

**QUARTERLY
FINANCIAL REPORT**
Revenir Energy Inc.

For the Quarter ended
June 30, 2023



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REVENIR ENERGY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

ASSETS

	June 30, 2023	December 31, 2022
	(In thousands)	
Current assets:		
Cash	\$ 339	\$ —
Restricted cash	3,000	2,983
Accounts receivable, net:		
Oil and natural gas	22,263	55,300
Joint interest owners	11,525	16,275
Other	60	1,688
Fair value of derivatives (Notes 5 and 6)	221	10
Prepaid expenses and other current assets	12,067	14,827
Total current assets	<u>49,475</u>	<u>91,083</u>
Oil and natural gas properties at cost:		
Proved properties using the successful efforts method of accounting	881,055	873,344
Unproved properties	129,235	143,160
Accumulated depletion, depreciation, amortization and impairment	(270,261)	(235,876)
Total oil and natural gas properties, net	<u>740,029</u>	<u>780,628</u>
Other property and equipment, net of accumulated depreciation and amortization of \$13,928 and \$13,566, respectively	10,525	9,757
Deferred Tax Asset	34,163	34,163
Fair value of derivatives (Notes 5 and 6)	2,042	—
Total assets	<u>\$ 836,234</u>	<u>\$ 915,631</u>

See accompanying notes to condensed consolidated financial statements.

REVENIR ENERGY INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

LIABILITIES AND STOCKHOLDERS' EQUITY

	June 30, 2023	December 31, 2022
	(In thousands)	
Current liabilities:		
Accounts payable	\$ 8,990	\$ 18,352
Accrued oil and natural gas liabilities (Note 1)	46,716	61,696
Fair value of derivatives (Notes 5 and 6)	25,752	75,317
Asset retirement obligation (Note 7)	2,360	2,360
Other	2,793	15,166
Total current liabilities	<u>86,611</u>	<u>172,891</u>
Long-term liabilities:		
Long-term debt (Notes 2)	65,053	124,099
Asset retirement obligation (Note 7)	24,019	42,261
Fair value of derivatives (Notes 5 and 6)	—	4,342
Other long-term liabilities	5,497	5,980
Total liabilities	<u>181,180</u>	<u>349,573</u>
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common stock, \$0.01 par value; 600,000,000 shares authorized, 61,976,877 and 61,975,631 shares outstanding at June 30, 2023 and December 31, 2022, respectively	614	614
Additional paid-in capital	411,136	410,772
Retained earnings	243,304	154,672
Total stockholders' equity	<u>655,054</u>	<u>566,058</u>
Total liabilities and stockholders' equity	<u>\$ 836,234</u>	<u>\$ 915,631</u>

See accompanying notes to condensed consolidated financial statements.

REVENIR ENERGY INC.
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)**

	Three Months Ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
(In thousands)				
Revenues:				
Oil sales	\$ 52,422	\$ 70,869	\$ 117,802	\$ 134,215
Natural gas liquids (NGL) sales	375	350	638	1,017
Natural gas sales	10,493	47,151	29,986	92,781
Total revenues	<u>63,290</u>	<u>118,370</u>	<u>148,426</u>	<u>228,013</u>
Expenses:				
Oil and natural gas production	17,887	18,568	45,541	41,638
Production and other taxes	3,278	6,026	7,714	11,657
General and administrative	5,853	6,529	12,669	12,580
Depletion, depreciation, amortization and accretion	28,025	26,051	61,145	42,408
Gain on disposal of assets	(41,553)	(44,526)	(45,399)	(40,396)
Total expenses	<u>13,490</u>	<u>12,648</u>	<u>81,670</u>	<u>67,887</u>
Operating income (loss)	49,800	105,722	66,756	160,126
Other income (expense):				
Interest income	156	33	277	35
Interest expense (Note 2)	(6,174)	(1,920)	(8,825)	(4,021)
Net gains (losses) on commodity derivatives (Notes 5 and 6)	1,404	(45,871)	29,765	(214,376)
Reorganization items, net	(276)	—	(276)	—
Other	311	894	935	1,000
Income (loss) before income taxes	<u>45,221</u>	<u>58,858</u>	<u>88,632</u>	<u>(57,236)</u>
Income tax expense	—	—	—	—
Net income (loss)	<u>\$ 45,221</u>	<u>\$ 58,858</u>	<u>\$ 88,632</u>	<u>\$ (57,236)</u>

See accompanying notes to condensed consolidated financial statements.

REVENIR ENERGY INC.

**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2023 and 2022
(UNAUDITED)**

June 30, 2022

	Stockholders' Equity				
	Shares	Par Value	APIC	Retained Earnings (Deficit)	Total Stockholders' Equity
	(In thousands)				
Balance, December 31, 2021	61,885	\$ 615	\$ 410,141	\$ 21,853	\$ 432,609
Stock-based compensation	—	—	235	—	235
Stock repurchase	(10)	—	(63)	—	(63)
Net loss	—	—	—	(116,094)	(116,094)
Balance, March 31, 2022	61,875	\$ 615	\$ 410,313	\$ (94,241)	\$ 316,687
Stock-based compensation	—	—	243	—	243
Net income	—	—	—	58,858	58,858
Balance, June 30, 2022	61,875	\$ 615	\$ 410,556	\$ (35,383)	\$ 375,788

June 30, 2023

	Stockholders' Equity				
	Shares	Par Value	APIC	Retained Earnings (Deficit)	Total Stockholders' Equity
	(In thousands)				
Balance, December 31, 2022	61,976	\$ 614	\$ 410,772	\$ 154,672	\$ 566,058
Stock-based compensation	—	—	262	—	262
Stock repurchase	(15)	—	(105)	—	(105)
Net income	—	—	—	43,411	43,411
Balance, March 31, 2023	61,961	\$ 614	\$ 410,929	\$ 198,083	\$ 609,626
Stock-based compensation	—	—	245	—	245
Vesting of restricted stock units	23	—	—	—	—
RSU shares forfeited for income tax	(7)	—	(38)	—	(38)
Net income	—	—	—	45,221	45,221
Balance, June 30, 2023	61,977	614	411,136	243,304	655,054

See accompanying notes to condensed consolidated financial statements.

