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 18, 2021

LAREDO PETROLEUM, INC.

(Exact name of registrant as specified in charter)

Delaware	**001-35380**	**45-3007926**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

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

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

Not Applicable
(Former name or former address, if changed since last report)

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

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

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))

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 October 18, 2021 (the “Original Form 8-K”), on October 18, 2021 (the “Closing Date”), Laredo Petroleum, Inc. (the “Company”) completed the acquisition of certain oil and gas properties in the Midland Basin, including approximately 20,000 net acres located in western Glasscock County, Texas (the “Glasscock Properties”), from Pioneer Natural Resources USA, Inc., DE Midland III, LLC, Parsley Minerals, LLC and Parsley Energy, L.P. for aggregate consideration of approximately $202.5 million based on the closing price of a share of the Company’s common stock on the Closing Date (the “Pioneer Acquisition”). The aggregate purchase consideration consisted of (i) $131.6 million in cash, net of closing adjustments; and (ii) 959,691 shares of the Company’s common stock, par value $0.01 per share.

This Amendment to Current Report on Form 8-K is being filed to amend and supplement the Original Form 8-K, the sole purpose of which is to provide the financial statements and pro forma financial information required by Item 9.01, which were excluded from the Original Form 8-K and are filed as exhibits hereto and are incorporated herein by reference. All other items in the Original Form 8-K remain the same.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business to be acquired.

The statements of revenues and direct operation expenses of the Glasscock Properties for the nine-month period ended September 30, 2021 (unaudited) and year ended December 31, 2020 (audited), and the related notes thereto, are filed as Exhibit 99.1 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, 2021, the related statements of operations for the nine-month period ended September 30, 2021 and year ended December 31, 2020, and the related notes thereto, is filed as Exhibit 99.2 hereto and incorporated by reference herein.

(d) Exhibits.

Exhibit Number	Description
23.1	Consent of Ernst & Young LLP with respect to the Glasscock Properties.
23.2	Consent of Netherland, Sewell & Associates, Inc. with respect to the Glasscock Properties.
99.1	Statements of revenues and direct operation expenses of the Glasscock Properties for the nine-month period ended September 30, 2021 (unaudited) and year ended December 31, 2020 (audited).
99.2	Unaudited pro forma condensed combined financial information of Laredo as of September 30, 2021 and for the nine-month period ended September 30, 2021 and year ended December 31, 2020.
99.3	Reserves report of Netherland, Sewell & Associates, Inc. with respect to the Glasscock Properties reserves as of December 31, 2020.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

SIGNATURES

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

LAREDO PETROLEUM, INC.

Date: December 13, 2021	By:	/s/ Bryan J. Lemmerman
		Bryan J. Lemmerman
		Senior Vice President and Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-230427, 333-257799 and 333-260479) and Form S-8 (File Nos. 333-178828, 333-211610, 333-231593 and 333-256431) of Laredo Petroleum, Inc. of our report dated November 30, 2021, relating to the statement of revenues and direct operating expenses of the Glasscock Properties for the year ended December 31, 2020 appearing in this Current Report on Form 8-K/A of Laredo Petroleum, Inc.

/s/ Ernst & Young LLP

Dallas, Texas
December 8, 2021

Exhibit 23.2

NETHERLAND, SEWELL & ASSOCIATES, INC.

CONSENT OF INDEPENDENT PETROLEUM ENGINEERS AND GEOLOGISTS

Netherland, Sewell & Associates, Inc. hereby consents to the incorporation by reference in this Current Report on Form 8-K of Laredo Petroleum, Inc. (the "Company") of our report dated October 12, 2021, pertaining to the estimates of proved reserves and future revenue, as of December 31, 2020, of certain oil and gas properties located in Glasscock County, Texas, included in such report. We further consent to the incorporation by reference of our report in the Company's Registration Statements on Form S-3 (File Nos. 333-230427, 333-257799 and 333-260479) and Form S-8 (File Nos. 333-178828, 333-211610, 333-231593 and 333-256431).

NETHERLAND, SEWELL & ASSOCIATES, INC.

By: /s/ C.H. (Scott) Rees III
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

Dallas, Texas
December 10, 2021

Exhibit 99.1

Report of Independent Auditors

The Board of Directors
Pioneer Natural Resources Company

We have audited the accompanying statement of revenues and direct operating expenses of the Glasscock County properties acquired by Laredo Petroleum, Inc. (the “Glasscock Properties”) for the year ended December 31, 2020, and the related notes to the statement.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the statement in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on this statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statement referred to above presents fairly, in all material respects, the revenues and direct operating expenses of the Glasscock Properties for the year ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis of Presentation

The accompanying statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 1. The presentation is not intended to be a complete financial statement presentation of the properties described above.

/s/ Ernst & Young LLP

Dallas, Texas
November 30, 2021

GLASSCOCK PROPERTIES
STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
(in thousands)

	Nine Months Ended September 30, 2021 (Unaudited)	Year Ended December 31, 2020
Revenues:		
Oil and gas	$ 50,393	$ 43,400
Direct operating expenses:		
Oil and gas production	7,591	13,906
Production and ad valorem taxes	2,770	2,524
	10,361	16,430
Revenues in excess of direct operating expenses	$ 40,032	$ 26,970

See accompanying Notes to the Statements of Revenues and Direct Operating Expenses.

NOTE 1. Background and Basis of Presentation

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 in western Glasscock County ("Glasscock Properties") in Texas held by Pioneer Natural Resources Company (referred to herein collectively with its subsidiaries as the “Company”). On January 12, 2021, the Company acquired certain of the Glasscock Properties from Parsley Energy, Inc., a Delaware corporation that previously traded on the NYSE under the symbol "PE" ("Parsley"). 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 revenues recognized and expenses incurred in connection with the ownership and operation of the Glasscock Properties, including but not limited to general and administrative expenses, effects of derivative transactions, interest income or expense, depreciation, depletion and amortization, provision for income taxes and other income and expense items not directly associated with revenues from natural gas, natural gas liquids ("NGLs") and crude oil. Furthermore, no balance sheet has been presented for the Glasscock Properties because the Glasscock 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 Glasscock 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.

