ANNUAL FINANCIAL REPORT

Revenir Energy Inc.

For the Year ended December 31, 2023

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

Board of Directors
Revenir Energy Inc.
Midland, Texas

Opinion

We have audited the consolidated financial statements of Revenir Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, P.C.

March 27, 2024

REVENIR ENERGY INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

	2023	2022
	(In thousands)	
ASSETS		
Current assets:		
Cash	$ 4,031	$ —
Restricted cash	571	2,983
Accounts receivable, net:		
Oil and natural gas	16,757	55,300
Joint interest owners	—	16,275
Other	54	1,688
Fair value of derivatives (Notes 8 and 9)	4,405	10
Prepaid expenses and other current assets	9,825	14,827
Total current assets	35,643	91,083
Oil and natural gas properties, at cost:		
Proved oil and natural gas properties using the successful efforts method of accounting	581,698	873,344
Unproved properties	44,155	143,160
Accumulated depletion, depreciation, amortization and impairment	(191,022)	(235,876)
Total oil and natural gas properties, net	434,831	780,628
Other property and equipment, net of accumulated depreciation and amortization of $13,246 and $13,566, respectively	10,515	9,757
Fair value of derivatives (Notes 8 and 9)	386	—
Deferred tax assets, net	—	34,163
Total assets	$ 481,375	$ 915,631

REVENIR ENERGY INC.

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022 - Continued

	2023	2022
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	7,816	18,352
Accrued oil and natural gas liabilities (Note 1)	26,700	61,696
Fair value of derivatives (Notes 8 and 9)	2,842	75,317
Asset retirement obligation (Note 10)	948	2,360
Other	6,669	15,166
Total current liabilities	44,975	172,891
Long-term debt (Note 2)	52,294	124,099
Asset retirement obligation (Note 10)	10,112	42,261
Fair value of derivatives (Notes 8 and 9)	153	4,342
Other long-term liabilities	4,051	5,395
Deferred tax liabilities, net	12,758	585
Total liabilities	124,343	349,573
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Common stock, $0.01 par value; 600,000,000 shares authorized, 62,137,682 and 61,975,631 shares outstanding at December 31, 2023 and December 31, 2022, respectively	614	614
Additional paid-in capital	356,418	410,772
Retained earnings	—	154,672
Total stockholders’ equity	357,032	566,058
Total liabilities and stockholders' equity	$ 481,375	$ 915,631

See accompanying notes to consolidated financial statements.

REVENIR ENERGY INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(In thousands)	
Revenues:		
Oil sales	$ 231,030	$ 313,640
Natural gas liquids (NGL) sales	903	1,558
Natural gas sales	17,916	65,741
Total revenues	249,849	380,939
Expenses:		
Oil and natural gas production	49,334	70,820
Production and other taxes	14,134	22,859
General and administrative	17,810	18,241
Depletion, depreciation, amortization and accretion	80,668	67,122
Impairment of long-lived assets	—	3,360
Gain on disposal of assets	(101,643)	(42,797)
Total expenses	60,303	139,605
Operating income	189,546	241,334
Other income (expense):		
Interest income	505	99
Interest expense (Note 2)	(11,123)	(7,298)
Net gains (losses) on commodity derivatives (Notes 8 and 9)	24,949	(191,004)
Other	1,438	6,909
Income from continuing operations before income taxes	205,315	50,040
Income tax benefit (expense)	(46,208)	43,510
Income from continuing operations	159,107	93,550
Discontinued operations (Note 4)		
Gain (loss) from discontinued operations	(22,992)	49,186
Gain on disposal of discontinued operations	32,374	—
Income tax expense	(2,279)	(9,917)
Gain on discontinued operations	7,103	39,269
Net Income	$ 166,210	$ 132,819

See accompanying notes to consolidated financial statements.