REVENIR ENERGY INC.
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

	Six Months Ended June 30,	
	2023	2022
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 88,632	\$ (57,236)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion, depreciation, amortization and accretion	61,145	42,408
Amortization of debt discount and issuance costs	3,071	783
(Gain) loss on derivatives	(29,765)	214,376
Stock based compensation	469	478
Gain on disposal of assets	(45,399)	(40,396)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, oil and natural gas	33,037	(7,483)
(Increase) decrease in accounts receivable, joint interest owners	4,750	(6,106)
Decrease in accounts receivable, other	1,628	332
(Increase) decrease in other assets	2,758	(766)
Increase (decrease) in accounts payable	(9,361)	9,890
Increase (decrease) in accrued oil and natural gas liabilities	(16,175)	7,628
Decrease in other liabilities	(17,742)	(860)
Total adjustments	(11,584)	220,284
Net cash provided by operating activities	<u>77,048</u>	<u>163,048</u>
Cash flows from investing activities:		
Investment in oil and natural gas properties	(45,519)	(86,151)
Proceeds from sale of oil and natural gas properties	59,092	140,991
Investment in other equipment	(1,648)	(987)
Net cash settlements paid on commodity derivatives	(26,395)	(161,186)
Net cash used in investing activities	<u>(14,470)</u>	<u>(107,333)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	182,000	214,000
Payments of long-term debt	(244,000)	(271,000)
Payments of debt issuance costs	(117)	—
Repurchase of shares	(105)	(63)
Net cash used in financing activities	<u>(62,222)</u>	<u>(57,063)</u>
Net increase (decrease) in cash and cash equivalents	356	(1,348)
Cash, beginning of period	2,983	7,210
Cash, end of period	<u>\$ 3,339</u>	<u>\$ 5,862</u>
Non-cash investing and financing activities:		
Asset retirement obligation costs and liabilities	\$ —	\$ 2,121
Asset retirement obligations associated with properties sold	\$ (17,880)	\$ —
Asset retirement obligations associate with property acquisitions	\$ —	\$ (33,064)
Change in accrued capital expenditures	<u>\$ 1,196</u>	<u>\$ 18,969</u>

See accompanying notes to condensed consolidated financial statements.

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**(1) Summary of Significant Accounting Policies*****(a) Organization, Basis of Presentation and Description of Business***

Revenir is an independent energy company engaged in the development, production and acquisition of oil and natural gas properties in the United States. Its current operations are focused on the horizontal development of unconventional plays in the Permian Basin and East Texas, and the cost-efficient management of shallow-decline oil and natural gas wells in the Permian Basin, East Texas, and Rocky Mountain regions.

Unless the context requires otherwise or unless otherwise noted, all references to “Revenir Energy,” “Revenir Inc.,” “Revenir,” the “Company,” “we,” “us,” “our” or like terms are to Revenir Energy Inc. and its subsidiaries.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned, and expenses are recognized when incurred. All intercompany transactions and balances have been eliminated in the consolidation. These condensed consolidated financial statements as of June 30, 2023 and for the three and six months ended June 30, 2023 and 2022 are unaudited. In the opinion of management, such financial statements include the adjustments and accruals, all of which are of a normal recurring nature, that are necessary for a fair presentation of the results for the interim periods. These interim results are not necessarily indicative of results for a full year.

(b) Accrued Oil and Natural Gas Liabilities

Below are the components of accrued oil and natural gas liabilities as of June 30, 2023 and December 31, 2022:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	(In thousands)	
Revenue Payable to joint interest	\$ 18,909	\$ 31,451
Accrued lease operating expense	7,711	10,596
Accrued capital expenditures	14,971	13,775
Accrued ad valorem tax	2,814	1,152
Other	2,311	4,722
	<u>\$ 46,716</u>	<u>\$ 61,696</u>

(c) Restricted Cash

Restricted cash on our Consolidated Balance Sheet as of June 30, 2023 and December 31, 2022 is \$3.0 million and \$3.0 million respectively. The restricted cash amounts represent various deposits to secure the performance of contracts, surety bonds and other obligations incurred in the ordinary course of business.

(d) Recent Accounting Pronouncements

None.

(e) Leases

The Company enters into leases for drilling rigs, corporate and field offices, compressors or other equipment and recognizes lease expense on a straight-line basis over the lease term. Lease right-of-use assets and liabilities are initially on the lease commencement date based on the present value of lease payments over the lease term. As most of the Company's lease contracts do not provide an implicit discount rate, the Company uses its incremental borrowing rate, which is determined based on information available at the commencement date. Leases with an initial term of 12 months or less are not recorded as a lease right-of-use asset and liability. See Note 10 for additional information.

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)*(f) Revenue from Contracts with Customers*

Revenir enters into contracts with customers to sell its produced oil, natural gas and NGLs. Revenue attributable to these contracts is recognized in accordance with the five-step revenue recognition model prescribed in ASC 606 "Revenue from Contracts with Customers". Specifically, revenue is recognized when Revenir's performance obligations under these contracts are satisfied, which generally occurs when control of the oil, natural gas and NGLs transfers to the purchaser and collectability of the consideration is considered probable. Given the nature of Revenir's products sold, Revenir has concluded that control transfers to its customers at a point in time.

This generally occurs when oil or natural gas has been delivered to a pipeline or a tank lifting has occurred. A more detailed summary of the sale of each product type is included below.

Oil Sales

Revenir's oil sales contracts are generally structured such that Revenir sells its oil production to the purchaser at a contractually specified delivery point at or near the wellhead. The crude oil production is priced on the delivery date based upon prevailing index prices less certain deductions related to oil quality and physical location. Revenir recognizes revenue when control transfers to the purchaser upon delivery at the net price received from purchaser.

NGL and Natural Gas Sales

Under Revenir's gas processing contracts, Revenir delivers wet gas to a midstream processing entity at the wellhead or the inlet of the midstream processing entity's system. The midstream processing entity processes the natural gas and remits proceeds to Revenir for the resulting sales of NGLs and residue gas. In these scenarios, Revenir evaluates whether it is the principal or the agent in the transaction. In virtually all of Revenir's gas processing contracts, Revenir has concluded that it is the agent, and the midstream processing entity is Revenir's customer. Accordingly, Revenir recognizes revenue upon delivery based on the net amount of the proceeds received from the midstream processing entity. Proceeds are generally tied to the prevailing index prices for residue gas and NGLs less deductions for gathering, processing, transportation and other expenses.

