* Bitumen, sometimes referred to as natural bitumen, is petroleum in a solid or semi-solid state in natural deposits with a viscosity greater than 10,000 centipoise measured at original temperature in the deposit and atmospheric pressure, on a gas free basis. In its natural state it usually contains sulfur, metals, and other non-hydrocarbons.

(4) *Condensate.* Condensate is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

(5) *Deterministic estimate.* The method of estimating reserves or resources is called deterministic when a single value for each parameter (from the geoscience, engineering, or economic data) in the reserves calculation is used in the reserves estimation procedure.

(6) *Developed oil and gas reserves.* Developed oil and gas reserves are reserves of any category that can be expected to be recovered:

- (i) Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and
- (ii) Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

*Supplemental definitions from the 2018 Petroleum Resources Management System:*

*Developed Producing Reserves – Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate. Improved recovery Reserves are considered producing only after the improved recovery project is in operation.*

*Developed Non-Producing Reserves – Shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.*

(7) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
- (ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
- (iv) Provide improved recovery systems.

(8) *Development project.* A development project is the means by which petroleum resources are brought to the status of economically producible. As examples, the development of a single reservoir or field, an incremental development in a producing field, or the integrated development of a group of several fields and associated facilities with a common ownership may constitute a development project.

(9) *Development well.* A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive.

(10) *Economically producible.* The term economically producible, as it relates to a resource, means a resource which generates revenue that exceeds, or is reasonably expected to exceed, the costs of the operation. The value of the products that generate revenue shall be determined at the terminal point of oil and gas producing activities as defined in paragraph (a)(16) of this section.

(11) *Estimated ultimate recovery (EUR).* Estimated ultimate recovery is the sum of reserves remaining as of a given date and cumulative production as of that date.

(12) *Exploration costs.* Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
- (ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
- (iii) Dry hole contributions and bottom hole contributions.
- (iv) Costs of drilling and equipping exploratory wells.
- (v) Costs of drilling exploratory-type stratigraphic test wells.

(13) *Exploratory well.* An exploratory well is a well drilled to find a new field or to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir. Generally, an exploratory well is any well that is not a development well, an extension well, a service well, or a stratigraphic test well as those items are defined in this section.

(14) *Extension well.* An extension well is a well drilled to extend the limits of a known reservoir.

(15) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition. There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(16) *Oil and gas producing activities.*

- (i) Oil and gas producing activities include:
  - (A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations;
  - (B) The acquisition of property rights or properties for the purpose of further exploration or for the purpose of removing the oil or gas from such properties;
  - (C) The construction, drilling, and production activities necessary to retrieve oil and gas from their natural reservoirs, including the acquisition, construction, installation, and maintenance of field gathering and storage systems, such as:
    - (1) Lifting the oil and gas to the surface; and
    - (2) Gathering, treating, and field processing (as in the case of processing gas to extract liquid hydrocarbons); and

**DEFINITIONS OF OIL AND GAS RESERVES**

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (D) Extraction of saleable hydrocarbons, in the solid, liquid, or gaseous state, from oil sands, shale, coalbeds, or other nonrenewable natural resources which are intended to be upgraded into synthetic oil or gas, and activities undertaken with a view to such extraction.

*Instruction 1 to paragraph (a)(16)(i):* The oil and gas production function shall be regarded as ending at a "terminal point", which is the outlet valve on the lease or field storage tank. If unusual physical or operational circumstances exist, it may be appropriate to regard the terminal point for the production function as:

- a. The first point at which oil, gas, or gas liquids, natural or synthetic, are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal; and
- b. In the case of natural resources that are intended to be upgraded into synthetic oil or gas, if those natural resources are delivered to a purchaser prior to upgrading, the first point at which the natural resources are delivered to a main pipeline, a common carrier, a refinery, a marine terminal, or a facility which upgrades such natural resources into synthetic oil or gas.

*Instruction 2 to paragraph (a)(16)(i):* For purposes of this paragraph (a)(16), the term *saleable hydrocarbons* means hydrocarbons that are saleable in the state in which the hydrocarbons are delivered.