REVENIR ENERGY INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	Stockholders' Equity				
(In thousands)	**Shares**	**Par Value**	**APIC**	**Retained Earnings**	**Total Stockholders' Equity**
Balance, January 1, 2022	61,885	$ 615	$ 410,141	$ 21,853	$ 432,609
Shares issued to Revenir Board of Directors for services	43	1	400	—	401
Stock based compensation	—	—	1,016	—	1,016
Stock repurchase	(43)	(1)	(311)	—	(312)
Vesting of restricted stock units	142	—	—	—	—
RSU shares forfeited for income tax	(51)	(1)	(474)	—	(475)
Net income	—	—	—	132,819	132,819
Balance, December 31, 2022	61,976	$ 614	$ 410,772	$ 154,672	$ 566,058
Shares issued to Revenir Board of Directors for services	43	—	400	—	400
Stock based compensation	—	—	895	—	895
Stock repurchase	(15)	—	(105)	—	(105)
Vesting of restricted stock units	141	—	—	—	—
RSU shares forfeited for income tax	(7)	—	(38)	—	(38)
Net income	—	—	—	166,210	166,210
Distributions	—	—	(55,506)	(320,882)	(376,388)
Balance, December 31, 2023	62,138	$ 614	$ 356,418	$ —	$ 357,032

See accompanying notes to consolidated financial statements.

REVENIR ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 166,210	$ 132,819
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion, depreciation, amortization and accretion	108,830	103,390
Amortization of debt discount and issuance costs	5,488	2,655
Impairment of long-lived assets	—	3,360
Net (gains) losses on commodity derivatives	(24,949)	191,004
Stock-based compensation	1,257	942
Gain on disposal of assets	(134,017)	(42,797)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable, oil and natural gas	38,543	(20,736)
(Increase) decrease in accounts receivable, joint interest owners	16,275	(12,514)
(Increase) decrease in accounts receivable, other	1,634	(1,319)
(Increase) decrease in other assets	39,165	(36,485)
Increase (decrease) in accounts payable	(10,536)	15,657
Increase (decrease) in accrued oil and natural gas liabilities	(29,114)	18,334
Decrease in other liabilities	(3,421)	(4,078)
Total adjustments	9,155	217,413
Net cash provided by operating activities	175,365	350,232
Cash flows from investing activities:		
Investment in oil and natural gas properties	(103,107)	(249,376)
Proceeds from sale of oil and natural gas properties	442,199	143,417
Investment in other equipment	(2,556)	(279)
Net cash settlements paid on commodity derivatives	(56,496)	(257,424)
Net cash provided by (used in) investing activities	280,040	(363,662)
Cash flows from financing activities:		
Proceeds from long-term debt	320,000	510,500
Payments of long-term debt	(397,000)	(492,500)
Payments of debt issuance costs	(293)	(8,485)
Repurchase of outstanding shares	(105)	(312)
Distributions	(376,388)	—
Net cash provided by (used in) financing activities	(453,786)	9,203
Net increase (decrease) in cash	1,619	(4,227)
Cash and restricted cash, beginning of year	2,983	7,210
Cash and restricted cash, end of year	$ 4,602	$ 2,983

REVENIR ENERGY INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 - Continued

	2023	2022
Non-Cash Investing and Financing Activities:		
Asset retirement obligation costs and liabilities	$ 100	$ 405
Asset retirement obligations associated with property acquisitions	$ —	$ 611
Asset retirement obligations associated with properties sold	$ (33,387)	$ (33,169)
Change in accrued capital expenditures	$ (5,882)	$ 2,971

See accompanying notes to consolidated financial statements.

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 the cost-efficient management of shallow-decline oil and natural gas wells in the Permian Basin region.

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.

CARES Act Stimulus

During the year ended December 31, 2022, the Company recognized benefits related to stimulus received under the Coronavirus Aid, Relief, and Economic Security Act initially passed into law on March 27, 2020 and subsequently expanded (CARES Act) of $1.6 million. Stimulus received in 2022 consists of employee retention payroll tax credits and is reflected in Other in the consolidated statement of operations.

(b) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. On January 1, 2023, Revenir adopted ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments using a modified retrospective approach. The ASU requires Revenir to consider forward-looking information to estimate expected credit losses, resulting in earlier recognition of losses for receivables that are current or not yet due, which were not considered under the previous accounting guidance. As a result of the adoption, Revenir would establish allowances for credit losses equal to the estimable portions of accounts receivable for which failure to collect is expected to occur, if applicable. The Company would estimate uncollectible amounts based on the length of time that the accounts receivable has been outstanding, historical collection experience, and current and future economic conditions, if failure to collect is expected to occur. Revenir does not have any off-balance-sheet credit exposure related to its customers (see Note 7, "Business and Credit Concentrations").

