

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2023

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

For the transition period from _____ to _____

Commission File No. 001-33999

NORTHERN OIL AND GAS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

95-3848122
(I.R.S. Employer Identification No.)

4350 Baker Road – Suite 400
Minnetonka, Minnesota 55343
(Address of Principal Executive Offices)

(952) 476-9800
(Registrant’s Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001	NOG	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer
Non-Accelerated Filer

Accelerated Filer
Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 1, 2023, there were 85,363,723 shares of our common stock, par value \$0.001, outstanding.

GLOSSARY OF TERMS

Unless otherwise indicated in this report, natural gas volumes are stated at the legal pressure base of the state or geographic area in which the reserves are located at 60 degrees Fahrenheit. Crude oil and natural gas equivalents are determined using the ratio of six Mcf of natural gas to one barrel of crude oil, condensate or natural gas liquids.

The following definitions shall apply to the technical terms used in this report.

Terms used to describe quantities of crude oil and natural gas:

“*Bbl.*” One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate or NGLs.

“*Boe.*” A barrel of oil equivalent and is a standard convention used to express crude oil, NGL and natural gas volumes on a comparable crude oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of 6.0 Mcf of natural gas to 1.0 Bbl of crude oil or NGL.

“*Boepd.*” Boe per day.

“*Btu*” or “*British Thermal Unit.*” The quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

“*MBbl.*” One thousand barrels of crude oil, condensate or NGLs.

“*MBoe.*” One thousand Boe.

“*Mcf.*” One thousand cubic feet of natural gas.

“*MMBbl.*” One million barrels of crude oil, condensate or NGLs.

“*MMBoe.*” One million Boe.

“*MMBtu.*” One million British Thermal Units.

“*MMcf.*” One million cubic feet of natural gas.

“*NGLs.*” Natural gas liquids. Hydrocarbons found in natural gas that may be extracted as liquefied petroleum gas and natural gasoline.

Terms used to describe our interests in wells and acreage:

“*Basin.*” A large natural depression on the earth’s surface in which sediments generally brought by water accumulate.

“*Completion.*” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs, and/or natural gas.

“*Conventional play.*” An area that is believed to be capable of producing crude oil, NGLs, and natural gas occurring in discrete accumulations in structural and stratigraphic traps.

“*Developed acreage.*” Acreage consisting of leased acres spaced or assignable to productive wells. Acreage included in spacing units of infill wells is classified as developed acreage at the time production commences from the initial well in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“*Development well.*” A well drilled within the proved area of a crude oil, NGL, or natural gas reservoir to the depth of a stratigraphic horizon (rock layer or formation) known to be productive for the purpose of extracting proved crude oil, NGL, or natural gas reserves.

“*Differential.*” The difference between a benchmark price of crude oil and natural gas, such as the NYMEX crude oil spot price, and the wellhead price received.

“*Dry hole.*” A well found to be incapable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of such production exceed production expenses and taxes.

“*Exploratory well.*” A well drilled to find and produce crude oil, NGLs, or natural gas in an unproved area, to find a new reservoir in a field previously found to be producing crude oil, NGLs, or natural gas in another reservoir, or to extend a known reservoir.

“*Field.*” An area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same individual geological structural feature or stratigraphic condition. The field name refers to the surface area, although it may refer to both the surface and the underground productive formations.

“*Formation.*” A layer of rock which has distinct characteristics that differs from nearby rock.

“*Gross acres*” or “*Gross wells.*” The total acres or wells, as the case may be, in which a working interest is owned.

“*Held by operations.*” A provision in an oil and gas lease that extends the stated term of the lease as long as drilling operations are ongoing on the property.

“*Held by production.*” A provision in an oil and gas lease that extends the stated term of the lease as long as the property produces a minimum quantity of crude oil, NGLs, and natural gas.

“*Hydraulic fracturing.*” The technique of improving a well’s production by pumping a mixture of fluids into the formation and rupturing the rock, creating an artificial channel. As part of this technique, sand or other material may also be injected into the formation to keep the channel open, so that fluids or natural gases may more easily flow through the formation.

“*Infill well.*” A subsequent well drilled in an established spacing unit of an already established productive well in the spacing unit. Acreage on which infill wells are drilled is considered developed commencing with the initial productive well established in the spacing unit. As such, the addition of an infill well does not have any impact on a company’s amount of developed acreage.

“*Net acres.*” The percentage ownership of gross acres. Net acres are deemed to exist when the sum of fractional ownership working interests in gross acres equals one (e.g., a 10% working interest in a lease covering 640 gross acres is equivalent to 64 net acres).

“*Net well.*” A well that is deemed to exist when the sum of fractional ownership working interests in gross wells equals one.

“*NYMEX.*” The New York Mercantile Exchange.

“*OPEC.*” The Organization of Petroleum Exporting Countries.

“*Productive well.*” A well that is found to be capable of producing hydrocarbons in sufficient quantities such that proceeds from the sale of the production exceed production expenses and taxes.

“*Recompletion.*” The process of treating a drilled well followed by the installation of permanent equipment for the production of crude oil, NGLs or natural gas or, in the case of a dry hole, the reporting of abandonment to the appropriate agency.

