# QUARTERLY FINANCIAL REPORT

# Revenir Energy Inc.

## For the Quarter ended September 30, 2023

## TABLE OF CONTENTS

**REVENIR ENERGY INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(UNAUDITED)**

**ASSETS**

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Current assets: | | |
| Cash | $ 867 | $ — |
| Restricted cash | 3,009 | 2,983 |
| Accounts receivable, net: | | |
| Oil and natural gas | 29,478 | 55,300 |
| Joint interest owners | 10,006 | 16,275 |
| Other | 84 | 1,688 |
| Fair value of derivatives (Notes 5 and 6) | 596 | 10 |
| Prepaid expenses and other current assets | 12,756 | 14,827 |
| Total current assets | 56,796 | 91,083 |
| Oil and natural gas properties at cost: | | |
| Proved properties using the successful efforts method of accounting | 889,413 | 873,344 |
| Unproved properties | 124,427 | 143,160 |
| Accumulated depletion, depreciation, amortization and impairment | (287,522) | (235,876) |
| Total oil and natural gas properties, net | 726,318 | 780,628 |
| Other property and equipment, net of accumulated depreciation and amortization of $14,372 and $13,566, respectively | 10,674 | 9,757 |
| Deferred Tax Asset | 34,163 | 34,163 |
| Fair value of derivatives (Notes 5 and 6) | 22 | — |
| Total assets | $ 827,973 | $ 915,631 |

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents

**REVENIR ENERGY INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(UNAUDITED)**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Current liabilities: | | |
| Accounts payable | $ 14,338 | $ 18,352 |
| Accrued oil and natural gas liabilities (Note 1) | 36,929 | 61,696 |
| Fair value of derivatives (Notes 5 and 6) | 27,284 | 75,317 |
| Asset retirement obligation (Note 7) | 2,360 | 2,360 |
| Other | 5,795 | 15,166 |
| Total current liabilities | 86,706 | 172,891 |
| Long-term liabilities: | | |
| Long-term debt (Notes 2) | 62,482 | 124,099 |
| Asset retirement obligation (Note 7) | 13,526 | 42,261 |
| Fair value of derivatives (Notes 5 and 6) | 1,194 | 4,342 |
| Other long-term liabilities | 5,373 | 5,980 |
| Total liabilities | 169,281 | 349,573 |
| Commitments and contingencies (Note 3) | | |
| Stockholders' equity: | | |
| Common stock, $0.01 par value; 600,000,000 shares authorized, 62,020,121 and 61,975,631 shares outstanding at September 30, 2023 and December 31, 2022, respectively | 614 | 614 |
| Additional paid-in capital | 411,826 | 410,772 |
| Retained earnings | 246,252 | 154,672 |
| Total stockholders' equity | 658,692 | 566,058 |
| Total liabilities and stockholders' equity | $ 827,973 | $ 915,631 |

*See accompanying notes to condensed consolidated financial statements.*

**REVENIR ENERGY INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(UNAUDITED)**

| | Three Months Ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Revenues: | | | | |
| Oil sales | $ 57,805 | $ 91,146 | $ 175,607 | $ 225,361 |
| Natural gas liquids (NGL) sales | 131 | 316 | 769 | 1,333 |
| Natural gas sales | 11,792 | 43,580 | 41,778 | 136,361 |
| Total revenues | 69,728 | 135,042 | 218,154 | 363,055 |
| Expenses: | | | | |
| Oil and natural gas production | 9,691 | 16,963 | 55,232 | 58,601 |
| Production and other taxes | 3,238 | 6,785 | 10,952 | 18,442 |
| General and administrative | 6,340 | 6,853 | 19,009 | 19,433 |
| Depletion, depreciation, amortization and accretion | 24,324 | 22,681 | 85,469 | 65,089 |
| (Gain) loss on disposal of assets | 4,429 | (430) | (40,970) | (40,826) |
| Total expenses | 48,022 | 52,852 | 129,692 | 120,739 |
| Operating income (loss) | 21,706 | 82,190 | 88,462 | 242,316 |
| Other income (expense): | | | | |
| Interest income | 58 | 38 | 335 | 73 |
| Interest expense (Note 2) | (2,428) | (3,426) | (11,253) | (7,447) |
| Net gains (losses) on commodity derivatives (Notes 5 and 6) | (17,665) | 12,050 | 12,100 | (202,326) |
| Reorganization items, net | — | — | (276) | — |
| Other | 1,277 | 1,187 | 2,212 | 2,187 |
| Income before income taxes | 2,948 | 92,039 | 91,580 | 34,803 |
| Income tax expense | — | — | — | — |
| Net income | $ 2,948 | $ 92,039 | $ 91,580 | $ 34,803 |