(c) Oil and Natural Gas Properties

Revenir accounts for oil and natural gas properties using the successful efforts method. Under this method of accounting, costs relating to the acquisition and development of proved areas are capitalized when incurred. The costs of development wells are capitalized whether productive or non-productive. Leasehold acquisition costs are capitalized when incurred. If proved reserves are found on an unproved property, leasehold cost is transferred to proved properties. Exploration dry holes are charged to expense when it is determined that no commercial reserves exist. Other exploration costs, including personnel costs, geological and geophysical expenses and delay rentals for oil and natural gas leases, are charged to expense when incurred. The costs of acquiring or constructing support equipment and facilities used in oil and gas producing activities are capitalized. Production costs are charged to expense as incurred and are those costs incurred to operate and maintain our wells and related equipment and facilities.

Depletion and depreciation of producing oil and natural gas properties is recorded based on units of production. Acquisition costs of proved properties are amortized on the basis of all proved reserves, developed and undeveloped, and capitalized development costs (wells and related equipment and facilities) are amortized on the basis of proved developed reserves. As more fully described below, proved reserves are estimated annually by Revenir's independent petroleum engineer, LaRoche Petroleum Consultants, Ltd. ("LaRoche"), and are subject to future revisions based on availability of additional information. Revenir's in-house reservoir engineers prepare an updated estimate of reserves each quarter. Depletion is calculated each quarter based upon the latest estimated reserves data available. On April 1, 2022, the Company changed the cost center grouping used to calculate depletion, with an adjustment to reflect the change as if it had occurred on January 1, 2022. The Company changed the cost level groupings to 13 area groupings, compared to 4 groupings in the previous year, and was done to enhance management reporting and decision making. As discussed in Note 10, asset retirement costs are recognized when the asset is placed in service, and are depleted and depreciated over proved developed reserves using the units of production method. Asset retirement costs are estimated by Revenir's engineers using existing regulatory requirements and anticipated future inflation rates. Depletion and depreciation expense for producing oil and natural gas properties was $105.8 million and $98.0 million for the year ended December 31, 2023 and 2022, respectively.

Upon sale or retirement of complete fields of depreciable or depletable property, the book value thereof, less proceeds from sale or salvage value, is charged to income. On sale or retirement of an individual well the proceeds are credited to accumulated depletion and depreciation.

Oil and natural gas properties are reviewed for impairment when facts and circumstances indicate that their carrying value may not be recoverable. Revenir compares net capitalized costs of proved oil and natural gas properties to estimated undiscounted future net cash flows using management's expectations of future oil and natural gas prices. These future price scenarios reflect Revenir's estimation of future price volatility. If net capitalized costs exceed estimated undiscounted future net cash flows, the measurement of impairment is based on estimated fair value, using estimated discounted future net cash flows. Significant inputs used to determine the fair values of proved properties include estimates of: (i) reserves; (ii) future operating and development costs; (iii) future commodity prices and (iv) a market-based weighted average cost of capital rate. The underlying commodity prices embedded in Revenir's estimated cash flows are the product of a process that begins with NYMEX forward curve pricing, adjusted for estimated location and quality differentials, as well as other factors that Revenir's management believes will impact realizable prices. For the year ended December 31, 2023 and December 31, 2022, Revenir did not recognize any impairment expense on proved properties.

Unproven properties that are individually significant are assessed for impairment and if considered impaired are charged to expense when such impairment is deemed to have occurred. No unproved impairment was recognized for the year ended December 31, 2023 and $3.4 million unproved impairment was recognized for the year ended December 31, 2022.

(d) Oil, NGLs and Natural Gas Reserve Quantities

Revenir's estimates of proved reserves are based on the quantities of oil, NGLs and natural gas that engineering and geological analyses demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters. LaRoche, an independent engineering firm, prepares a reserve and economic evaluation of all Revenir's properties on a case-by-case basis utilizing information provided to it by Revenir and information available from state agencies that collect information reported to it by the operators of Revenir's properties. The estimates of Revenir's proved reserves have been prepared and presented in accordance with the Securities and Exchange Commission ("SEC") rules and accounting standards.

Reserves and their relation to estimated future net cash flows impact Revenir's depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. Revenir prepares its reserve estimates, and the projected cash flows derived from these reserve estimates, in accordance with SEC guidelines. LaRoche described above adheres to the same guidelines when preparing the reserve report. The accuracy of Revenir's reserve estimates is a function of many factors including the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions, and the judgments of the individuals preparing the estimates.

Revenir's proved reserve estimates are a function of many assumptions, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil, NGLs and natural gas eventually recovered.