- (ii) Oil and gas producing activities do not include:

- (A) Transporting, refining, or marketing oil and gas;
- (B) Processing of produced oil, gas, or natural resources that can be upgraded into synthetic oil or gas by a registrant that does not have the legal right to produce or a revenue interest in such production;
- (C) Activities relating to the production of natural resources other than oil, gas, or natural resources from which synthetic oil and gas can be extracted; or
- (D) Production of geothermal steam.

(17) *Possible reserves.* Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

- (i) When deterministic methods are used, the total quantities ultimately recovered from a project have a low probability of exceeding proved plus probable plus possible reserves. When probabilistic methods are used, there should be at least a 10% probability that the total quantities ultimately recovered will equal or exceed the proved plus probable plus possible reserves estimates.
- (ii) Possible reserves may be assigned to areas of a reservoir adjacent to probable reserves where data control and interpretations of available data are progressively less certain. Frequently, this will be in areas where geoscience and engineering data are unable to define clearly the area and vertical limits of commercial production from the reservoir by a defined project.
- (iii) Possible reserves also include incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than the recovery quantities assumed for probable reserves.
- (iv) The proved plus probable and proved plus probable plus possible reserves estimates must be based on reasonable alternative technical and commercial interpretations within the reservoir or subject project that are clearly documented, including comparisons to results in successful similar projects.
- (v) Possible reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from proved areas by faults with displacement less than formation thickness or other geological discontinuities and that have not been penetrated by a wellbore, and the registrant believes that such adjacent portions are in communication with the known (proved) reservoir. Possible reserves may be assigned to areas that are structurally higher or lower than the proved area if these areas are in communication with the proved reservoir.
- (vi) Pursuant to paragraph (a)(22)(iii) of this section, where direct observation has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves should be assigned in the structurally higher portions of the reservoir above the HKO only if the higher contact can be established with reasonable certainty through reliable technology. Portions of the reservoir that do not meet this reasonable certainty criterion may be assigned as probable and possible oil or gas based on reservoir fluid properties and pressure gradient interpretations.

(18) *Probable reserves.* Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

- (i) When deterministic methods are used, it is as likely as not that actual remaining quantities recovered will exceed the sum of estimated proved plus probable reserves. When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the proved plus probable reserves estimates.

## DEFINITIONS OF OIL AND GAS RESERVES

Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- (ii) Probable reserves may be assigned to areas of a reservoir adjacent to proved reserves where data control or interpretations of available data are less certain, even if the interpreted reservoir continuity of structure or productivity does not meet the reasonable certainty criterion. Probable reserves may be assigned to areas that are structurally higher than the proved area if these areas are in communication with the proved reservoir.
  - (iii) Probable reserves estimates also include potential incremental quantities associated with a greater percentage recovery of the hydrocarbons in place than assumed for proved reserves.
  - (iv) See also guidelines in paragraphs (a)(17)(iv) and (a)(17)(vi) of this section.
- (19) *Probabilistic estimate.* The method of estimation of reserves or resources is called probabilistic when the full range of values that could reasonably occur for each unknown parameter (from the geoscience and engineering data) is used to generate a full range of possible outcomes and their associated probabilities of occurrence.
- (20) *Production costs.*
- (i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:
    - (A) Costs of labor to operate the wells and related equipment and facilities.
    - (B) Repairs and maintenance.
    - (C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.
    - (D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.
    - (E) Severance taxes.
  - (ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.
- (21) *Proved area.* The part of a property to which proved reserves have been specifically attributed.
- (22) *Proved oil and gas reserves.* Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.
- (i) The area of the reservoir considered as proved includes:
    - (A) The area identified by drilling and limited by fluid contacts, if any, and
    - (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.
  - (ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.
  - (iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.
  - (iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:
    - (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and

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Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

(B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

(23) *Proved properties.* Properties with proved reserves.

(24) *Reasonable certainty.* If deterministic methods are used, reasonable certainty means a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. A high degree of confidence exists if the quantity is much more likely to be achieved than not, and, as changes due to increased availability of geoscience (geological, geophysical, and geochemical), engineering, and economic data are made to estimated ultimate recovery (EUR) with time, reasonably certain EUR is much more likely to increase or remain constant than to decrease.

(25) *Reliable technology.* Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation.