In October 2021, the Company completed the sale of the Glasscock Properties to Laredo Petroleum, Inc. ("Laredo").

The Statements for the nine months ended September 30, 2021 are unaudited and have been prepared on the same basis as the Statements for the year ended December 31, 2020 and, in the opinion of management of the Company, reflect all adjustments necessary to fairly state the Glasscock Properties’ excess of revenues over direct operating expenses for the nine months ended September 30, 2021.

NOTE 2. Summary of Significant Accounting Policies

Use of Estimates. Preparation of the Statements in conformity with US GAAP requires management of the Company 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 the estimates and assumptions utilized.

Revenue Recognition. Revenue is recognized when control of the promised goods is transferred to customers at an amount that reflects the consideration expected in exchange for those goods.

Oil sales. Sales under oil contracts are generally considered performed when oil production is sold at the wellhead and an agreed-upon index price is received, net of any price differentials. Recognition of sales revenue occurs when (i) control/custody transfers to the purchaser at the wellhead and (ii) the net price is fixed and determinable.

NGL and gas sales. Recognition of NGL and gas revenue occurs when the products are delivered (custody transfer) to the ultimate third-party purchaser at a contractually agreed-upon delivery point at a specified index price.

Direct Operating Expenses. Direct operating expenses are recognized when incurred and consist of direct expenses related to the operation of the Glasscock Properties. The direct operating expenses include lease operating expense, production taxes and ad valorem taxes. Lease operating expenses include lifting costs, gathering and processing costs, well repair expenses, well workover costs, and other field related expenses. Lease operating expenses also include expenses directly associated with support personnel, support services, equipment, and facilities directly related to oil and gas production activities.

Credit Risk and Major Purchasers. Oil, NGLs and gas are sold to various purchasers who must be prequalified under the Company's credit risk policies and procedures. The Company monitors exposure to counterparties primarily by reviewing credit ratings, financial criteria and payment history. Two purchasers account for approximately 85 percent of total oil, NGLs and gas revenues of the Glasscock Properties for the year ended December 31, 2020 and nine months ended September 30, 2021. While the loss of either of these major purchasers could have a material adverse effect on the ability of the Company to produce and sell the oil, NGLs and gas production of the Glasscock Properties, the Company believes this risk is mitigated by the size and reputation of these purchasers.

NOTE 3. Contingencies

The activities of the Glasscock Properties' working interest may become subject to potential claims and litigation in the normal course of operations. The Company is not aware of any legal, environmental or other contingencies that would have a material effect on the Statements.

NOTE 4. Subsequent Events

The Company has evaluated subsequent events through November 30, 2021, 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.

UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE GLASSCOCK PROPERTIES

Reserve Quantity Information

The following tables present the estimated net proved developed and undeveloped oil and natural gas reserves as of December 31, 2020 for the Glasscock Properties along with a summary of changes in the quantities of net remaining proved reserves during the year ended December 31, 2020. Oil and NGL volumes are expressed in thousands of Bbls ("MBbls"), gas volumes are expressed in millions of cubic feet ("MMcf") and total volumes are expressed in thousands of barrels of oil equivalent ("MBOE").

	Oil (MBbls)	Gas (MMcf)	NGL (MBbls)	MBOE
Total Proved Reserves:				
Balance as of January 1, 2020	10,215	19,373	4,568	18,012
Revisions of previous estimates	(3,778)	(5,500)	(1,616)	(6,311)
Extensions, discoveries and other additions	988	1,241	248	1,443
Production	(1,002)	(2,802)	(364)	(1,833)
Balance as of December 31, 2020	6,423	12,312	2,836	11,311
Proved developed reserves:				
Balance as of January 1, 2020	7,096	14,113	3,254	12,702
Balance as of December 31, 2020	5,436	11,071	2,587	9,868
Proved undeveloped reserves:				
Balance as of January 1, 2020	3,120	5,260	1,315	5,312
Balance as of December 31, 2020	988	1,241	248	1,443

Negative revisions of 6,311 MBOE during the year ended December 31, 2020 were due primarily to the removal of certain wells and proved undeveloped locations due to economics.

The standardized measure of discounted future net cash flows does not purport to be, nor should it be interpreted to present, the fair value of the oil, NGL and natural gas reserves of the property. An estimate of fair value would take into account, among other things, the recovery of reserves not presently classified as proved, the value of proved properties and consideration of expected future economic and operating conditions.

The estimates of future cash flows and future production and development costs as of December 31, 2020 are based on the realized prices, which reflect adjustments to the benchmark prices for quality, certain transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point. All realized prices are held flat over the forecast period for all reserve categories in calculating the discounted future net cash flows. In accordance with SEC regulations, the proved reserves were anticipated to be economically producible from the "as of date" forward based on existing economic conditions, including prices and costs at which economic producibility from a reservoir was determined. These costs, held flat over the forecast period, include development costs, operating costs, ad valorem and production taxes and abandonment costs after salvage. Our calculations of the standardized measure of discounted future net cash flows and the related changes therein include Texas margin tax and do not include the effect of estimated federal income tax expenses because the properties are not subject to federal income taxes. The estimated future net cash flows are then discounted at a rate of 10%.

The following prices were used in the calculation of proved reserves and the standardized measure of discounted future net cash flows for the year ended December 31, 2020:

Oil per Bbl	$	37.30
Natural gas liquids per Bbl	$	11.30
Natural gas per MMBtu	$	0.90

UNAUDITED SUPPLEMENTARY INFORMATION TO THE STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF OIL AND GAS ASSETS FOR THE GLASSCOCK PROPERTIES

The following table presents the standardized measure of discounted future net cash flows relating to proved oil, NGL and natural gas reserves as of December 31, 2020 (in thousands):

Oil and gas producing activities:		
Future cash inflows	$	284,544
Future production costs		(124,450)
Future development costs		(22,002)
Future income tax expense		(1,494)
Standardized measure of future cash flows		136,598
Ten percent annual discount factor		(59,997)
Standardized measure of discounted future cash flows	$	76,601

It is not intended that the FASB's standardized measure of discounted future net cash flows represent the fair market value of the Company's proved reserves. The Company cautions that the disclosures shown are based on estimates of proved reserve quantities and future production schedules which are inherently imprecise and subject to revision, and the 10% discount rate is arbitrary. In addition, prices and costs as of the measurement date are used in the determinations, and no value may be assigned to probable or possible reserves.