(e) Income Taxes

Revenir is subject to federal and state income taxes as a c-corporation. As such, we account for income taxes, as required, under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in net income or loss in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Our policy is to record interest and penalties relating to uncertain tax positions in income tax expense. At December 31, 2023, we did not have any accrued liability for uncertain tax positions and do not anticipate recognition of any significant liabilities for uncertain tax positions during the next 12 months. Please see Note 13, "Income Taxes" for more information on Revenir's accounting for income taxes.

(f) Derivative Instruments and Hedging Activities

Revenir uses derivative financial instruments to achieve more predictable cash flows by reducing its exposure to oil and natural gas price fluctuations and interest rate changes. Revenir does not specifically designate derivative instruments as cash flow hedges, even though they reduce its exposure to changes in oil and natural gas prices and interest rates. Therefore, Revenir records the change in the fair market values of oil and natural gas derivatives in current earnings. Changes in the fair values of interest rate derivatives are recorded in interest expense (see Note 8, "Fair Value Measurements" and Note 9, "Derivative Financial Instruments").

(g) Use of Estimates

Management of Revenir has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ materially from those estimates. Estimates which are particularly significant to the consolidated financial statements include estimates of oil and natural gas reserves, valuation of derivatives, impairment of oil and natural gas properties, depletion, depreciation, and amortization, certain tax accruals, asset retirement obligations and accrued revenues.

(h) Investments

Undivided interests in oil and natural gas properties owned through joint ventures are consolidated on a proportionate basis. Investments in entities where Revenir exercises significant influence, but not a controlling interest, are accounted for by the equity method. Under the equity method, Revenir’s investments are stated at cost plus the equity in undistributed earnings and losses after acquisition.

(i) Environmental

Revenir is subject to extensive federal, state and local environmental laws and regulations. These laws, which are frequently changing, regulate the discharge of materials into the environment and may require Revenir to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a non-capital nature are recorded when environmental assessment and/or remediation are probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments is fixed and readily determinable.

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

(j) Share-Based Compensation

Revenir accounts for its share-based compensation, including restricted stock units ("RSUs") and stock options in the consolidated statements of operations based on their estimated grant date fair values. The Company recognizes expense on a straight-line basis over the requisite service period of the respective award.

(k) Accrued Oil and Natural Gas Liabilities

Below are the components of accrued oil and natural gas liabilities as of the period December 31, 2023 and December 31, 2022.

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Revenue payable to joint interest	13,563	31,451
Accrued lease operating expense	3,414	10,596
Accrued capital expenditures	7,893	13,775
Accrued ad valorem tax	612	1,152
Other	1,218	4,722
	$ 26,700	$ 61,696

(l) Restricted Cash

Restricted cash of $0.6 million and $3.0 million as of December 31, 2023 and December 31, 2022, 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.

(m) 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 14, "Leases" for additional information.

(n) 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 Accounting Standards Codification 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 at December 31, 2023 and December 31, 2022:

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Revolving Credit Facility	56,000	133,000
Unamortized debt issuance costs	(3,706)	(8,901)
Total debt, net	$ 52,294	$ 124,099

Credit Agreement

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.

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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 presumed 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.

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.

On November 10, 2023 Revenir entered into a Limited Consent and Borrowing Base Agreement ("Agreement") pursuant to which the borrowing base of the Company was affirmed at $185.0 million reflecting the disposition of Revenir's remaining Shelby County, Texas assets. Furthermore, the Agreement provided for the automatic reduction of the borrowing base to $140.0 million upon the closing of the disposition of Revenir's remaining assets in Lea and Eddy Counties, New Mexico that occurred in November 2023. Finally, the Agreement provides for a limited waiver of the rolling hedge requirements contained in the Credit Agreement until February 1, 2024, provided a purchase and sale agreement for Revenir's Midland Basin assets is executed by such date or unless such date is extended by the Administrative Agent.

As of December 31, 2023, Revenir had outstanding borrowings of $56.0 million under the Revolving Credit Facility at a weighted average interest rate of 9.68% and had $84.0 million of borrowing availability remaining. For the year ended December 31, 2023, Revenir paid $11.1 million of interest expense on the revolving credit facility.

As of December 31, 2023, the Company was in compliance with its covenants in the A&R Credit Agreement.

(3) Divestitures

During the year ended December 31, 2023, Revenir, in several transactions, divested oil and natural gas assets for net cash proceeds of $442.2 million. These divestitures resulted in a gain of $134.0 million.