Under Revenir's dry gas sales that do not require processing, Revenir sells its natural gas production to third party purchasers at a contractually specified delivery point at or near the wellhead. Pricing provisions are tied to a market index, with certain deductions based on, among other factors, whether a well delivers to a gathering or transmission line, quality of natural gas, and prevailing supply and demand conditions, so that the price of the natural gas fluctuates to remain competitive with other available natural gas supplies. Revenir recognizes revenue upon delivery of the natural gas to third party purchasers based on the relevant index price net of deductions.

Estimation

To the extent actual product volumes and related prices are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded as "Accounts receivable - oil and natural gas" in the accompanying consolidated balance sheets.

(2) Debt

Debt consists of the following as of June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022
	(In thousands)	
Revolving Credit Facility	\$ 71,000	\$ 133,000
Unamortized debt issuance costs	(5,947)	(8,901)
Total long-term debt, net	<u>\$ 65,053</u>	<u>\$ 124,099</u>

REVENIR ENERGY INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)*****Credit Facility***

On December 11, 2019, Revenir entered into a credit agreement (the “Prior Credit Agreement”) among Revenir, as borrower, the lenders from time to time party thereto, and Wells Fargo Bank, National Association, as the administrative agent, the collateral agent and the issuing bank to provide a new reserves-based revolving credit facility (the “Revolving Credit Facility”) with initial aggregate commitments in the amount of \$1.5 billion, subject to a borrowing base. The initial borrowing base under the Credit Agreement was \$460.0 million.

On October 26, 2020, Revenir entered into the First Amendment to the Prior Credit Agreement. The amendment amended certain provisions set forth in the Prior Credit Agreement and reduced the borrowing base to \$365.0 million.

On May 19, 2021, Revenir entered into the Second Amendment to the Prior Credit Agreement. The amendment amended certain provisions set forth in the Prior Credit Agreement and reduced the borrowing base to \$330.0 million.

As a result of the divestiture of our Piceance Basin assets in Garfield County, Colorado, we had an unscheduled commitment change to our borrowing base on July 16, 2021, which reduced it from \$330.0 million to \$315.0 million.

On November 8, 2021, Revenir entered into the Third Amendment to the Prior Credit Agreement. The amendment amended certain provisions set forth in the Prior Credit Agreement and reaffirmed the borrowing base at \$315.0 million.

On July 29, 2022, Revenir entered into the Amendment and Restated Credit Agreement (“A&R Credit Agreement”), which among other things, extended the maturity date to July 29, 2026, and changed the borrowing base on the Revolving Credit Facility to \$300.0 million, with aggregate commitments of \$254.2 million.

The loans under the A&R Credit Agreement shall bear interest based on borrowing base utilization percentage at a rate per annum equal to the alternate base rate plus a margin ranging from 2.00% to 3.00% for alternate base rate loans or the adjusted SOFR rate plus a margin ranging from 3.00% to 4.00% for SOFR loans. Unused commitments under the A&R Credit Agreement will accrue a commitment fee at a rate per annum of 0.50%. All interest and commitment fees were payable quarterly in arrears.

Revenir may elect, at its option, to prepay any loan under the A&R Credit Agreement without premium or penalty (except with respect to any break funding payments which may be payable pursuant to the A&R Credit Agreement). Revenir may be required to make mandatory prepayments of the loans under the A&R Credit Agreement in connection with certain borrowing base deficiencies. Additionally, if Revenir has outstanding borrowings, undrawn letters of credit and reimbursement obligations in respect of letters of credit issued under the A&R Credit Agreement in excess of the aggregate revolving commitments, Revenir may be required to make mandatory prepayments.

Revenir’s obligations under the A&R Credit Agreement are guaranteed by all of Revenir’s material domestic subsidiaries (the “Guarantors”) and secured by substantially all of the assets of Revenir and the Guarantors, including at least 90% of the net present value of Revenir’s and the Guarantors’ proved oil and gas properties, in each case subject to certain exceptions.

The A&R Credit Agreement contains customary representations and warranties and also customary affirmative and negative covenants, in each case for credit facilities of this nature, including restrictions on the incurrence of indebtedness, liens, fundamental changes, asset sales, investments, dividends, redemptions, repayments of other debt, minimum hedge requirements and anti cash hoarding. Additionally, Revenir is required as of the last day of any fiscal quarter, to maintain (a) a maximum total net leverage ratio of 3.00 to 1.00 and (b) a minimum current ratio of 1.00 of 1.00. Additionally, the A&R Credit Agreement contains customary events of default and remedies for credit facilities of this nature, including non-payment, breaches of representations and warranties, non-compliance with covenants or other agreements, bankruptcy, ERISA, failure of the loan documents to be in full force and effect, judgments and change of control.

On December 22, 2022 the company signed a limited waiver and consent borrowing base agreement pursuant to which the borrowing base was affirmed at \$300 million and the hedging requirements contained in the credit agreement were relaxed until March 17, 2023.

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

In connection with the spring redetermination of the borrowing base and as a result of the disposition of our Rockies assets located in Wyoming, Montana, and North Dakota, and the disposition of our Texas conventional assets, we had a commitment change to our borrowing base on June 29, 2023, which reduced it from \$300.0 million to \$195.0 million.

As of June 30, 2023, Revenir had outstanding borrowings of \$71.0 million under the Credit Agreement at a weighted average interest rate of 9.55% and had \$124.0 million of borrowing availability remaining.

As of June 30, 2023, the Company was in material compliance with its covenants in the Credit Agreement.

(3) Commitments and Contingencies

From time to time Revenir is a party to various legal proceedings arising in the ordinary course of business. While the outcome of lawsuits cannot be predicted with certainty, Revenir is not currently a party to any proceeding that it believes could have a potential material adverse effect on its financial condition, results of operations or cash flows.

Revenir is subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. To the extent laws are enacted or other governmental action is taken that restricts drilling or imposes environmental protection requirements that result in increased costs to the oil and natural gas industry in general, the business and prospects of Revenir could be adversely affected.

Revenir has employment agreements with certain officers. As of June 30, 2023, the employment agreements with its officers specify that if the officer is terminated by Revenir for other than cause or following a change in control, the officer shall receive severance pay ranging from 9 to 18 months' salary plus bonus and COBRA benefits, respectively.