The following table presents the changes in the standardized measure of discounted future net cash flows relating to proved oil, NGL and natural gas reserves for the year ended December 31, 2020 (in thousands):

Changes in the year resulting from:		
Net change in prices and production costs	$	(71,397)
Changes in estimated future development costs		(116)
Sales, less production costs		(23,696)
Extensions, discoveries and other additions		9,891
Revisions of previous quantity estimates		(39,700)
Previously estimated development costs incurred during the period		—
Net change in income taxes		1,055
Accretion of discount		18,375
Timing differences and other		290
		(105,298)
Standardized measure of discounted future net cash flows, beginning of year		181,899
Standardized measure of discounted future net cash flows, end of year	$	76,601

Estimates of economically recoverable oil, NGL and natural gas reserves and of future net cash flows are based upon a number of variable factors and assumptions, all of which are, to some degree, subjective and may vary considerably from actual results. Therefore, actual production, revenues, development and operating expenditures may not occur as estimated. The reserve data are estimates only, are subject to many uncertainties and are based on data gained from production histories and on assumptions as to geologic formations and other matters. Actual quantities of oil, NGL and natural gas may differ materially from the amounts estimated.

Exhibit 99.2

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial information is derived from the historical consolidated financial statements of Laredo Petroleum, Inc. ("Laredo" or the "Company"), the Glasscock Properties (as defined below), Sabalo (as defined below) and Shad Permian, LLC ("Shad"). Unless otherwise stated below, the unaudited pro forma condensed combined financial statements of the Company reflect the historical results of the Company on a pro forma basis to give effect to the following transactions (collectively, the "Transactions"), which are described in further detail below:

- Laredo's acquisition of certain oil and gas properties in the Midland Basin, including approximately 20,000 net acres located in western Glasscock County, Texas (the "Glasscock Properties"), from Pioneer Natural Resources USA, Inc. ("Pioneer"), DE Midland III, LLC, Parsley Minerals, LLC and Parsley Energy, L.P. for aggregate consideration of $202.5 million based on the closing price of a share of the Company's common stock on October 18, 2021 (the closing date) (the "Pioneer Acquisition"). The aggregate purchase consideration consisted of (i) $131.6 million in cash, net of closing adjustments; and (ii) 959,691 shares of the Company's common stock.
- Laredo's acquisition of substantially all of the key operating assets consisting of wellbore interests of Sabalo Energy, LLC ("Sabalo Energy"), Sabalo Operating, LLC ("Sabalo Operating" and together with Sabalo Energy, "Sabalo") on July 1, 2021 (the "Sabalo Acquisition").
- Laredo's acquisition of substantially all of the key operating assets consisting of wellbore interests of Shad on July 1, 2021 (the "Shad Acquisition" and, together with the Sabalo Acquisition, the "Prior Acquisitions").
- Laredo's sale of 37.5% of its working interest in certain oil and gas properties in Glasscock and Reagan Counties, Texas, to an unrelated third party on July 1, 2021 (the "Prior Disposition").
- Borrowings under Laredo's Senior Secured Credit Facility of: i) approximately $20.0 million and $110.0 million on October 7, 2021 and October 18, 2021, respectively, which were used to fund the Pioneer Acquisition and related transaction costs (the "October Borrowing"); and ii) approximately $220.0 million previously used to fund the Prior Acquisitions and related transaction costs (the "Prior Borrowing" and, together with the October Borrowing, the "Borrowings").

The unaudited pro forma condensed combined balance sheet is based on the Company's historical consolidated balance sheet as of September 30, 2021 and includes pro forma adjustments to give effect to the Pioneer Acquisition and the October Borrowing as if they had occurred on September 30, 2021. The Prior Acquisitions, the Prior Disposition and the Prior Borrowing are reflected in the historical consolidated balance sheet of the Company as of September 30, 2021, and, as such, no pro forma adjustments are made for such transactions in the pro forma condensed combined balance sheet. The unaudited pro forma condensed combined statements of operations of the Company for the year ended December 31, 2020 and nine months ended September 30, 2021 are based on the historical consolidated statements of operations of the Company, giving effect to the Transactions as if they had occurred January 1, 2020.

The unaudited pro forma condensed combined financial information is presented for illustrative purposes only to reflect the Transactions and does not represent what Laredo's results of operations or financial position would actually have been had the transactions occurred on the dates noted above or project its results of operations or financial position for any future periods. The unaudited pro forma condensed combined financial information is intended to provide information about the continuing impact of the Transactions as if they had been consummated earlier. In the opinion of management, all adjustments necessary to present fairly the unaudited pro forma condensed combined financial information have been made.

The following unaudited pro forma condensed combined financial information should be read in conjunction with Laredo's consolidated financial statements and the related notes thereto, which are included in Laredo's Annual Report on Form 10-K for the year ended December 31, 2020 and its Quarterly Report on Form 10-Q for the nine months ended September 30, 2021; the Glasscock Properties' statements of revenues and direct operating expenses and the related notes thereto, which are included elsewhere in this filing; and Sabalo's and Shad's consolidated financial statements, which are incorporated herein by reference.