On October 2, 2023, Revenir closed on the sale of its assets in Shelby County, Texas with Silver Hill Haynesville E&P, LLC for $219.7 million. The sale of these assets represented a strategic shift for the Company and qualified for reporting as a discontinued operation under FASB ASC 205-20, *Presentation of Financials Statements - Discontinued Operations (*"ASC 205-20"). See Note 4 - Discontinued Operations for additional information on amounts reported as discontinued operations. Pursuant to our board of director's adoption of a Plan of Partial Liquidation in accordance with section 302(b)(4) of the Internal Revenue Code of 1986, the Company distributed the net proceeds of this sale on a pro rata basis to its shareholders of record as of the close of business on October 6, 2023. Under this plan, each shareholder received an amount equal to $3.45 per share.

On November 21, 2023, Revenir closed on the sale of all of its remaining assets in Lea and Eddy Counties, New Mexico with Legion Production Partners, LLC, Avant Operating, LLC, and Double Cabin Minerals, LLC for $180.0 million. Pursuant to our board of director's adoption of a Plan of Partial Liquidation in accordance with section 302(b)(4) of the Internal Revenue Code of 1986, the Company distributed the net proceeds of this sale on a pro rata basis to its shareholders of record as of the close of business on November 27, 2023. Under this plan, each shareholder received an amount equal to $2.60 per share.

For the year ended December 31, 2022, Revenir, in several transactions, divested oil and natural gas assets for net cash proceeds of $143.4 million. These divestitures resulted in a gain of $42.8 million.

(4) Discontinued Operations

The sale of its assets in Shelby County, Texas to Silver Hill Haynesville E&P, LLC qualified for reporting as a discontinued operation in accordance with ASC 205-20.

Condensed Consolidated Balance Sheets

There were no assets or liabilities on the consolidated balance sheet as of December 31, 2023 associated with the discontinued operations. As of December 31, 2022, the Company had accounts receivable of $19.7 million, total oil and natural gas properties, net of $203.2 million, accrued oil and natural gas liabilities of $11.1 million, and asset retirement obligations of $2.0 million attributable to the discontinued operations.

Condensed Consolidated Statement of Operations

The results of operations reported as discontinued operations for the Shelby County, Texas sale were as follows for the periods presented:

	2023	2022
	(In thousands)	
Revenues:		
Oil sales	$ 17	$ 8
Natural gas sales	28,063	108,956
Total revenues	28,080	108,964
Expenses:		
Oil and natural gas production	12,670	14,974
Production and other taxes	(44)	1,330
General and administrative	6,926	7,094
Depletion, depreciation, amortization and accretion	28,162	36,268
Gain on disposal of assets	(32,374)	—
Total expenses	15,340	59,666
Operating income	12,740	49,298
Other income (expense):		
Interest income	196	39
Interest expense (Note 2)	(4,325)	(2,838)
Other	771	2,687
Income from discontinued operations before income taxes	9,382	49,186
Income tax expense	(2,279)	(9,917)
Net income from discontinued operations	$ 7,103	$ 39,269

Condensed Consolidated Statement of Cash Flows

Depreciation, depletion, amortization and accretion attributable to discontinued operations in "Cash flows from operating activities" was $28.2 million and $36.3 million for the years ended December 31, 2023 and 2022, respectively. Investment in oil and natural gas properties attributable to discontinued operations included in "Cash flows used in investing activities" was $13.2 million and $89.4 million for the years ended December 31, 2023 and 2022, respectively. There were no significant non-cash activities from discontinued operations for years ended December 31, 2023 and 2022.

(5) Related Party Transactions

Revenir Director, Gary Gould, is the Founder and CEO of Gould Resources LLC, a consulting company. Revenir has contracted with Gould Resources LLC to provide consulting services and paid $109,587 and $123,557 for the years ended December 31, 2023 and 2022, respectively, to Gould Resources LLC for such services.

Revenir SVP of Operations, Doug Dietrich, is a Founding member and Partner of Reverence Operating, LLC, an oil and gas operator. Revenir is a partner in some oil and gas leases that Reverence Operating LLC operates and paid joint interest bills totaling $1,463,296 and $18,554 for the years ended December 31, 2023 and 2022, respectively.

(6) 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 December 31, 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.

(7) Business and Credit Concentrations

Cash

Revenir maintains its cash in bank deposit accounts, which, at times, may exceed federally insured amounts. Revenir has not experienced any losses in such accounts. Revenir believes it is not exposed to any significant credit risk on its cash.