(26) *Reserves.* Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

*Note to paragraph (a)(26):* Reserves should not be assigned to adjacent reservoirs isolated by major, potentially sealing, faults until those reservoirs are penetrated and evaluated as economically producible. Reserves should not be assigned to areas that are clearly separated from a known accumulation by a non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results). Such areas may contain prospective resources (i.e., potentially recoverable resources from undiscovered accumulations).

*Excerpted from the FASB Accounting Standards Codification Topic 932, Extractive Activities—Oil and Gas:*

*932-235-50-30 A standardized measure of discounted future net cash flows relating to an entity's interests in both of the following shall be disclosed as of the end of the year:*

- a. Proved oil and gas reserves (see paragraphs 932-235-50-3 through 50-11B)*
- b. Oil and gas subject to purchase under long-term supply, purchase, or similar agreements and contracts in which the entity participates in the operation of the properties on which the oil or gas is located or otherwise serves as the producer of those reserves (see paragraph 932-235-50-7).*

*The standardized measure of discounted future net cash flows relating to those two types of interests in reserves may be combined for reporting purposes.*

*932-235-50-31 All of the following information shall be disclosed in the aggregate and for each geographic area for which reserve quantities are disclosed in accordance with paragraphs 932-235-50-3 through 50-11B:*

- a. Future cash inflows. These shall be computed by applying prices used in estimating the entity's proved oil and gas reserves to the year-end quantities of those reserves. Future price changes shall be considered only to the extent provided by contractual arrangements in existence at year-end.*
- b. Future development and production costs. These costs shall be computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year-end costs and assuming continuation of existing economic conditions. If estimated development expenditures are significant, they shall be presented separately from estimated production costs.*
- c. Future income tax expenses. These expenses shall be computed by applying the appropriate year-end statutory tax rates, with consideration of future tax rates already legislated, to the future pretax net cash flows relating to the entity's proved oil and gas reserves, less the tax basis of the properties involved. The future income tax expenses shall give effect to tax deductions and tax credits and allowances relating to the entity's proved oil and gas reserves.*
- d. Future net cash flows. These amounts are the result of subtracting future development and production costs and future income tax expenses from future cash inflows.*

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Adapted from U.S. Securities and Exchange Commission Regulation S-X Section 210.4-10(a)

- e. *Discount.* This amount shall be derived from using a discount rate of 10 percent a year to reflect the timing of the future net cash flows relating to proved oil and gas reserves.
- f. *Standardized measure of discounted future net cash flows.* This amount is the future net cash flows less the computed discount.

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

(28) *Resources.* Resources are quantities of oil and gas estimated to exist in naturally occurring accumulations. A portion of the resources may be estimated to be recoverable, and another portion may be considered to be unrecoverable. Resources include both discovered and undiscovered accumulations.

(29) *Service well.* A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(30) *Stratigraphic test well.* A stratigraphic test well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

(31) *Undeveloped oil and gas reserves.* Undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

- (i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.
- (ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

*From the SEC's Compliance and Disclosure Interpretations (October 26, 2009):*

*Although several types of projects — such as constructing offshore platforms and development in urban areas, remote locations or environmentally sensitive locations — by their nature customarily take a longer time to develop and therefore often do justify longer time periods, this determination must always take into consideration all of the facts and circumstances. No particular type of project per se justifies a longer time period, and any extension beyond five years should be the exception, and not the rule.*

*Factors that a company should consider in determining whether or not circumstances justify recognizing reserves even though development may extend past five years include, but are not limited to, the following:*

- *The company's level of ongoing significant development activities in the area to be developed (for example, drilling only the minimum number of wells necessary to maintain the lease generally would not constitute significant development activities);*
- *The company's historical record at completing development of comparable long-term projects;*
- *The amount of time in which the company has maintained the leases, or booked the reserves, without significant development activities;*
- *The extent to which the company has followed a previously adopted development plan (for example, if a company has changed its development plan several times without taking significant steps to implement any of those plans, recognizing proved undeveloped reserves typically would not be appropriate); and*
- *The extent to which delays in development are caused by external factors related to the physical operating environment (for example, restrictions on development on Federal lands, but not obtaining government permits), rather than by internal factors (for example, shifting resources to develop properties with higher priority).*

- (iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, as defined in paragraph (a)(2) of this section, or by other evidence using reliable technology establishing reasonable certainty.

(32) *Unproved properties.* Properties with no proved reserves.