Laredo Petroleum, Inc.
Pro Forma Condensed Combined Balance Sheet
As of September 30, 2021
(unaudited)

(in thousands)	Historical Laredo - As Reported	Pioneer Acquisition & October Borrowing	Pro Forma Combined
Current assets:			
Cash and cash equivalents	$ 51,396	$ 18,868**(a)**	$ 70,264
		(3,200)**(b)**	(3,200)
Accounts receivable, net	122,657	-	122,657
Derivatives	3,272	-	3,272
Other current assets	17,222	909**(c)**	18,131
Total current assets	194,547	16,577	211,124
Property and equipment:			
Oil and natural gas properties, full cost method:			
Evaluated properties	8,608,464	223,201**(c)**	8,831,665
Unevaluated properties not being depleted	167,219	-	167,219
Less accumulated depletion and impairment	(6,948,645)	-	(6,948,645)
Oil and natural gas properties, net	1,827,038	223,201	2,050,239
Midstream service assets, net	107,863	-	107,863
Other fixed assets, net	32,192	-	32,192
Property and equipment, net	1,967,093	223,201	2,190,294
Operating lease right-of-use assets	15,236	-	15,236
Derivatives	35,742	-	35,742
Other noncurrent assets, net	46,354	(20,500)**(d)**	25,854
Total assets	$ 2,258,972	$ 219,278	$ 2,478,250
Current liabilities:			
Accounts payable and accrued liabilities	$ 61,341	$ -	$ 61,341
Accrued capital expenditures	53,655	-	53,655
Undistributed revenue and royalties	85,265	7,722**(c)**	92,987
Derivatives	288,794	-	288,794
Operating lease liabilities	11,386	-	11,386
Other current liabilities	74,370	-	74,370
Total current liabilities	574,811	7,722	582,533
Long-term debt, net	1,349,896	130,000**(e)**	1,479,896
Derivatives	37,453	-	37,453
Asset retirement obligations	55,680	10,635**(c)**	66,315
Operating lease liabilities	6,064	-	6,064
Other noncurrent liabilities	11,006	-	11,006
Total liabilities	2,034,910	148,357	2,183,267
Stockholders' equity:			
Preferred Stock	-	-	-
Common stock	161	10**(f)**	171
Additional paid-in capital	2,715,196	70,911**(f)**	2,786,107
Accumulated deficit	(2,491,295)	-	(2,491,295)
Total stockholders' equity	224,062	70,921	294,983
Total liabilities and equity	$ 2,258,972	$ 219,278	$ 2,478,250

Laredo Petroleum, Inc.
Pro Forma Condensed Combined Statement of Operations
For the Nine Months Ended September 30, 2021
(unaudited)

	Historical			Transaction Accounting Adjustments			
	Laredo - As Reported	Prior Acquisitions	Pioneer Acquisition	Elimination Adjustments	Prior Disposition	Acquisitions & Borrowings	Pro Forma Combined
(in thousands, except for per share data)		**(a)**	**(b)**	**(c)**	**(d)**		
Revenues:							
Oil sales	$ 514,752	$ 98,628	$ 39,724	$ -	$ (62,786)	$ -	$ 590,318
NGL sales	133,121	4,532	7,231	-	(29,676)	-	115,208
Natural gas sales	98,186	2,509	3,438	-	(22,681)	-	81,452
Midstream service revenues	4,292	-	-	-	-	-	4,292
Sales of purchased oil	173,500	-	-	-	-	-	173,500
Total revenues	923,851	105,669	50,393	-	(115,143)	-	964,770
Costs and expenses:							
Lease operating expenses	68,526	23,425	7,591	-	(11,098)	-	88,444
Production and ad valorem taxes	45,957	5,047	2,770	-	(8,221)	-	45,553
Transportation and marketing expenses	34,477	-	-	-	-	-	34,477
Midstream service expenses	2,572	-	-	-	-	-	2,572
Costs of purchased oil	183,458	-	-	-	-	-	183,458
Organizational restructuring expenses	9,800	-	-	-	-	-	9,800
General and administrative	49,182	3,149	-	-	-	-	52,331
Depletion, depreciation and amortization	140,763	25,952	-	-	(17,081)	79,478**(e)**	229,112
Impairment expense	1,613	-	-	-	-	-	1,613
Other operating expenses	4,099	174	-	-	(496)	588**(e)**	4,365
Total costs and expenses	540,447	57,747	10,361	-	(36,896)	80,066	651,725
Gain on sale of oil and natural gas properties, net	93,482	-	-	-	(93,482)	-	-
Operating income (loss)	476,886	47,922	40,032	-	(171,729)	(80,066)	313,045
Non-operating income (expense):							
Provision for uncollectible receivables	-	(28)	-	28	-	-	-
Gain (loss) on derivatives, net	(467,547)	(40,821)	-	-	50,226	-	(458,142)
Interest expense	(82,222)	(3,463)	-	3,463	-	(5,421)**(f)**	(87,643)
Loss on disposal of assets, net	(28)	-	-	-	-	-	(28)
Other income, net	2,236	785	-	(785)	-	-	2,236
Total non-operating income (expense), net	(547,561)	(43,527)	-	2,706	50,226	(5,421)	(543,577)
Income (loss) before income taxes	(70,675)	4,395	40,032	2,706	(121,503)	(85,487)	(230,532)
Income tax benefit (expense):							
Current	(1,300)	(215)	-	-	-	-	(1,515)
Deferred	707	-	-	-	-	-	707
Total income tax benefit	(593)	(215)	-	-	-	-	(808)
Net income (loss)	$ (71,268)	$ 4,180	40,032	$ 2,706	$ (121,503)	$ (85,487)	$ (231,340)
Net income (loss) per common share:							
Basic	$ (5.29)						$ (14.38)
Diluted	$ (5.29)						$ (14.38)
Weighted average common shares outstanding:							
Basic	13,464					2,622**(g)**	16,086
Diluted	13,464					2,622**(g)**	16,086

Laredo Petroleum, Inc.
Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2020
(unaudited)