Revenue and Accounts Receivable

Substantially all of Revenir’s accounts receivable result from oil and natural gas sales or joint interest billings to third parties in the oil and natural gas industry. This concentration of customers and joint interest owners may impact Revenir’s overall credit risk in that these entities may be similarly affected by changes in economic and other conditions. Historically, Revenir has not experienced significant credit losses on such receivables. No allowance for expected credit losses was recorded for the year ended December 31, 2023 or the year ended December 31, 2022. Revenir cannot ensure that such losses will not be realized in the future.

Commodity Derivatives

Due to the volatility of oil and natural gas prices, Revenir periodically enters into price-risk management transactions (e.g., swaps, collars and enhanced swaps) 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. Revenir values these transactions at fair value on a recurring basis (Note 9, "Derivative Financial Instruments"). As of December 31, 2023, Revenir’s commodity derivative transactions have a fair value favorable to the Company of $1.8 million, collectively. Revenir enters into commodity derivative transactions with entities which Revenir's management believes are creditworthy. In addition, Revenir reviews and assesses the creditworthiness of these institutions on a routine basis.

Sales to Major Customers

For the years ended December 31, 2023 and 2022, Revenir sold oil, NGL and natural gas production representing 10% or more of total revenues to the purchasers as detailed in the table below.

	Year Ended December 31,	
	2023	**2022**
Trafigura	30%	20%
LPC Crude Oil Inc	24%	—%
Plains Marketing LP	12%	12%
Twin Eagle Resource Management	—%	11%

(8) 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.

Fair Value on a Recurring Basis

The following table 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 December 31, 2023 and 2022:

	December 31, 2023					
	Fair Value Measurements Using					
Description	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	$ —	$ 5,098	$ —	$ 5,098	$ (693)	$ 4,405
Noncurrent						
Commodity derivatives	—	1,119	—	1,119	(733)	386
Liabilities:						
Current						
Commodity derivatives	—	(3,535)	—	(3,535)	693	(2,842)
Noncurrent						
Commodity derivatives	—	(886)	—	(886)	733	(153)
	$ —	$ 1,796	$ —	$ 1,796	$ —	$ 1,796

Description	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
	December 31, 2022					
	Fair Value Measurements Using					
	(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)
	$ —	$ (79,649)	$ —	$ (79,649)	$ —	$ (79,649)

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 non-performance 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, measurements of oil and natural gas property impairments, and the initial recognition of asset retirement obligations, for which fair value is used. These asset retirement obligation ("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 measurements as Level 3. A reconciliation of the beginning and ending balances of Revenir's ARO is presented in Note 10, "Asset Retirement Obligation."

Revenir recognized no impairment on unproved properties for the year ended December 31, 2023. Revenir recognized $3.4 million of impairment on unproved properties for the year ended December 31, 2022 Nonrecurring fair value measurements of unproved oil and natural gas properties during the year ended December 31, 2022 consist of impairment charges of $3.4 million of unproved oil and natural gas properties that were impaired down to zero. 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 estimated fair values of Revenir's financial instruments approximate the carrying amounts except as discussed below:

Debt. The carrying amount of the revolving long-term debt approximates fair value because Revenir's current borrowing rate does not materially differ from market rates for similar bank borrowings.

(9) 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 and enhanced swaps) 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.

The following table sets forth a reconciliation of the changes in fair value of Revenir's commodity derivatives for the years ended December 31, 2023 and December 31, 2022.

	December 31,	
	2023	2022
	(In thousands)	
Beginning fair value of commodity derivatives	$ (79,649)	$ (146,069)
Total gain (loss) crude oil derivatives	3,214	(78,871)
Total gain (loss) natural gas derivatives	21,735	(112,133)
Crude oil derivative cash settlements paid (received)	52,816	94,594
Natural gas derivative cash settlements paid (received)	3,680	162,830
Ending fair value of commodity derivatives	$ 1,796	$ (79,649)

As of December 31, 2023, Revenir had the following NYMEX WTI crude oil swaps paying floating prices and receiving fixed prices for a portion of its future oil production as indicated below:

Calendar Year	Volumes (Bbls)	Average Price per Bbl	Price Range per Bbl
2024	475,800	$73.03	$73.00 - $73.05
2025	238,500	$67.08	$60.00 - $74.15

As of December 31, 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:

Calendar Year	Volumes (MMBtu)	Average Price per MMBtu	Price Range per MMBtu
2024	3,294,000	$4.05	$3.71 - $4.47
2025	954,000	$4.54	$4.00 $5.08