*See accompanying notes to condensed consolidated financial statements.*

Table of Contents

**REVENIR ENERGY INC.**

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

**September 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 |
| Stock-based compensation | | | 271 | — | 271 |
| Shares issued to Legacy Board of Directors for services | 43 | — | 400 | — | 400 |
| RSU shares forfeited for income taxes | (5) | — | (43) | — | (43) |
| Vesting of restricted stock units | 12 | — | — | — | — |
| Net income | — | — | — | 92,039 | 92,039 |
| Balance, September 30, 2022 | 61,925 | $ 615 | $ 411,184 | $ 56,656 | $ 468,455 |

REVENIR ENERGY INC.

## CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 and 2022
## (UNAUDITED)

**September 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 |
| Stock-based compensation | | | 290 | — | 290 |
| Shares issued to Legacy Board of Directors for services | 43 | — | 400 | — | 400 |
| Net income | — | — | — | 2,948 | 2,948 |
| Balance, September 30, 2023 | 62,020 | $ 614 | $ 411,826 | $ 246,252 | $ 658,692 |

*See accompanying notes to condensed consolidated financial statements.*

REVENIR ENERGY INC.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
## (UNAUDITED)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2023 | 2022 |
| | (In thousands) | |
| Cash flows from operating activities: | | |
| Net income | $ 91,580 | $ 34,803 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depletion, depreciation, amortization and accretion | 85,469 | 65,089 |
| Amortization of debt discount and issuance costs | 3,560 | 2,029 |
| (Gain) loss on derivatives | (12,100) | 202,326 |
| Stock based compensation | 1,159 | 1,106 |
| Gain on disposal of assets | (40,970) | (40,826) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable, oil and natural gas | 25,822 | (10,063) |
| (Increase) decrease in accounts receivable, joint interest owners | 6,269 | (10,603) |
| (Increase) decrease in accounts receivable, other | 1,604 | (3,043) |
| (Increase) decrease in other assets | 2,072 | (2,515) |
| Increase (decrease) in accounts payable | (4,014) | 2,577 |
| Increase (decrease) in accrued oil and natural gas liabilities | (19,040) | 16,244 |
| Decrease in other liabilities | (15,510) | (6,285) |
| Total adjustments | 34,321 | 216,036 |
| Net cash provided by operating activities | 125,901 | 250,839 |
| Cash flows from investing activities: | | |
| Investment in oil and natural gas properties | (81,728) | (166,020) |
| Proceeds from sale of oil and natural gas properties | 63,933 | 142,305 |
| Investment in other equipment | (2,241) | (38) |
| Net cash settlements paid on commodity derivatives | (39,689) | (220,751) |
| Net cash used in investing activities | (59,725) | (244,504) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 242,000 | 384,000 |
| Payments of long-term debt | (307,000) | (385,000) |
| Payments of debt issuance costs | (178) | (4,522) |
| Repurchase of shares | (105) | (63) |
| Net cash used in financing activities | (65,283) | (5,585) |
| Net increase in cash and cash equivalents | 893 | 750 |
| Cash, beginning of period | 2,983 | 7,210 |
| Cash, end of period | $ 3,876 | $ 7,960 |
| Non-cash investing and financing activities: | | |
| Asset retirement obligation costs and liabilities | $ (1,545) | $ 4,062 |
| Asset retirement obligations associated with properties sold | $ (28,339) | $ — |
| Asset retirement obligations associate with property acquisitions | $ — | $ (33,070) |
| Change in accrued capital expenditures | $ (5,727) | $ 31,252 |