	Historical			Transaction Accounting Adjustments			
	Laredo - As Reported	Prior Acquisitions	Pioneer Acquisition	Elimination Adjustments	Prior Disposition	Acquisitions & Borrowings	Pro Forma Combined
(in thousands, except for per share data)		(a)	(b)	(c)	(d)		
Revenues:							
Oil sales	$ 367,792	$ 134,815	$ 36,399	$ -	$ (119,060)	$ -	$ 419,946
NGL sales	78,246	2,821	5,226	-	(28,268)	-	58,025
Natural gas sales	50,317	1,103	1,775	-	(18,679)	-	34,516
Midstream service revenues	8,249	-	-	-	-	-	8,249
Sales of purchased oil	172,588	-	-	-	-	-	172,588
Total revenues	677,192	138,739	43,400	-	(166,007)	-	693,324
Costs and expenses:							
Lease operating expenses	82,020	51,371	13,906	-	(23,367)	-	123,930
Production and ad valorem taxes	33,050	6,624	2,524	-	(12,058)	-	30,140
Transportation and marketing expenses	49,927	-	-	-	-	-	49,927
Midstream service expenses	3,762	-	-	-	-	-	3,762
Costs of purchased oil	194,862	-	-	-	-	-	194,862
General and administrative	50,534	5,367	-	-		-	55,901
Organizational restructuring expenses	4,200	-	-	-	-	-	4,200
Depletion, depreciation and amortization	217,101	100,161	-	-	(63,569)	40,837**(e)**	294,530
Impairment expense	899,039	425	-	-	(280,771)	(475,335)**(f)**	143,358
Other operating expenses	4,430	335	-	-	(957)	685**(e)**	4,493
Total costs and expenses	1,538,925	164,283	16,430	-	(380,722)	(433,813)	905,103
Gain on sale of oil and natural gas properties	-	-	-	-	93,482	-	93,482
Operating income (loss)	(861,733)	(25,544)	26,970	-	308,197	433,813	(118,297)
Non-operating income (expense):							
Provision for uncollectible receivables	-	(11)	-	11	-	-	-
Gain on derivatives, net	80,114	20,932	-	-	-	-	101,046
Interest expense	(105,009)	(7,381)	-	7,381	-	(9,188)**(g)**	(114,197)
Interest income	-	10	-	(10)	-	-	-
Gain on extinguishment of debt, net	8,989	-	-	-	-	-	8,989
Loss on disposal of assets, net	(963)	(4)	-	4	-	-	(963)
Write-off of debt issuance costs	(1,103)	-	-	-	-	-	(1,103)
Other income, net	1,586	(19)	-	19	-	-	1,586
Total non-operating income (expense), net	(16,386)	13,527	-	7,405	-	(9,188)	(4,642)
Income (loss) before income taxes	(878,119)	(12,017)	26,970	7,405	308,197	424,625	(122,939)
Income tax benefit (expense):							
Current	-	(267)	-	-	-	-	(267)
Deferred	3,946	-	-	-	-	-	3,946
Total income tax benefit (expense)	3,946	(267)	-	-	-	-	3,679
Net income (loss)	$ (874,173)	$ (12,284)	$ 26,970	$ 7,405	$ 308,197	$ 424,625	$ (119,260)
Net income (loss) per common share:							
Basic	$ (74.92)						$ (7.88)
Diluted	$ (74.92)						$ (7.88)
Weighted average common shares outstanding:							
Basic	11,668					3,467**(h)**	15,135
Diluted	11,668					3,467**(h)**	15,135

Laredo Petroleum, Inc.
Notes to Pro Forma Condensed Combined Financial Statements
(Unaudited)

Note 1. Unaudited Pro Forma Condensed Combined Balance Sheet

Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2021

The following adjustments have been made to the accompanying unaudited pro forma condensed combined balance sheet as of September 30, 2021 to reflect the Pioneer Acquisition and October Borrowing:

a) Represents a $130.0 million increase in cash due to the October Borrowing under the Senior Secured Credit Facility, less final cash purchase price of $131.6 million for the Pioneer Acquisition, net of closing adjustments, less a cash deposit of $20.5 million included in other noncurrent assets as of September 30, 2021.
b) Reflects $3.2 million of estimated transaction costs related to the Pioneer Acquisition.
c) Represents the allocation of the estimated fair value of consideration transferred of $131.6 million of cash, $70.9 million of common stock (based on the closing price of Laredo's common stock as of October 18, 2021) and $3.2 million of estimated transaction costs to the assets acquired and liabilities assumed in the following allocation adjustments:
    - $0.9 million increase in other current assets related to acquired inventory;
    - $223.2 million increase in evaluated oil and natural gas properties related to acquired reserves;
    - $7.7 million increase in undistributed revenue and royalties related to assumed undistributed revenue and royalties; and
    - $10.6 million increase in asset retirement obligations related to assumed asset retirement obligations.
d) Represents a cash deposit of $20.5 million made in association with the Pioneer Acquisition prior to September 30, 2021.
e) Represents the October Borrowing under the Senior Secured Credit Facility in the amount of $20.0 million and $110.0 million on October 7, 2021, and October 18, 2021, respectively.
f) Represents $70.9 million for the issuance of 959,691 shares of Laredo's common stock, at $0.01 par value (based on the closing price as of October 18, 2021).

The Company expects the Pioneer Acquisition will be accounted for as an asset acquisition as substantially all of the gross assets acquired are concentrated in a group of similar identifiable assets. The consideration paid was allocated to the individual assets acquired and liabilities assumed based on their relative fair values. All transaction costs associated with the Pioneer Acquisition were capitalized. The allocation of the estimated purchase price is based upon management's estimates of and assumptions related to the fair value of assets acquired and liabilities assumed as of October 18, 2021.

For income tax purposes, the Pioneer Acquisition was treated as an asset purchase such that the tax bases in the assets and liabilities reflect the allocated fair value at closing; therefore, the Company does not anticipate a material tax consequence for deferred income taxes related thereto.

Note 2. Unaudited Pro Forma Condensed Combined Statements of Operations

Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations for the nine months ended September 30, 2021

The following adjustments have been made to the accompanying unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2021 to reflect the Prior Acquisitions, Prior Disposition, Borrowings and Pioneer Acquisition:

a) Represents the combined historical statements of operations for Sabalo and Shad for the six months ended June 30, 2021, as incorporated herein by reference. The Prior Acquisitions closed on July 1, 2021 and the subsequent operating results of the related properties are included in the historical results of the Company presented.