(4) Divestitures

During the year ended June 30, 2023, Revenir, in several transactions, divested oil and natural gas assets for net cash proceeds of \$59.1 million. These divestitures resulted in a gain of \$45.4 million.

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

(5) Fair Value Measurements

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are classified and disclosed in one of the following categories:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. Revenir considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that Revenir values using observable market data. Substantially all of these inputs are observable in the marketplace throughout the term of the derivative instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange traded derivatives such as over-the-counter commodity price swaps and collars and interest rate swaps as well as long-term incentive plan liabilities calculated using the Black-Scholes model to estimate the fair value as of the measurement date.
- Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity). Revenir's valuation models are primarily industry standard models that consider various inputs including: (a) quoted forward prices for commodities, (b) time value, and (c) current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Level 3 instruments currently are limited to Midland-Cushing crude oil differential swaps. Although Revenir utilizes third party broker quotes to assess the reasonableness of its prices and valuation techniques, Revenir does not have sufficient corroborating evidence to support classifying these assets and liabilities as Level 2.

Financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Revenir's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

REVENIR ENERGY INC.
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)**
Fair Value on a Recurring Basis

The following tables sets forth by level within the fair value hierarchy Revenir's Financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

June 30, 2023						
Fair Value Measurements Using						
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets
(In thousands)						
Assets:						
Current						
Commodity derivatives	\$ —	\$ 2,041	\$ —	\$ 2,041	\$ (1,820)	\$ 221
Noncurrent						
Commodity derivatives	—	3,156	—	3,156	(1,114)	2,042
Liabilities:						
Current						
Commodity derivatives	—	(27,572)	—	(27,572)	1,820	(25,752)
Noncurrent						
Commodity derivatives	—	(1,114)	—	(1,114)	1,114	—
Net fair value instruments	<u>\$ —</u>	<u>\$ (23,489)</u>	<u>\$ —</u>	<u>\$ (23,489)</u>	<u>\$ —</u>	<u>\$ (23,489)</u>
December 31, 2022						
Fair Value Measurements Using						
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts Presented in the Consolidated Balance Sheets
(In thousands)						
Assets:						
Current						
Commodity derivatives	\$ —	\$ 12,923	\$ —	\$ 12,923	\$ (12,913)	\$ 10
Noncurrent						
Commodity derivatives	—	393	—	393	(393)	—
Liabilities:						
Current						
Commodity derivatives	—	(88,230)	—	(88,230)	12,913	(75,317)
Noncurrent						
Commodity derivatives	—	(4,735)	—	(4,735)	393	(4,342)
Net fair value instruments	<u>\$ —</u>	<u>\$ (79,649)</u>	<u>\$ —</u>	<u>\$ (79,649)</u>	<u>\$ —</u>	<u>\$ (79,649)</u>

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)**

Revenir estimates the fair values of its commodity swaps based on published forward commodity price curves for the underlying commodities as of the date of the estimate for those commodities for which published forward pricing is readily available. For those commodity derivatives for which forward commodity price curves are not readily available, Revenir estimates, with the assistance of third-party pricing experts, the forward curves as of the date of the estimate. Revenir validates the data provided by third parties by understanding the pricing models used, obtaining market values from other pricing sources, analyzing pricing data in certain situations and confirming, where applicable, that those securities trade in active markets. The determination of the fair values above incorporates various factors including the impact of Revenir's nonperformance risk and the credit standing of the counterparties involved in Revenir's derivative contracts. The risk of nonperformance by Revenir's counterparties is mitigated by the fact that enters into derivative transactions with entities which Revenir's management believes are creditworthy. In addition, Revenir routinely monitors the creditworthiness of its counterparties. As the factors described above are based on significant assumptions made by management, these assumptions are the most sensitive to change.

Fair Value on a Non-Recurring Basis

Nonfinancial assets and liabilities measured at fair value on a non-recurring basis include certain nonfinancial assets and liabilities as may be acquired in a business combination and thereby measured at fair value; measurements of oil and natural gas property impairments; and the initial recognition of asset retirement obligations ("ARO") for which fair value is used. These ARO estimates are derived from historical costs as well as management's expectation of future cost environments. As there is no corroborating market activity to support the assumptions used, Revenir has designated these liabilities as Level 3. A reconciliation of the beginning and ending balances of Revenir's asset retirement obligation is presented in Note 7.

Revenir recognized \$3.4 million of impairment on unproved properties for the year ended December 31, 2022. Nonrecurring fair value measurements of proved oil and natural gas properties during the six months ended June 30, 2023 consist of no adjustment of the carrying value of oil and natural gas properties. The inputs used by management for the fair value measurements utilized in this review include significant unobservable inputs, and therefore, the fair value measurements employed are classified as Level 3 for these types of assets.

The carrying amount of the revolving debt of \$71.0 million as of June 30, 2023 approximates fair value because Revenir's current borrowing rate does not materially differ from market rates for similar bank borrowings. Revenir has classified the revolving debt as a Level 2 item within the fair value hierarchy.

(6) Derivative Financial Instruments***Commodity derivative transactions***

Due to the volatility of oil and natural gas prices, Revenir periodically enters into price-risk management transactions (e.g., swaps, enhanced swaps or collars) for a portion of its oil and natural gas production to achieve a more predictable cash flow, as well as to reduce exposure from price fluctuations. While the use of these arrangements limits Revenir's ability to benefit from increases in the prices of oil and natural gas, it also reduces Revenir's potential exposure to adverse price movements. Revenir's arrangements, to the extent it enters into any, apply to only a portion of its production, provide only partial price protection against declines in oil and natural gas prices and limit Revenir's potential gains from future increases in prices. None of these instruments are used for trading or speculative purposes.

These derivative instruments are intended to mitigate a portion of Revenir's price-risk and may be considered hedges for economic purposes, but Revenir has chosen not to designate them as cash flow hedges for accounting purposes. Therefore, all derivative instruments are recorded on the consolidated balance sheets at fair value with changes in fair value being recorded in current period earnings.

By using derivative instruments to mitigate exposures to changes in commodity prices, Revenir exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes Revenir, which creates credit risk. Revenir minimizes the credit or repayment risk in derivative instruments by entering into transactions with high-quality counterparties.