*See accompanying notes to condensed 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 East Texas, 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. These condensed consolidated financial statements as of September 30, 2023 and for the three and nine months ended September 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 September 30, 2023 and December 31, 2022:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Revenue Payable to joint interest | $ 17,992 | $ 31,451 |
| Accrued lease operating expense | 4,902 | 10,596 |
| Accrued capital expenditures | 8,048 | 13,775 |
| Accrued ad valorem tax | 3,268 | 1,152 |
| Other | 2,719 | 4,722 |
| | $ 36,929 | $ 61,696 |

### *(c) Restricted Cash*

Restricted cash on our Consolidated Balance Sheet as of September 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.

***(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 September 30, 2023 and December 31, 2022:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (In thousands) | |
| Revolving Credit Facility | $ 68,000 | $ 133,000 |
| Unamortized debt issuance costs | (5,518) | (8,901) |
| Total long-term debt, net | $ 62,482 | $ 124,099 |

***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.

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 $185MM reflecting the disposition of Revenir’s remaining Shelby County, Texas assets. Furthermore, the Agreement provides for the automatic reduction of the borrowing base to $140MM upon the closing of the disposition of Revenir’s remaining assets in Lea and Eddy Counties, New Mexico anticipated to occur 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.

As of September 30, 2023, Revenir had outstanding borrowings of $68.0 million under the Credit Agreement at a weighted average interest rate of 9.61% and had $127.0 million of borrowing availability remaining.

As of September 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 September 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 September 30, 2023, Revenir, in several transactions, divested oil and natural gas assets for net cash proceeds of $63.9 million. These divestitures resulted in a gain of $41.0 million.

On August 2, 2023, Revenir executed an agreement to sell all of its remaining assets in Shelby County, Texas with an expected closing in October 2023.

On September 22, 2023, Revenir executed an agreement to sell all of its remaining assets in Lea and Eddy Counties, New Mexico with an expected closing in November 2023.

**(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.

***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 September 30, 2023 and December 31, 2022:

| | September 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 | $ — | $ 2,539 | $ — | $ 2,539 | $ (1,943) | $ 596 |
| Noncurrent | | | | | | |
| Commodity derivatives | — | 1,130 | — | 1,130 | (1,108) | 22 |
| **Liabilities:** | | | | | | |
| Current | | | | | | |
| Commodity derivatives | — | (29,227) | — | (29,227) | 1,943 | (27,284) |
| Noncurrent | | | | | | |
| Commodity derivatives | — | (2,302) | — | (2,302) | 1,108 | (1,194) |
| Net fair value instruments | $ — | $ (27,860) | $ — | $ (27,860) | $ — | $ (27,860) |

| | 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 | $ — | $ (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 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 nine months ended September 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 $68.0 million as of September 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.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Beginning fair value of commodity derivatives | $ (23,489) | $ (199,259) | $ (79,649) | $ (146,069) |
| Total gain (loss) - oil derivatives | (20,154) | 40,328 | (6,056) | (64,207) |
| Total gain (loss) - natural gas derivatives | 2,489 | (28,279) | 18,156 | (138,119) |
| Crude oil derivative cash settlements paid | 12,323 | 28,192 | 36,931 | 75,696 |
| Natural gas derivative cash settlements paid | 971 | 31,374 | 2,758 | 145,055 |
| Ending fair value of commodity derivatives | $ (27,860) | $ (127,644) | $ (27,860) | $ (127,644) |

As of September 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 | | |
|---|---|---|---|---|---|
| October-December 2023 | 478,400 | $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 September 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 | | |
|---|---|---|---|---|---|
| October-December 2023 | 460,000 | $1.07 | $1.00 | - | $1.15 |

As of September 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 | | |
|---|---|---|---|---|---|
| October-December 2023 | 5,520,000 | $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 September 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 | |
|---|---|---|---|---|
| October-December 2023 | 1,840,000 | $(0.62) | $(0.62) | $(0.62) |