(in thousands)	Sabalo - As Reported	Shad - As Reported	Total Prior Acquisitions
Revenues:			
Oil sales	$ 84,606	$ 14,022	$ 98,628
NGL sales	3,841	691	4,532
Natural gas sales	2,139	370	2,509
Midstream service revenues	-	-	-
Sales of purchased oil	-	-	-
Total revenues	90,586	15,083	105,669
Costs and expenses:			
Lease operating expenses	19,619	3,806	23,425
Production and ad valorem taxes	4,314	733	5,047
Transportation and marketing expenses	-	-	-
Midstream service expenses	-	-	-
Costs of purchased oil	-	-	-
Organizational restructuring expenses	-	-	-
General and administrative	3,149	-	3,149
Depletion, depreciation and amortization	20,963	4,989	25,952
Impairment expense	-	-	-
Other operating expenses	170	4	174
Total costs and expenses	48,215	9,532	57,747
Gain on sale of oil and natural gas properties, net	-	-	-
Operating income (loss)	42,371	5,551	47,922
Non-operating income (expense):			
Provision for uncollectible receivables	(28)	-	(28)
Gain (loss) on derivatives, net	(40,821)	-	(40,821)
Interest expense	(3,463)	-	(3,463)
Loss on disposal of assets, net	-	-	-
Other income, net	785	-	785
Total non-operating income (expense), net	(43,527)	-	(43,527)
Income (loss) before income taxes	(1,156)	5,551	4,395
Income tax benefit (expense):			
Current	(127)	(88)	(215)
Deferred	-	-	-
Total income tax benefit	(127)	(88)	(215)
Net income (loss)	$ (1,283)	$ 5,463	$ 4,180

b) Represents the historical statements of revenues and expenses of the Glasscock Properties, which are included elsewhere in this filing.

c) Represents adjustments to eliminate the effects of assets and liabilities retained by Sabalo and not associated with the oil and natural gas properties acquired.

d) Represents adjustments to the Company's historical consolidated statement of operations to remove the effects of the Prior Disposition, a nonrecurring gain of $93.5 million, net of transaction costs, associated with the Prior Disposition, and a gain related to derivatives novated to the acquiree subsequent to July 1, 2021.

e) Reflects adjustment to depletion, depreciation and amortization expense resulting from the change in basis of property, plant and equipment acquired and an increase in accretion of asset retirement obligations as a result of the Prior Acquisitions, Prior Disposition and Pioneer Acquisition.

f) Reflects interest expense at the current rate of 2.625% as of November 30, 2021 in respect of the Borrowings. Interest expense for the Prior Borrowing was calculated through June 30, 2021, after which, the interest expense was combined with Laredo's financial statements. Actual interest expense may be higher or lower depending on fluctuations in interest rates and other market conditions. A one-eighth percent increase or decrease in the interest rate would not have had a material impact on interest expense for the nine months ended September 30, 2021. Estimated amortization of debt issuance costs related to the Borrowings are not considered material and have not been included.

g) Adjustment to reflect the following issuances of Laredo common stock as if these shares were outstanding as of the beginning of period presented:

- 2.5 million shares of Laredo common stock issued to Sabalo and Shad as a portion of the consideration for the Prior Acquisitions, and
- 1.0 million shares of Laredo common stock issued to Pioneer as a portion of the consideration for the Pioneer Acquisition.

Laredo has not reflected any estimated tax impact related to the Prior Acquisitions, Prior Disposition, Borrowings and Pioneer Acquisition in the accompanying unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2021 because it does not anticipate the impact to be material due to the Company's net operating loss carryforwards. The Company's effective tax rate is not meaningful and is expected to remain under 1% due to the full valuation allowance against the Company's federal and Oklahoma net deferred tax assets.

Adjustments to the Unaudited Pro Forma Condensed Combined Statement of Operations for the year ended December 31, 2020

The following adjustments have been made to the accompanying unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 to reflect the Prior Acquisitions, Prior Disposition, Borrowings and Pioneer Acquisition:

a) Represents the combined historical statements of operations for Sabalo and Shad for the year ended December 31, 2020, as incorporated herein by reference.

(in thousands)	Sabalo - As Reported	Shad - As Reported	Total Prior Acquisitions
Revenues:			
Oil sales	$ 110,063	$ 24,752	$ 134,815
NGL sales	2,177	644	2,821
Natural gas sales	1,013	90	1,103
Midstream service revenues	-	-	-
Sales of purchased oil	-	-	-
Total revenues	113,253	25,486	138,739
Costs and expenses:			
Lease operating expenses	40,110	11,261	51,371
Production and ad valorem taxes	5,393	1,231	6,624
Transportation and marketing expenses	-	-	-
Midstream service expenses	-	-	-
Costs of purchased oil	-	-	-
General and administrative	5,367	-	5,367
Organizational restructuring expenses	-	-	-
Depletion, depreciation and amortization	80,164	19,997	100,161
Impairment expense	425	-	425
Other operating expenses	328	7	335
Total costs and expenses	131,787	32,496	164,283
Gain on sale of oil and natural gas properties, net	-	-	-
Operating income (loss)	(18,534)	(7,010)	(25,544)
Non-operating income (expense):			
Provision for uncollectible receivables	(11)	-	(11)
Gain on derivatives, net	20,932	-	20,932
Interest expense	(7,381)	-	(7,381)
Interest income	10	-	10
Gain on extinguishment of debt, net	-	-	-
Loss on disposal of assets, net	(4)	-	(4)
Write-off of debt issuance costs	-	-	-
Other income, net	(19)	-	(19)
Total non-operating income (expense), net	13,527	-	13,527
Income (loss) before income taxes	(5,007)	(7,010)	(12,017)
Income tax benefit (expense):			
Current	(2)	(265)	(267)
Deferred	-	-	-
Total income tax benefit (expense)	(2)	(265)	(267)
Net income (loss)	$ (5,009)	$ (7,275)	$ (12,284)

b) Represents the historical statements of revenues and expenses of the Glasscock Properties, which are included elsewhere in this filing.

c) Represents adjustments to eliminate the effects of assets and liabilities retained by Sabalo and not associated with the oil and natural gas properties acquired.

d) Represents adjustments to the Company’s historical consolidated statement of operations to remove the effects of the Prior Disposition and recognize a nonrecurring gain of $93.5 million, net of transaction costs, associated with the Prior Disposition.

e) Reflects adjustment to depletion, depreciation, and amortization expense resulting from the change in basis of property, plant and equipment acquired and an increase in accretion of asset retirement obligations as a result of the Prior Acquisitions, Prior Disposition and Pioneer Acquisition.