(10) Asset Retirement Obligation

An 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 for the years ended December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
	(In thousands)	
Asset retirement obligation — beginning of year	$ 44,621	$ 65,048
Liabilities incurred with properties acquired	—	611
Liabilities incurred with properties drilled	100	405
Liabilities settled during the period	(1,563)	(3,535)
Liabilities associated with properties sold	(33,387)	(33,169)
Current period accretion	1,289	3,318
Liabilities reclassified as held for sale	—	11,943
Asset retirement obligation — end of year	$ 11,060	$ 44,621

Each year Revenir reviews and, to the extent necessary, revises its ARO estimates. For the years ended December 31, 2023 and 2022 no revision of previous estimates were necessary.

(11) Stockholders' Equity

As of December 31, 2023, there were 600,000,000 shares authorized and 62,137,682 shares issued and outstanding.

(12) 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.

Restricted Stock Units

For the year ended December 31, 2023, Revenir issued an aggregate 61,826 RSUs to non-executive employees. The RSUs vest generally over a four-year period. Compensation expense related to the RSUs was $0.9 million for the year ended December 31, 2023. RSUs are accounted for as equity awards.

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

For the year ended December 31, 2022, Revenir issued an aggregate 86,159 RSUs to both executive and non-executive employees. The RSUs vest generally over a four-year period. Compensation expense related to the RSUs was $1.0 million for the for the year ended December 31, 2022.

A summary of RSU activity for the year ended December 31, 2023 and the year ended December 31, 2022 is as follows:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Outstanding at January 1, 2022	386,284	$ 6.03
Granted	86,159	10.35
Forfeited	(147,191)	6.53
Vested	(90,471)	9.25
Outstanding at December 31, 2022	234,781	$ 7.73
Granted	61,826	10.00
Forfeited	(34,838)	9.12
Vested	(125,923)	6.91
Outstanding at December 31, 2023	135,846	$ 8.64

As of December 31, 2023, there was a total of $1.1 million of unrecognized compensation expense related to the unvested portion of these RSUs. At December 31, 2023, this cost was expected to be recognized over a weighted-average period of 2.04 years. Revenir's issued shares as of December 31, 2023 do not include 135,846 shares related to the unvested RSUs.

Options

On June 6, 2020, the company made grants of 1,741,876 stock options ("Options") under the MIP. 1,656,736 of those options have been relinquished and 85,140 have vested, leaving no options outstanding as of December 31, 2023. Of the 85,140 options that have been vested, 46,440 of those options were exercised and converted to a net of 7,621 RSUs.

In October and December 2020, the Company approved the grant of performance-based stock options ("Options") to certain employees of the Company. As of December 31, 2023 the total number of performance-based options granted by the Company was 14,420,000. 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 GSO 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 10, 2023, 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.

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.

(13) Income Taxes

For the year ended December 31, 2023 and the year ended December 31, 2022, the effective income tax rates were 22.58% and (33.85)%, respectively. For the year ended December 31, 2023, our effective tax rate differed slightly from the statutory rate due to state taxes. For the year ended December 31, 2022, our effective tax rate differed from the statutory rate primarily due to the valuation allowance adjustment.

For the year ended December 31, 2023 and the year ended December 31, 2022, we recorded income before income taxes of $214.7 million and $99.2 million, respectively. All of Revenir's income is sourced within the United States.

The income tax expense (benefit) consists of:

	Year Ended December 31,	
(In thousands)	**2023**	**2022**
Current:		
Federal	$ 1,141	$ —
State	1,007	—
Total current income tax expense (benefit)	2,148	—
Deferred:		
Federal	$ 43,606	$ (32,340)
State	2,733	(1,253)
Total deferred income tax expense (benefit)	46,339	(33,593)
Total income tax expense (benefit)	$ 48,487	$ (33,593)

A reconciliation of the federal statutory tax rate to the effective tax rate is as follows:

	Year Ended December 31,	
	2023	**2022**
Tax at federal statutory rate	21.00 %	21.00 %
Meals & Entertainment	0.01 %	0.01 %
Non-Deductible Debt Restructuring Expenses	— %	(0.08)%
Excess Stock Compensation	(0.01)%	— %
Valuation allowance adjustment	— %	(54.38)%
Percentage Depletion	(0.06)%	— %
State Taxes	1.64 %	(1.26)%
RTA and Deferred True-up	— %	0.88 %
Other	0.01 %	(0.02)%
Effective tax rate	22.58 %	(33.85)%