**(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 nine months ended September 30, 2023 and year ended December 31, 2022:

| | September 30, 2023 | December 31, 2022 |
|---|---|---|
| | (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 | (1,545) | (3,535) |
| Liabilities associated with properties sold | (28,339) | (33,169) |
| Current period accretion | 1,149 | 3,318 |
| Liabilities reclassified as held for sale | — | 11,943 |
| Asset retirement obligation - end of period | $ 15,886 | $ 44,621 |

**(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.

***Restricted Stock Units***

For the three months ended September 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 $0.7 million for the nine months ended September 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 |
| Granted | — | — |
| Forfeited | (9,000) | 11.00 |
| Vested | — | — |
| Outstanding at September 30, 2023 | 258,861 | $ 8.18 |

As of September 30, 2023, there was a total of $1.3 million of unrecognized compensation expense related to the unvested portion of these RSUs. At September 30, 2023, this cost was expected to be recognized over a weighted-average period of 1.98 years. Revenir's issued shares as of September 30, 2023 do not include 258,861 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 September 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. In August 2023, the Company approved additional grants of performance-based stock options ("Option") to certain employees of the Company. As of September 30, 2023 the total number of performance-based options outstanding 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 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 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.

**(9) Stockholders' Equity/(Deficit)**

As of September 30, 2023 there were 600,000,000 shares authorized and 62,020,121 shares outstanding.

**(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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Operating lease cost | $ 504 | $ 498 | $ 1,456 | $ 1,574 |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | 14 | 69 | 76 | 329 |
| Interest on lease liabilities | 2 | 10 | 6 | 54 |
| Total finance lease costs | $ 16 | $ 79 | $ 82 | $ 383 |
| Short-term lease cost | 2,028 | 2,403 | 8,043 | 6,670 |
| Total | $ 2,548 | $ 2,980 | $ 9,581 | $ 8,630 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands) | | | |
| Cash paid for amounts included in lease liabilities: | | | | |
| Operating cash flows from operating leases | $ 1,523 | $ 1,905 | $ 6,587 | $ 5,096 |
| Operating cash flows from finance leases | 16 | 79 | 82 | 383 |
| | | | | |
| Right-of-use assets obtained in exchange for lease obligations: | | | | |
| Operating leases | $ 610 | $ 79 | $ 5,735 | $ 846 |
| Finance leases | — | — | 138 | — |

Table of Contents


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

| | Nine Months Ended September 30, 2023 |
|---|---|
| | (In thousands) |
| **Operating Leases** | |
| Operating lease right-of-use assets | $ 5,504 |
| | |
| Other current liabilities | $ (1,751) |
| Other long-term liabilities | (3,800) |
| Total operating lease liabilities | $ (5,551) |
| **Finance Leases** | |
| Other property and equipment | $ 193 |
| Accumulated depreciation and amortization | (76) |
| Other property and equipment, net | $ 117 |
| Other current liabilities | $ (47) |
| Other long-term liabilities | (72) |
| Total finance lease liabilities | $ (119) |

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

| | Nine Months Ended September 30, 2023 |
|---|---|
| **Weighted Average Remaining Lease Term (Years)** | |
| Operating leases | 3.38 |
| Finance leases | 2.45 |
| **Weighted Average Discount Rate** | |
| Operating leases | 5.57 % |
| Finance leases | 5.75 % |

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

| | Operating Leases | Finance Leases |
|---|---|---|
| | (in thousands) | |
| Year 1 | $ 1,747 | $ 53 |
| Year 2 | 1,661 | 50 |
| Year 3 | 1,359 | 25 |
| Year 4 | 649 | — |
| Year 5 | 162 | — |
| Thereafter | 0 | — |
| Total lease payments | $ 5,578 | $ 128 |
| Less imputed interest | (27) | (9) |
| Total | $ 5,551 | $ 119 |

**(11) Subsequent Events**

On October 2, 2023, Revenir closed on the sale of its assets in Shelby County, Texas with Silver Hill Haynesville E&P, LLC for $219.7M. 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 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 $185MM reflecting the disposition of Revenir's remaining Shelby County, Texas assets. Furthermore, the Agreement provides for the automatic reduction of the borrowing base to $140MM upon the closing of the disposition of Revenir's remaining assets in Lea and Eddy Counties, New Mexico anticipated to occur 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.