f) Reflects adjustment to impairment expense resulting from the application of the quarterly ceiling test pursuant to the rules governing full cost accounting and due to the change from Sabalo’s and Shad’s historical accounting under the successful efforts method to conform to Laredo’s accounting under the full cost method. The quarterly ceiling test takes into account the change in basis of the oil and gas properties acquired and reserves and historical prices determined using Securities and Exchange Commission (“SEC”) guidelines at the time of each historical quarterly ceiling test.

g) Reflects interest expense at the current rate of 2.625% as of November 30, 2021 in respect of the Borrowings. Actual interest expense may be higher or lower depending on fluctuations in interest rates and other market conditions. A one-eighth percent increase or decrease in the interest rate would not have had a material impact on interest expense for the year ended December 31, 2020. Estimated amortization of debt issuance costs related to the Borrowings are not considered material and have not been included.

h) Adjustment to reflect the following issuances of Laredo common stock as if these shares were outstanding as of the beginning of period presented:

- 2.5 million shares of Laredo common stock issued to Sabalo and Shad as a portion of the consideration for the Prior Acquisitions, and
- 1.0 million shares of Laredo common stock issued to Pioneer as a portion of the consideration for the Pioneer Acquisition.

Laredo has not reflected any estimated tax impact related to the Prior Acquisitions, Prior Disposition, Borrowings and Pioneer Acquisition in the accompanying unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 because it does not anticipate the impact to be material due to the Company's net operating loss carryforwards. The Company's effective tax rate is not meaningful and is expected to remain under 1% due to the full valuation allowance against the Company's federal and Oklahoma net deferred tax assets.

Note 3. Supplemental Pro Forma Oil and Gas Information

The following tables present the estimated pro forma combined net proved developed and undeveloped oil and natural gas reserves as of December 31, 2020 for Laredo, Sabalo, Shad and the Glasscock Properties along with a summary of changes in the quantities of net remaining proved reserves during the year ended December 31, 2020. The pro forma reserve information set forth below gives effect to the Prior Acquisitions, Prior Disposition and Pioneer Acquisition as if they had been completed on January 1, 2020.

	Crude Oil (Mbbls)					
	Historical					
	Laredo - As Reported	Sabalo - As Reported	Shad - As Reported	Pioneer Acquisition - As Reported	Prior Disposition	Pro Forma Combined
Proved developed and undeveloped reserves:						
Balance as of January 1, 2020	78,639	36,647	3,841	10,215	(21,837)	107,505
Revisions of previous estimates	(10,517)	(7,876)	(163)	(3,778)	1,691	(20,643)
Extensions, discoveries and other additions	4,282	32,495	-	988	-	37,765
Acquisitions of reserves in place	5,182	-	-	-	-	5,182
Production	(9,827)	(2,618)	(630)	(1,002)	3,410	(10,667)
Balance as of December 31, 2020	67,759	58,648	3,048	6,423	(16,736)	119,142
Proved developed reserves:						
Balance as of January 1, 2020	52,711	20,006	3,841	7,096	(21,837)	61,817
Balance as of December 31, 2020	51,751	15,388	3,048	5,436	(16,736)	58,887
Proved undeveloped reserves:						
Balance as of January 1, 2020	25,928	16,641	-	3,120	-	45,689
Balance as of December 31, 2020	16,008	43,260	-	988	-	60,256

	Natural Gas (MMcf)					
	Historical					
	Laredo - As Reported	Sabalo - As Reported	Shad - As Reported	Pioneer Acquisition - As Reported	Prior Disposition	Pro Forma Combined
Proved developed and undeveloped reserves:						
Balance as of January 1, 2020	675,237	31,009	5,041	19,373	(238,772)	491,888
Revisions of previous estimates	34,376	(9,052)	(2,087)	(5,500)	(19,211)	(1,474)
Extensions and discoveries	10,772	29,989	-	1,241	-	42,002
Purchases of minerals in place	6,948	-	-	-	-	6,948
Production	(70,049)	(1,803)	(547)	(2,802)	25,710	(49,491)
Balance as of December 31, 2020	657,284	50,143	2,407	12,312	(232,273)	489,873
Proved developed reserves:						
Balance as of January 1, 2020	600,334	18,388	5,041	14,113	(238,772)	399,104
Balance as of December 31, 2020	633,503	9,894	2,407	11,071	(232,273)	424,602
Proved undeveloped reserves:						
Balance as of January 1, 2020	74,903	12,621	-	5,260	-	92,784
Balance as of December 31, 2020	23,781	40,249	-	1,241	-	65,271

	Natural Gas Liquids (Mbbls)					
	Historical					
	Laredo - As Reported	Sabalo - As Reported	Shad - As Reported	Pioneer Acquisition - As Reported	Prior Disposition	Pro Forma Combined
Proved developed and undeveloped reserves:						
Balance as of January 1, 2020	102,198	7,711	1,243	4,568	(36,137)	79,583
Revisions of previous estimates	6,218	(1,932)	(488)	(1,616)	(2,713)	(531)
Extensions and discoveries	1,811	8,174	-	248	-	10,233
Purchases of minerals in place	1,310	-	-	-	-	1,310
Production	(10,615)	(288)	(99)	(364)	3,856	(7,510)
Balance as of December 31, 2020	100,922	13,665	656	2,836	(34,994)	83,085
Proved developed reserves:						
Balance as of January 1, 2020	90,861	4,599	1,243	3,254	(36,137)	63,820
Balance as of December 31, 2020	96,251	2,695	656	2,587	(34,994)	67,195
Proved undeveloped reserves:						
Balance as of January 1, 2020	11,337	3,112	-	1,315	-	15,764
Balance as of December 31, 2020	4,671	10,970	-	248	-	15,889