REVENIR ENERGY INC.
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)**

The following table sets forth a reconciliation of the changes in fair value of Revenir's commodity derivatives for the three and six months ended June 30, 2023 and 2022:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(In thousands)			
Beginning fair value of commodity derivatives	\$ (33,810)	\$ (276,418)	\$ (79,649)	\$ (146,069)
Total gain (loss) - oil derivatives	4,661	(19,473)	14,098	(104,535)
Total gain (loss) - natural gas derivatives	(3,257)	(26,398)	15,667	(109,840)
Crude oil derivative cash settlements paid (received)	11,522	30,640	24,608	47,504
Natural gas derivative cash settlements paid (received)	(2,605)	92,390	1,787	113,681
Ending fair value of commodity derivatives	\$ (23,489)	\$ (199,259)	\$ (23,489)	\$ (199,259)

As of June 30, 2023, Revenir had the following NYMEX West Texas Intermediate ("WTI") crude oil swaps paying floating prices and receiving fixed prices for a portion of its future oil production as indicated below:

Time Period	Volumes (Bbls)	Average Price per Bbl	Price Range per Bbl		
July-December 2023	956,800	\$50.51	\$49.40	-	\$50.90
2024	475,800	\$73.03	\$73.00	-	\$73.05
2025	238,500	\$67.08	\$60.00		\$74.15

As of June 30, 2023, Revenir had the following Midland-to-Cushing crude oil differential swaps paying a floating differential and receiving a fixed differential for a portion of its future oil production as indicated below:

Time Period	Volumes (Bbls)	Average Price per Bbl	Price Range		
July-December 2023	920,000	\$1.07	\$1.00	-	\$1.15

As of June 30, 2023, Revenir had the following NYMEX Henry Hub natural gas swaps paying floating natural gas prices and receiving fixed prices for a portion of its future natural gas production as indicated below:

Time Period	Volumes (MMBtu)	Average Price per MMBtu	Price Range per MMBtu		
July-December 2023	11,040,000	\$2.48	\$2.44	-	\$2.47
2024	3,294,000	\$4.05	\$3.71		\$4.47
2025	954,000	\$4.54	\$4.00		\$5.08

As of June 30, 2023, Revenir had the following WAHA natural gas swaps paying floating NYMEX Henry Hub prices less a fixed differential as indicated below:

Time Period	Volumes (MMBtu)	Average Price per MMBtu	Price Range per MMBtu	
July-December 2023	3,680,000	\$(0.62)	\$(0.62)	\$(0.62)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

(7) Asset Retirement Obligation

An asset retirement obligation (“ARO”) associated with the retirement of a tangible long-lived asset is recognized as a liability in the period in which it is incurred and becomes determinable. When liabilities for dismantlement and abandonment costs, excluding salvage values, are initially recorded, the carrying amount of the related oil and natural gas properties is increased. The fair value of the additions to the ARO asset and liability is estimated using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation include estimates of: (i) plug and abandon costs per well based on existing regulatory requirements; (ii) remaining life per well; (iii) future inflation factors; and (iv) a credit-adjusted risk-free interest rate. These inputs require significant judgments and estimates by Revenir’s management at the time of the valuation and are the most sensitive and subject to change. Accretion of the liability is recognized each period using the interest method of allocation, and the capitalized cost is depleted using the units of production method. Should either the estimated life or the estimated abandonment costs of a property change materially upon Revenir’s periodic review, a new calculation is performed using the same methodology of taking the abandonment cost and inflating it forward to its abandonment date and then discounting it back to the present using Revenir’s current credit-adjusted-risk-free rate for an upward revision, or historical credit-adjusted-risk-free rate for a downward revision. The carrying value of the ARO is adjusted to the newly calculated value, with a corresponding offsetting adjustment to the asset retirement cost. When obligations are relieved by sale of the property or plugging and abandoning the well, the related liability and asset costs are removed from Revenir’s consolidated balance sheet. Any difference in the cost to plug and the related liability is recorded as a gain or loss on Revenir’s consolidated statement of operations in the disposal of assets line item.

The following table reflects the changes in the ARO during the six months ended June 30, 2023 and year ended December 31, 2022:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	(In thousands)	
Asset retirement obligation - beginning of period	\$ 44,621	\$ 65,048
Liabilities incurred with properties acquired	—	611
Liabilities incurred with properties drilled	—	405
Liabilities settled during the period	(1,328)	(3,535)
Liabilities associated with properties sold	(17,880)	(33,169)
Current period accretion	966	3,318
Liabilities reclassified as held for sale	\$ —	\$ 11,943
Asset retirement obligation - end of period	<u>\$ 26,379</u>	<u>\$ 44,621</u>

(8) Stock-Based Compensation

2019 Management Incentive Plan

Effective as of December 11, 2019, the Board adopted a new management incentive plan, the 2019 Management Incentive Plan (the “MIP”).

A committee of the Board or the Board administer the MIP. The Board has broad authority under the MIP to, among other things: (a) select participants; (b) determine the terms and conditions, not inconsistent with the MIP, of any award granted under the MIP; (c) determine the number of shares to be covered by each award granted under the MIP; and (d) determine the fair market value of awards granted under the MIP, subject to certain exceptions.

Persons eligible to receive awards under the MIP include employees, non-employee directors or consultants of Revenir and its subsidiaries. The types of awards that may be granted under the MIP include stock options, restricted stock units, performance awards, other forms of stock-based awards and other cash-based awards.

The MIP provides a share reserve equal to 22,194,995 shares of common stock, subject to adjustment to reflect a stock split, stock dividend, recapitalization, merger, consolidation, reorganization, or similar events.

If any outstanding stock-based awards granted under the MIP are forfeited for any reason, the shares of common stock allocable to the forfeited shares will revert to the MIP and will be available for grant under the MIP, subject to certain restrictions.

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

Restricted Stock Units

For the three months ended June 30, 2023, Revenir did not issue any RSUs to either executive or non-executive employees. For the year ended December 31, 2022, Revenir issued an aggregate 86,159 RSUs to a non-executive employee. The RSUs vest generally over a four-year period. Compensation expense related to the RSUs was \$0.5 million for the six months ended June 30, 2023 and \$1.0 million for the year ended December 31, 2022. RSUs are accounted for under the equity method.