The Company evaluated subsequent events through November 10, 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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands, except per unit data) | | | |
| Revenues: | | | | |
| Oil sales | $ 57,805 | $ 91,146 | $ 175,607 | $ 225,361 |
| Natural gas liquids (NGL) sales | 131 | 316 | 769 | 1,333 |
| Natural gas sales | 11,792 | 43,580 | 41,778 | 136,361 |
| Total revenue | $ 69,728 | $ 135,042 | $ 218,154 | $ 363,055 |
| Expenses: | | | | |
| Oil and natural gas production, excluding ad valorem taxes | $ 9,056 | $ 15,777 | $ 51,391 | $ 54,240 |
| Ad valorem taxes | 635 | $ 1,186 | $ 3,841 | $ 4,361 |
| Total oil and natural gas production | $ 9,691 | $ 16,963 | $ 55,232 | $ 58,601 |
| Exploration expense | — | — | — | — |
| Production and other taxes | 3,238 | 6,785 | 10,952 | 18,442 |
| General and administrative, excluding transaction costs and LTIP | 5,432 | 6,016 | 17,277 | 17,081 |
| Transaction costs | 294 | 166 | 611 | 1,203 |
| LTIP expense | 614 | 671 | 1,121 | 1,149 |
| Total general and administrative | $ 6,340 | $ 6,853 | $ 19,009 | $ 19,433 |
| Depletion, depreciation, amortization and accretion | 24,324 | 22,681 | 85,469 | 65,089 |
| Commodity derivative cash settlements: | | | | |
| Oil derivative cash settlements received (paid) | (12,323) | (28,192) | (36,931) | (75,697) |
| Natural gas derivative cash settlements received (paid) | (971) | (31,374) | (2,758) | (145,055) |
| Total commodity derivative settle | $ (13,294) | $ (59,566) | $ (39,689) | $(220,752) |
| Production: | | | | |
| Oil (MBbls) | 697 | 979 | 2,294 | 2,336 |
| Natural gas liquids (MGal) | 440 | 568 | 1,879 | 1,868 |
| Natural gas (MMcf) | 4,961 | 6,202 | 18,292 | 24,275 |
| Total (MBoe) | 1,535 | 2,026 | 5,387 | 6,426 |
| Average daily production (Boe/d) | 16,682 | 22,022 | 19,734 | 23,540 |
| Average sales price per unit (excluding derivative cash settlements): | | | | |
| Oil price (per Bbl) | $ 82.89 | $ 93.10 | $ 76.55 | $ 96.47 |
| Natural gas liquids price (per Gal) | $ 0.30 | $ 0.56 | $ 0.41 | $ 0.71 |
| Natural gas price (per Mcf) | $ 2.38 | $ 7.03 | $ 2.28 | $ 5.62 |
| Combined (per Boe) | $ 45.43 | $ 66.65 | $ 40.49 | $ 56.49 |
| Average sales price per unit (including derivative cash settlements): | | | | |
| Oil price (per Bbl) | $ 65.22 | $ 64.30 | $ 60.45 | $ 64.07 |
| Natural gas liquids price (per Gal) | $ 0.30 | $ 0.56 | $ 0.41 | $ 0.71 |
| Natural gas price (per Mcf) | $ 2.18 | $ 1.97 | $ 2.13 | $ (0.36) |
| Combined (per Boe) | $ 36.77 | $ 37.25 | $ 33.13 | $ 22.14 |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | (In thousands, except per unit data) | | | |
| Average WTI oil spot price (per Bbl) | $ 82.25 | $ 93.06 | $ 77.27 | $ 98.96 |
| Average Henry Hub natural gas spot price (per MMbtu) | $ 2.59 | $ 8.03 | $ 2.46 | $ 6.74 |
| Average unit costs per Boe: | | | | |
| Oil and natural gas production, excluding ad valorem taxes | $ 5.90 | $ 7.79 | $ 9.54 | $ 8.44 |
| Ad valorem taxes | $ 0.41 | $ 0.59 | $ 0.71 | $ 0.68 |
| Production and other taxes | $ 2.11 | $ 3.35 | $ 2.03 | $ 2.87 |
| General and administrative excluding transaction costs and LTIP | $ 3.54 | $ 2.97 | $ 3.21 | $ 2.66 |
| Total general and administrative | $ 4.13 | $ 3.38 | $ 3.53 | $ 3.02 |
| Depletion, depreciation, amortization and accretion | $ 15.85 | $ 11.19 | $ 15.86 | $ 10.13 |