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

Deferred income tax balances representing the tax effect of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities are as follows:

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Deferred tax assets:		
Net operating losses	26,224	46,573
Interest expense	9,518	14,253
Hedging	—	18,160
Tax credits	2,125	5,572
Other	488	961
Total deferred tax assets	38,355	85,519
Deferred tax liabilities		
Oil and natural gas properties	(50,713)	(51,941)
Hedging activities	(400)	—
Total deferred tax liabilities	(51,113)	(51,941)
Valuation allowance	—	—
Net deferred tax asset (liability)	$ (12,758)	$ 33,578

The table above shows the Company's gross deferred tax assets and liabilities as of December 31, 2023 and 2022. Prior to December 31, 2022, the Company believed it was not more likely than not that the deferred tax assets would be realized, and accordingly, had maintained a full valuation allowance to offset its net deferred tax assets. For the year ended December 31, 2022, the Company had completed several initiatives that have deleveraged the Company and decreased operating costs. The results of these initiatives led the Company, after considering positive and negative evidence, that the Company will more likely than not be able to realize the benefits of its deferred tax assets. Accordingly, the Company released the valuation allowance, resulting in a net deferred tax benefit of $33.6 million for the year ended December 31, 2022. The Company will continue to monitor facts and circumstances in the reassessment of its ability to realize deferred tax assets. The primary adjustments to the gross deferred tax assets and liabilities in 2023 relate to the current activity for Revenir Energy Inc. related to Oil and Gas Property and a NOL carryforward.

Net Operating Losses

U.S. federal net operating loss carryforwards ("NOLs") at December 31, 2023 were approximately $119.8 million.

(14) 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:

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Operating lease cost	$ 1,923	$ 2,094
Finance lease cost:		
Amortization of right-of-use assets	89	391
Interest on lease liabilities	7	59
Total finance lease costs	$ 96	$ 450
Short-term lease cost	$ 9,871	$ 4,937
Total	$ 11,890	$ 7,481

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

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Cash paid for amounts included in lease liabilities:		
Operating cash flows from operating leases	$ 7,948	$ 7,031
Operating cash flows from finance leases	96	450
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 3,017	$ 1,420
Finance leases	138	—

REVENIR ENERGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued

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

	Year Ended December 31,	
	2023	2022
	(In thousands)	
Operating Leases		
Operating lease right-of-use assets	$ 5,066	$ 6,137
Other current liabilities	(1,713)	(1,691)
Other long-term liabilities	(3,403)	(4,610)
Total operating lease liabilities	$ (5,116)	$ (6,301)
Finance Leases		
Other property and equipment	193	385
Accumulated depreciation and amortization	(90)	(328)
Other property and equipment, net	$ 103	$ 57
Other current liabilities	(45)	(57)
Other long-term liabilities	(60)	—
Total finance lease liabilities	$ (105)	$ (57)

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

	Year Ended December 31,	
	2023	2022
Weighted Average Remaining Lease Term (Years)		
Operating leases	3.14	4.35
Finance leases	2.25	0.43
Weighted Average Discount Rate		
Operating leases	5.49 %	5.04 %
Finance leases	5.78 %	8.00 %

As of December 31, 2023, our lease liabilities with enforceable contract terms that are greater than one year mature as follows:

	Operating Leases	Finance Leases
	(in thousands)	
Year 1	$ 1,686	$ 50
Year 2	1,608	50
Year 3	1,129	13
Year 4	649	—
Year 5	—	—
Thereafter	—	—
Total lease payments	$ 5,072	$ 113
Less imputed interest	44	(8)
Total	$ 5,116	$ 105

(15) Subsequent Events

On February 2, 2024 Revenir Energy divested certain operated assets in the southern Midland Basin, consisting of 913 net acres and 52 wells for a purchase price of $63.0 million.

On March 5, 2024 Revenir Energy entered into a purchase and sale agreement with Hibernia Resources IV to divest substantially all of Revenir's remaining assets. The sale will have an effective date of March 1, 2024 with an expected close date of May 15, 2024 for a purchase price of $360.0 million, subject to customary closing adjustments. Upon successful close of the transaction, Revenir Energy will work to satisfy all residual corporate liabilities utilizing a portion of the proceeds from the sale.

The Company evaluated subsequent events through March 27, 2024, which is the date the financial statements were available to be issued.