The following table summarizes the status of RSU activity since January 1, 2023:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	234,781	\$ 7.73
Granted	61,826	10.00
Forfeited	(3,605)	9.25
Outstanding at March 31, 2023	293,002	\$ 8.35
Granted	—	—
Forfeited	(16,779)	8.15
Vested	(8,362)	\$ 9.25
Outstanding at June 30, 2023	267,861	\$ 8.31

As of June 30, 2023, there was a total of \$1.6 million of unrecognized compensation expense related to the unvested portion of these RSUs. At June 30, 2023, this cost was expected to be recognized over a weighted-average period of 2.24 years. Revenir's issued shares as of June 30, 2023 do not include 267,861 shares related to the unvested RSUs.

Options

On June 6, 2020, the company made grants of 1,741,876 stock options ("MIP Options") under the MIP. 1,656,736 of those options have been relinquished and 69,660 have vested, leaving 15,480 options outstanding as of June 30, 2023. Of the 69,660 options that have vested, 46,440 of those options were exercised and converted to a net of 7,621 common shares.

In October and December 2020, and various other dates in 2021 and 2022, the Company approved the grant of performance-based stock options ("Options") to certain employees of the Company. As of June 30, 2023 the total number of performance-based options outstanding was 13,175,000. The Options have a floating exercise price that becomes fixed on a qualifying liquidity event, and become vested and exercisable upon a qualifying liquidity event in which Blackstone Capital Partners LP and certain of its affiliates realize a specified IRR. The Company considered the fair value of the Options to be de minimis on the grant date.

Board Shares

On August 25, 2022, Revenir granted and issued 10,811 shares to 4 non-employee directors who serve on the Board of Directors of Revenir in accordance with Revenir's director compensation policy. The value of each share was \$9.25 at the time of issuance.

(9) Stockholders' Equity/(Deficit)

As of June 30, 2023 there were 600,000,000 shares authorized and 61,976,877 shares outstanding.

REVENIR ENERGY INC.
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)**
(10) Leases

As previously described in Note 1 – Summary of Significant Accounting Policies, we lease certain office space, office equipment, production field offices, compressors, drilling rigs, vehicles and other production equipment under cancellable and non-cancelable leases to support our operations.

The components of our total lease cost were as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(In thousands)			
Operating lease cost	\$ 493	\$ 543	\$ 952	\$ 1,077
Finance lease cost:				
Amortization of right-of-use assets	17	106	62	260
Interest on lease liabilities	2	17	4	45
Total finance lease costs	\$ 19	\$ 123	\$ 66	\$ 305
Short-term lease cost	2,587	2,064	6,015	4,268
Total	\$ 3,099	\$ 2,730	\$ 7,033	\$ 5,650

Supplemental cash flow information related to our leases is included in the table below:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(In thousands)			
Cash paid for amounts included in lease liabilities:				
Operating cash flows from operating leases	\$ 2,566	\$ 1,521	\$ 5,064	\$ 3,191
Operating cash flows from finance leases	19	123	66	305
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ 4,476	\$ —	\$ 5,125	\$ 767
Finance leases	138	—	138	—

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

Supplemental balance sheet information related to our leases is included in the table below:

	Six Months Ended June 30, 2023	
	(In thousands)	
Operating Leases		
Operating lease right-of-use assets	\$	5,551
Other current liabilities	\$	(1,707)
Other long-term liabilities		(3,893)
Total operating lease liabilities	\$	(5,600)
Finance Leases		
Other property and equipment	\$	194
Accumulated depreciation and amortization		(62)
Other property and equipment, net	\$	132
Other current liabilities	\$	(50)
Other long-term liabilities		(83)
Total finance lease liabilities	\$	(133)

Our weighted average remaining lease term and weighted average discount rate by lease classification were as follows:

	Six Months Ended June 30, 2023	
Weighted Average Remaining Lease Term (Years)		
Operating leases		3.61
Finance leases		2.65
Weighted Average Discount Rate		
Operating leases		5.63 %
Finance leases		5.72 %

Our lease liabilities with enforceable contract terms that are greater than one year mature as follows:

	Operating Leases		Finance Leases	
	(in thousands)			
Year 1	\$	1,706	\$	56
Year 2		1,542		50
Year 3		1,442		38
Year 4		649		—
Year 5		324		—
Thereafter		0		—
Total lease payments	\$	5,663	\$	144
Less imputed interest		(63)		(11)
Total	\$	5,600	\$	133

REVENIR ENERGY INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
(UNAUDITED)

(11) Subsequent Events

On July 1, 2023, Revenir divested all New Mexico Conventional assets in the Permian consisting of 1,303 wells and 21,337 net acres to WPP NM, L.L.C. and Northwest Central, L.L.C. for \$5.0 Million. On August 2, 2023, Revenir executed an agreement to sell all of its assets in Shelby County, Texas with a closing date set for October 2, 2023. The Company evaluated subsequent events through August 7, 2023, which is the date the financial statements were available to be issued.

REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES

Operating Data

The following table sets forth selected unaudited financial and operating data of Revenir for the periods indicated.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
(In thousands, except per unit data)				
Revenues:				
Oil sales	\$ 52,422	\$ 70,869	\$ 117,802	\$ 134,215
Natural gas liquids (NGL) sales	\$ 375	\$ 350	638	1,017
Natural gas sales	\$ 10,493	\$ 47,151	29,986	92,781
Total revenue	\$ 63,290	\$ 118,370	\$ 148,426	\$ 228,013
Expenses:				
Oil and natural gas production, excluding ad valorem taxes	16,514	17,127	\$ 42,335	\$ 38,463
Ad valorem taxes	1,373	\$ 1,441	\$ 3,206	\$ 3,175
Total oil and natural gas production	\$ 17,887	\$ 18,568	\$ 45,541	\$ 41,638
Exploration expense	—	—	—	—
Production and other taxes	3,278	6,026	7,714	11,657
General and administrative, excluding transaction costs and LTIP	5,746	5,978	11,845	11,065
Transaction costs	(138)	308	317	1,037
LTIP expense	245	243	507	478
Total general and administrative	\$ 5,853	\$ 6,529	\$ 12,669	\$ 12,580
Depletion, depreciation, amortization and accretion	28,025	26,051	61,145	42,408
Commodity derivative cash settlements:				
Oil derivative cash settlements received (paid)	(11,522)	(30,640)	(24,608)	(47,505)
Natural gas derivative cash settlements received (paid)	2,605	(92,390)	(1,787)	(113,681)
Total commodity derivative settle	\$ (8,917)	\$(123,030)	\$ (26,395)	\$(161,186)
Production:				
Oil (MBbls)	715	665	1,597	1,357
Natural gas liquids (MGal)	802	461	1,439	1,300
Natural gas (MMcf)	5,922	7,108	13,331	18,073
Total (MBoe)	1,721	1,860	3,853	4,400
Average daily production (Boe/d)	18,912	20,445	21,286	24,310
Average sales price per unit (excluding derivative cash settlements):				
Oil price (per Bbl)	\$ 73.34	\$ 106.59	\$ 73.78	\$ 98.90
Natural gas liquids price (per Gal)	\$ 0.47	\$ 0.76	\$ 0.44	\$ 0.78
Natural gas price (per Mcf)	\$ 1.77	\$ 6.63	\$ 2.25	\$ 5.13
Combined (per Boe)	\$ 36.78	\$ 63.62	\$ 38.52	\$ 51.82
Average sales price per unit (including derivative cash settlements):				
Oil price (per Bbl)	\$ 57.22	\$ 60.50	\$ 58.37	\$ 63.90
Natural gas liquids price (per Gal)	\$ 0.47	\$ 0.76	\$ 0.44	\$ 0.78
Natural gas price (per Mcf)	\$ 2.21	\$ (6.36)	\$ 2.12	\$ (1.16)
Combined (per Boe)	\$ 31.59	\$ (2.50)	\$ 31.67	\$ 15.19
Average WTI oil spot price (per Bbl)	\$ 73.54	\$ 108.83	\$ 74.73	\$ 102.01

REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	(In thousands, except per unit data)			
Average Henry Hub natural gas spot price (per MMBtu)	\$ 2.16	\$ 7.50	\$ 2.40	\$ 6.08
Average unit costs per Boe:				
Oil and natural gas production, excluding ad valorem taxes	\$ 9.60	\$ 9.21	\$ 10.99	\$ 8.74
Ad valorem taxes	\$ 0.80	\$ 0.77	\$ 0.83	\$ 0.72
Production and other taxes	\$ 1.90	\$ 3.24	\$ 2.00	\$ 2.65
General and administrative excluding transaction costs and LTIP	\$ 3.34	\$ 3.21	\$ 3.07	\$ 2.51
Total general and administrative	\$ 3.40	\$ 3.51	\$ 3.29	\$ 2.86
Depletion, depreciation, amortization and accretion	\$ 16.28	\$ 14.00	\$ 15.87	\$ 9.64

**REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES**

Results of Operations

Three-Month Period Ended June 30, 2023 Compared to Three-Month Period Ended June 30, 2022

Our revenues from the sale of oil were \$52.4 million and \$70.9 million for the three-month periods ended June 30, 2023 and 2022, respectively. Our revenues from the sale of NGLs were \$0.4 million and \$0.4 million for the three-month periods ended June 30, 2023 and 2022, respectively. Our revenues from the sale of natural gas were \$10.5 million and \$47.2 million for the three-month periods ended June 30, 2023 and 2022, respectively. The \$18.4 million decrease in oil revenues is primarily due to a decrease in the average realized price of \$33.25 per Bbl (31)% due to a decrease in the average West Texas Intermediate ("WTI") crude oil price of \$35.29 per Bbl. The \$36.7 million decrease in natural gas revenues reflects a decrease in natural gas production of 1,186 MMcf (17%), as well as a decrease in the realized MCF price of \$4.86 per Mcf (73)%. The decrease in natural gas production is due to the divestiture of marginal oil and gas properties in the last year.

For the three-month period ended June 30, 2023, we recorded \$1.4 million of net gains on oil and natural gas derivatives. Commodity derivative gains and losses represent the changes in fair value of our commodity derivatives during the period and are based on oil and natural gas futures prices. The net gains recognized during the three-month period ended June 30, 2023 are primarily due to decreased projected oil and natural gas prices which increased the value of our oil and natural gas swaps. For the three-month period ended June 30, 2022, we recorded \$45.9 million of net losses on oil and natural gas derivatives. Settlements of such contracts resulted in net cash payments of \$8.9 million and \$123.0 million during the three months ended June 30, 2023 and 2022, respectively.

Our oil and natural gas production expenses, excluding ad valorem taxes, was \$16.5 million (\$9.60 per Boe) for the three-month period ended June 30, 2023 compared to \$17.1 million (\$9.21 per Boe) for the three-month period ended June 30, 2022. Our ad valorem tax expense was \$1.4 million for the three-month period ended June 30, 2023 compared to \$1.4 million for the three-month period ended June 30, 2022.

Our production and other taxes were \$3.3 million and \$6.0 million for the three-month periods ended June 30, 2023 and 2022, respectively.

Our general and administrative expenses were \$5.9 million and \$6.5 million for the three-month periods ended June 30, 2023 and 2022, respectively.

We incurred depletion, depreciation, amortization and accretion expense, or DD&A, of \$28.0 million and \$26.1 million for the three-month periods ended June 30, 2023 and 2022, respectively. Our depletion rate per Boe for the three-months ended June 30, 2023 and 2022, was \$16.28 and \$14.00, respectively.

In the three-month period ended June 30, 2023 and 2022 we did not recognize any impairment expense.

We recorded gains on disposal of assets of \$41.6 million and \$44.5 million for the three-month periods ended June 30, 2023 and 2022, respectively. The gain for the three-month period ended June 30, 2023 was primarily related to the disposition of the Rockies properties. The gains for the three-month period ended June 30, 2022 was related to the disposition of marginal gas assets in the Freestone divestment.

We recorded interest expense of \$6.2 million and \$1.9 million for the three-month periods ended June 30, 2023 and 2022, respectively.

As a result of the items described above, Revenir recorded a net income of \$45.2 million and \$58.9 million for the three-month periods ended June 30, 2023 and 2022, respectively.

**REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES**

Six-Month Period Ended June 30, 2023 Compared to Six-Month Period Ended June 30, 2022

Our revenues from the sale of oil were \$117.8 million and \$134.2 million for the six-month periods ended June 30, 2023 and 2022, respectively. Our revenues from the sale of NGLs were \$0.6 million and \$1.0 million for the six-month periods ended June 30, 2023 and 2022, respectively. Our revenues from the sale of natural gas were \$30.0 million and \$92.8 million for the six-month periods ended June 30, 2023 and 2022, respectively. The \$16.4 million decrease in oil revenues reflects the decrease in average realized price of \$25.12 per Bbl (25%) due to a decrease in average WTI crude oil prices of \$27.28 per Bbl. The \$0.4 million decrease in NGL sales is primarily due to the decrease in realized NGL price with a decrease of \$0.34 per Gal (44%). The \$62.8 million decrease in natural gas revenues reflects lower realized natural gas prices. Average realized natural gas prices decreased by \$2.88 per Mcf (56%) during the six months ended June 30, 2023 compared to the same period in 2022. Henry Hub natural gas prices saw a decrease in average NYMEX of \$3.68 per Mcf (61%). Our natural gas production decreased by approximately 4,743 MMcf (26%), due to the divestiture of marginal oil and gas properties in the last year.

For the six-month period ended June 30, 2023, we recorded \$29.8 million of net gains on oil and natural gas derivatives. Commodity derivative gains and losses represent the changes in fair value of our commodity derivatives during the period and are based on oil and natural gas futures prices. For the six-month period ended June 30, 2022, we recorded \$214.4 million of net losses on oil and natural gas derivatives. Settlements of such contracts resulted in cash payments of \$26.4 million and \$161.2 million during the six months ended June 30, 2023 and 2022, respectively.

Our oil and natural gas production expenses, excluding ad valorem taxes, increased to \$42.3 million for the six-month period ended June 30, 2023 from \$38.5 million for the six-month period ended June 30, 2022. Our ad valorem tax expense was \$3.2 million (\$0.83 per Boe) for the six-month period ended June 30, 2023 compared to \$3.2 million (\$0.72 per Boe) for the six-month period ended June 30, 2022. Our ad valorem tax expense remained flat period over period.

Our production and other taxes were \$7.7 million and \$11.7 million for the six-month periods ended June 30, 2023 and 2022, respectively. Production and other taxes decreased due to divestitures period over period.

Our general and administrative expenses were \$12.7 million and \$12.6 million for the six-month periods ended June 30, 2023 and 2022, respectively. General and administrative expenses remained flat period over period.

We incurred depletion, depreciation, amortization and accretion expense, or DD&A, of \$61.1 million and \$42.4 million for the six-month periods ended June 30, 2023 and 2022, respectively. Our depletion rate per Boe for the six-month periods ended June 30, 2023 and 2022, was \$15.87 and \$9.64, respectively.

For the six-month period ended June 30, 2023 and 2022, we did not recognize any impairment expense.

We recorded gains on disposal of assets of \$45.4 million and \$40.4 million for the six-month periods ended June 30, 2023 and 2022, respectively. The gain for the six-month period ended June 30, 2023 was primarily related to the disposition of the Rockies properties. The gain for the six-month period ended June 30, 2022 was primarily related to the disposition of non-core properties in East Texas.

We recorded interest expense of \$8.8 million and \$4.0 million for the six-month periods ended June 30, 2023 and 2022, respectively.

As a result of the items described above, Revenir recorded a net income (loss) of \$88.6 million and \$(57.2) million for the six-month periods ended June 30, 2023 and 2022, respectively.

**REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES**

Non-GAAP Financial Measures

Our management uses Adjusted EBITDA as a tool to provide additional information and metrics relative to the performance of our business. Our management believes that Adjusted EBITDA is useful to investors because this measure is used by many companies in the industry as a measure of operating and financial performance and is commonly employed by financial analysts and others to evaluate the operating and financial performance of Revenir from period to period and to compare it with the performance of other peers within the industry. Adjusted EBITDA may not be comparable to a similarly titled measure of another company because all companies may not calculate Adjusted EBITDA in the same manner.

The following presents a reconciliation of “Adjusted EBITDA,” which is a non-GAAP measure, to its nearest comparable GAAP measure. Adjusted EBITDA should not be considered as an alternative to GAAP measures, such as net income, operating income, cash flow from operating activities, or any other GAAP measure of financial performance. Adjusted EBITDA is defined as net income (loss) plus:

- Interest expense;
- Income tax expense;
- Depletion, depreciation, amortization and accretion;
- Impairment of long-lived assets;
- (Gain) loss on disposal of assets;
- Equity in (income) loss of equity method investees;
- Share-based compensation expense related to LTIP awards accounted for under the equity or liability methods;
- One-time cash settlement paid to unwind commodity derivatives;
- Net (gains) losses on commodity derivatives;
- Net cash settlements (paid) received on commodity derivatives;
- Electricity credits;
- Payroll tax credits;
- Unpaid vacation accrual.
- Exploration expense;
- Cost reduction efforts;
- Transaction and reorganization costs;

**REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES**

The following table presents a reconciliation of our consolidated net income to Adjusted EBITDA for the three and six months ended June 30, 2023 and 2022, respectively.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(In thousands)			
Net (loss) income	\$ 45,221	\$ 58,858	\$ 88,632	\$ (57,236)
Plus:				
Interest expense	\$ 6,174	1,920	8,825	4,021
Depletion, depreciation, amortization and accretion	28,025	26,051	61,145	42,408
Gain on disposal of assets	(41,553)	(44,526)	(45,399)	(40,396)
Share-based compensation expense	245	243	507	478
One-time cash settlement paid to unwind commodity derivatives	—	61,500	—	61,500
Net (gains) losses on commodity derivatives	(1,404)	45,871	(29,765)	214,376
Net cash settlements paid on commodity derivatives	(8,917)	(123,030)	(26,395)	(161,186)
Electricity credits	(513)	(882)	(1,136)	(1,098)
Unpaid vacation accrual	(40)	171	151	495
Transaction and reorganization costs	137	308	592	1,037
Adjusted EBITDA	\$ 27,375	\$ 26,484	\$ 57,157	\$ 64,399

For the three months ended June 30, 2023 and 2022, adjusted EBITDA increased 3.36% to \$27.4 million from \$26.5 million. For the six months ended June 30, 2023 and 2022, adjusted EBITDA decreased (11.25)% to \$57.2 million from \$64.4 million.