REVENIR ENERGY INC.
NON-GAAP FINANCIAL MEASURES

**Results of Operations**

**Three-Month Period Ended September 30, 2023 Compared to Three-Month Period Ended September 30, 2022**

Our revenues from the sale of oil were $57.8 million and $91.1 million for the three-month periods ended September 30, 2023 and 2022, respectively. Our revenues from the sale of NGLs were $0.1 million and $0.3 million for the three-month periods ended September 30, 2023 and 2022, respectively. Our revenues from the sale of natural gas were $11.8 million and $43.6 million for the three-month periods ended September 30, 2023 and 2022, respectively. The $33.3 million decrease in oil revenues reflects a decrease in oil production of 282 MBbls (29%), as well as a decrease in the average realized price of $10.21 per Bbl (11)% due to a decrease in the average West Texas Intermediate ("WTI") crude oil price of $10.81 per Bbl. The $31.8 million decrease in natural gas revenues reflects a decrease in natural gas production of 1,241 MMcf (20%), as well as a decrease in the realized MCF price of $4.65 per Mcf (66%). The decrease in both oil and natural gas production is due to the divestiture of marginal oil and gas properties in the last year.

For the three-month period ended September 30, 2023, we recorded $17.7 million of net losses 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 losses recognized during the three-month period ended September 30, 2023 are primarily due to increased projected oil and natural gas prices which decreased the value of our oil and natural gas swaps. For the three-month period ended September 30, 2022, we recorded $12.0 million of net gains on oil and natural gas derivatives. Settlements of such contracts resulted in net cash payments of $13.3 million and $59.6 million during the three months ended September 30, 2023 and 2022, respectively.

Our oil and natural gas production expenses, excluding ad valorem taxes, was $9.1 million ($5.90 per Boe) for the three-month period ended September 30, 2023 compared to $15.8 million ($7.79 per Boe) for the three-month period ended September 30, 2022. Our ad valorem tax expense was $0.6 million for the three-month period ended September 30, 2023 compared to $1.2 million for the three-month period ended September 30, 2022.

Our production and other taxes were $3.2 million and $6.8 million for the three-month periods ended September 30, 2023 and 2022, respectively.

Our general and administrative expenses were $6.3 million and $6.9 million for the three-month periods ended September 30, 2023 and 2022, respectively.

We incurred depletion, depreciation, amortization and accretion expense, or DD&A, of $24.3 million and $22.7 million for the three-month periods ended September 30, 2023 and 2022, respectively. Our depletion rate per Boe for the three-months ended September 30, 2023 and 2022, was $15.85 and $11.19, respectively.

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

We recorded a loss on disposal of assets of $4.4 million and a gain of $0.4 million for the three-month periods ended September 30, 2023 and 2022, respectively. The loss for the three-month period ended September 30, 2023 was primarily related to the disposition of the NM Conventional assets. The gains for the three-month period ended September 30, 2022 was related to the disposition of marginal oil and gas assets.

We recorded interest expense of $2.4 million and $3.4 million for the three-month periods ended September 30, 2023 and 2022, respectively.

As a result of the items described above, Revenir recorded a net income of $2.9 million and $92.0 million for the three-month periods ended September 30, 2023 and 2022, respectively.