	Total Equivalent Reserves (Mboe)					
	Historical					
	Laredo - As Reported	Sabalo - As Reported	Shad - As Reported	Pioneer Acquisition - As Reported	Prior Disposition	Pro Forma Combined
Proved developed and undeveloped reserves:						
Balance as of January 1, 2020	293,377	49,527	5,925	18,012	(97,771)	269,070
Revisions of previous estimates	1,430	(11,317)	(999)	(6,311)	(4,223)	(21,420)
Extensions and discoveries	7,888	45,667	-	1,443	-	54,998
Purchases of minerals in place	7,650	-	-	-	-	7,650
Production	(32,117)	(3,207)	(820)	(1,833)	11,551	(26,426)
Balance as of December 31, 2020	278,228	80,670	4,106	11,311	(90,443)	283,872
Proved developed reserves:						
Balance as of January 1, 2020	243,628	27,670	5,925	12,702	(97,771)	192,154
Balance as of December 31, 2020	253,586	19,732	4,106	9,868	(90,443)	196,849
Proved undeveloped reserves:						
Balance as of January 1, 2020	49,749	21,857	-	5,312	-	76,918
Balance as of December 31, 2020	24,642	60,938	-	1,443	-	87,023

The pro forma standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves as of December 31, 2020 is as follows:

	Historical					
(in thousands)	Laredo - As Reported	Sabalo - As Reported	Shad - As Reported	Pioneer Acquisition - As Reported	Prior Disposition	Pro Forma Combined
Future cash inflows	$ 3,824,104	$ 2,524,116	$ 130,147	$ 284,544	$ (1,074,768)	$ 5,688,143
Future production costs	(1,740,537)	(1,018,511)	(67,317)	(124,450)	520,449	(2,430,366)
Future development costs	(351,568)	(772,141)	(4,245)	(22,002)	23,056	(1,126,900)
Future income tax expenses	(20,076)	(13,252)	(683)	(1,494)	5,643	(29,862)
Future net cash flows	1,711,923	720,212	57,902	136,598	(525,620)	2,101,015
10% annual discount for estimated timing of cash flows	(697,069)	(405,261)	(19,931)	(59,997)	214,824	(967,434)
Standardized measure of discounted future net cash flows	$ 1,014,854	$ 314,951	$ 37,971	$ 76,601	$ (310,796)	$ 1,133,581

The changes in the pro forma standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves for the year ended December 31, 2020 are as follows:

	Historical					
(in thousands)	**Laredo - As Reported**	**Sabalo - As Reported**	**Shad - As Reported**	**Pioneer Acquisition - As Reported**	**Prior Disposition**	**Pro Forma Combined**
Standardized measure of discounted future net cash flows, beginning of year	$ 1,662,261	$ 534,506	$ 76,370	$ 181,899	$ (578,597)	$ 1,876,439
Changes in the year resulting from:						
Net change in prices and production costs	(770,885)	(201,330)	(17,075)	(71,397)	246,213	(814,474)
Changes in estimated future development costs	64,146	20,624	(221)	(116)	(1,164)	83,269
Sales, less production costs	(331,358)	(67,750)	(12,994)	(23,696)	130,583	(305,215)
Extensions, discoveries and other additions	60,004	102,442	-	9,891	-	172,337
Acquisitions of reserves in place	14,208	-	-	-	-	14,208
Revisions of previous quantity estimates	199	(140,084)	(13,499)	(39,700)	(11,408)	(204,492)
Previously estimated development costs incurred during the period	186,261	15,453	576	-	(40,054)	162,236
Net change in income taxes	(1,205)	(1,775)	312	1,055	(1,449)	(3,062)
Accretion of discount	167,227	54,060	7,709	18,375	(58,319)	189,052
Timing differences and other	(36,004)	(1,195)	(3,207)	290	3,399	(36,717)
Balance at December 31, 2020	$ 1,014,854	$ 314,951	$ 37,971	$ 76,601	$ (310,796)	$ 1,133,581

Exhibit 99.3

October 12, 2021

Ms. Katy Lange
Laredo Petroleum, Inc.
15 West 6th Street, Suite 900
Tulsa, Oklahoma 74119

Dear Ms. Lange:

In accordance with your request, we have estimated the proved reserves and future revenue, as of December 31, 2020, to the Pioneer Natural Resources Company (Pioneer) Acquisition interest in certain oil and gas properties located in Glasscock County, Texas. It is our understanding that Laredo Petroleum, Inc. (Laredo) plans to purchase this interest in these properties. We completed our evaluation on or about the date of this letter. 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 Laredo's 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 Pioneer Acquisition interest in these properties, as of December 31, 2020, to be:

	Net Reserves			Future Net Revenue (M$)	
Category	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	5,435.5	2,587.4	11,070.9	113,484.9	67,511.1
Proved Undeveloped	988.3	248.3	1,241.4	24,605.8	9,890.6
Total Proved	6,423.8	2,835.7	12,312.3	138,090.7	77,401.7

The oil volumes shown include crude oil and condensate. Oil and natural gas liquids (NGL) 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, 2020, there are no proved developed non-producing reserves for these properties. No study was made to determine whether probable or possible reserves might be established for these properties. 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 2020. For oil and NGL volumes, the average West

Texas Intermediate spot price of $39.54 per barrel is adjusted for quality, transportation fees, and market differentials. For gas volumes, the average Waha spot price of $1.14 per MMBTU is adjusted for energy content, transportation fees, and market differentials. The adjusted product prices of $37.39 per barrel of oil, $11.34 per barrel of NGL, and $0.99 per MCF of gas are held constant throughout the lives of the properties.

Operating costs used in this report are based on operating expense records of Parsley Energy, Inc. (Parsley), the owner of this interest prior to its acquisition by Pioneer. 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. Headquarters general and administrative overhead expenses are included to the extent that they are covered under joint operating agreements for the operated properties. Operating costs are not escalated for inflation.

Capital costs used in this report were provided by Parsley and are based on authorizations for expenditure and actual costs from recent activity. 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 Parsley'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 Pioneer Acquisition 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 field- and lease-level 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 Parsley, 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 test data, 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 Laredo, Parsley, 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. Michael B. Begland, a Licensed Professional Engineer in the State of Texas, has been practicing consulting petroleum engineering at NSAI since 1993 and has over 8 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

/s/ C.H. (Scott) Rees III
By:
C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

/s/ Michael B. Begland
By:
Michael B. Begland, P.E. 104898
Vice President

Date Signed: October 12, 2021

MBB:LEE

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

(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.

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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.