**Nine-Month Period Ended September 30, 2023 Compared to Nine-Month Period Ended September 30, 2022**

Our revenues from the sale of oil were $175.6 million and $225.4 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Our revenues from the sale of NGLs were $0.8 million and $1.3 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Our revenues from the sale of natural gas were $41.8 million and $136.4 million for the nine-month periods ended September 30, 2023 and 2022, respectively. The $49.8 million decrease in oil revenues reflects the decrease in average realized price of $19.92 per Bbl (21%) due to a decrease in average WTI crude oil prices of $21.69 per Bbl. The $0.6 million decrease in NGL sales is primarily due to the decrease in realized NGL price with a decrease of $0.30 per Gal (42%). The $94.6 million decrease in natural gas revenues reflects lower realized natural gas prices and decreased production. Average realized natural gas prices decreased by $3.34 per Mcf (59%) during the nine months ended September 30, 2023 compared to the same period in 2022. Henry Hub natural gas prices saw a decrease in average NYMEX of $4.28 per Mcf (64%). Our natural gas production decreased by approximately 5,983 MMcf (25%), due to the divestiture of marginal oil and gas properties in the last year.

For the nine-month period ended September 30, 2023, we recorded $12.1 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 nine-month period ended September 30, 2022, we recorded $202.3 million of net losses on oil and natural gas derivatives. Settlements of such contracts resulted in cash payments of $39.7 million and $220.8 million during the nine months ended September 30, 2023 and 2022, respectively.

Our oil and natural gas production expenses, excluding ad valorem taxes, decreased to $51.4 million for the nine-month period ended September 30, 2023 from $54.2 million for the nine-month period ended September 30, 2022. Our ad valorem tax expense was $3.8 million ($0.71 per Boe) for the nine-month period ended September 30, 2023 compared to $4.4 million ($0.68 per Boe) for the nine-month period ended September 30, 2022. The decrease in ad valorem taxes is due to the divestiture of marginal oil and gas properties in the last year.

Our production and other taxes were $11.0 million and $18.4 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Production and other taxes decreased due to divestitures period over period.

Our general and administrative expenses were $19.0 million and $19.4 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

We incurred depletion, depreciation, amortization and accretion expense, or DD&A, of $85.5 million and $65.1 million for the nine-month periods ended September 30, 2023 and 2022, respectively. Our depletion rate per Boe for the nine-month periods ended September 30, 2023 and 2022, was $15.86 and $10.13, respectively.

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

We recorded gains on disposal of assets of $41.0 million and $40.8 million for the nine-month periods ended September 30, 2023 and 2022, respectively. The gain for the nine-month period ended September 30, 2023 was primarily related to the disposition of the Rockies, NM Conventional, and Shelby properties. The gain for the nine-month period ended September 30, 2022 was primarily related to the disposition of non-core properties in East Texas.

We recorded interest expense of $11.3 million and $7.4 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

As a result of the items described above, Revenir recorded a net income of $91.6 million and $34.8 million for the nine-month periods ended September 30, 2023 and 2022, respectively.

**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 nine months ended September 30, 2023 and 2022, respectively.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| | **(In thousands)** | | | |
| Net income | $ 2,948 | $ 92,039 | $ 91,580 | $ 34,803 |
| Plus: | | | | |
| Interest expense | 2,428 | 3,426 | 11,253 | 7,447 |
| Depletion, depreciation, amortization and accretion | 24,324 | 22,681 | 85,469 | 65,089 |
| (Gain) loss on disposal of assets | 4,429 | (430) | (40,970) | (40,826) |
| Share-based compensation expense | 614 | 671 | 1,121 | 1,149 |
| One-time cash settlement paid to unwind commodity derivatives | — | — | — | 61,500 |
| Net (gains) losses on commodity derivatives | 17,665 | (12,050) | (12,100) | 202,326 |
| Net cash settlements paid on commodity derivatives | (13,293) | (59,566) | (39,688) | (220,752) |
| Electricity credits | (1,202) | (1,147) | (2,338) | (2,245) |
| Unpaid vacation accrual | (20) | (266) | 131 | 229 |
| Transaction and reorganization costs | 294 | 166 | 886 | 1,203 |
| **Adjusted EBITDA** | $ 38,187 | $ 45,524 | $ 95,344 | $ 109,923 |

For the three months ended September 30, 2023 and 2022, adjusted EBITDA decreased (16.12)% to $38.2 million from $45.5 million. For the nine months ended September 30, 2023 and 2022, adjusted EBITDA decreased (13.26)% to $95.3 million from $109.9 million.