“*Reservoir.*” A porous and permeable underground formation containing a natural accumulation of producible crude oil, NGLs and/or natural gas that is confined by impermeable rock or water barriers and is separate from other reservoirs.

“*Spacing.*” The distance between wells producing from the same reservoir. Spacing is often expressed in terms of acres, e.g., 40-acre spacing, and is often established by regulatory agencies.

“*Unconventional play.*” An area believed to be capable of producing crude oil, NGLs, and/or natural gas occurring in cumulations that are regionally extensive but require recently developed technologies to achieve profitability. These areas tend to have low permeability and may be closely associated with source rock as this is the case with crude oil and natural gas shale, tight crude oil and natural gas sands and coal bed methane.

“*Undeveloped acreage.*” Leased acreage on which wells have not been drilled or completed to a point that would permit the production of economic quantities of crude oil, NGLs, and natural gas, regardless of whether such acreage contains proved reserves. Undeveloped acreage includes net acres held by operations until a productive well is established in the spacing unit.

“*Unit.*” The joining of all or substantially all interests in a reservoir or field, rather than a single tract, to provide for development and operation without regard to separate property interests. Also, the area covered by a unitization agreement.

“*Wellbore.*” The hole drilled by the bit that is equipped for natural gas production on a completed well. Also called well or borehole.

“*West Texas Intermediate or WTI.*” A light, sweet blend of oil produced from the fields in West Texas.

“*Working interest.*” The right granted to the lessee of a property to explore for and to produce and own crude oil, NGLs, natural gas or other minerals. The working interest owners bear the exploration, development, and operating costs on either a cash, penalty, or carried basis.

“*Workover.*” Operations on a producing well to restore or increase production.

Terms used to assign a present value to or to classify our reserves:

“*Possible reserves.*” The additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than probable reserves.

“*Pre-tax PV-10% or PV-10.*” The estimated future net revenue, discounted at a rate of 10% per annum, before income taxes and with no price or cost escalation or de-escalation in accordance with guidelines promulgated by the SEC.

“*Probable reserves.*” The additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but which together with proved reserves, are as likely as not to be recovered.

“*Proved developed non-producing reserves (PDNPs).*” Proved crude oil, NGLs, and natural gas reserves that are developed behind pipe, shut-in or that can be recovered through improved recovery only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate, but which have not started producing, (2) wells that were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to the start of production.

“*Proved developed producing reserves (PDPs).*” Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional crude oil, NGLs, and natural gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery are included in “proved developed reserves” only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

“*Proved reserves.*” The quantities of crude oil, NGLs and natural gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced, or the operator must be reasonably certain that it will commence the project, within a reasonable time.

- (i) The area of the reservoir considered as proved includes: (A) the area identified by drilling and limited by fluid contacts, if any, and (B) adjacent undrilled portions of the reservoir that can, with reasonable certainty,

be judged to be continuous with it and to contain economically producible crude oil, NGLs or natural gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establish a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) the project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the twelve-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based on future conditions.

“Proved undeveloped drilling location.” A site on which a development well can be drilled consistent with spacing rules for purposes of recovering proved undeveloped reserves.

“Proved undeveloped reserves” or “PUDs.” Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for development. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with reasonable certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves will not be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir or an analogous reservoir.

“Standardized measure.” Discounted future net cash flows estimated by applying year-end prices to the estimated future production of year-end proved reserves. Future cash inflows are reduced by estimated future production and development costs based on period end costs to determine pre-tax cash inflows. Future income taxes, if applicable, are computed by applying the statutory tax rate to the excess of pre-tax cash inflows over our tax basis in the oil and natural gas properties. Future net cash inflows after income taxes are discounted using a 10% annual discount rate.

NORTHERN OIL AND GAS, INC.
FORM 10-Q

March 31, 2023

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

NORTHERN OIL AND GAS, INC.
CONDENSED BALANCE SHEETS

<i>(In thousands, except par value and share data)</i>	March 31, 2023	December 31, 2022
Assets	(Unaudited)	
Current Assets:		
Cash and Cash Equivalents	\$ 6,073	\$ 2,528
Accounts Receivable, Net	274,399	271,336
Advances to Operators	40,985	8,976
Prepaid Expenses and Other	2,328	2,014
Derivative Instruments	72,156	35,293
Income Tax Receivable	—	338
Total Current Assets	395,941	320,485
Property and Equipment:		
Oil and Natural Gas Properties, Full Cost Method of Accounting		
Proved	7,019,244	6,492,683
Unproved	41,846	41,565
Other Property and Equipment	7,096	6,858
Total Property and Equipment	7,068,185	6,541,106
Less – Accumulated Depreciation, Depletion and Impairment	(4,152,245)	(4,058,180)
Total Property and Equipment, Net	2,915,940	2,482,926
Derivative Instruments	14,495	12,547
Acquisition Deposit	—	43,000
Other Noncurrent Assets, Net	16,490	16,220
Total Assets	\$ 3,342,866	\$ 2,875,178
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	\$ 134,264	\$ 128,582
Accrued Liabilities	162,066	121,737
Accrued Interest	15,221	24,347
Income Tax Payable	353	—
Derivative Instruments	27,560	58,418
Contingent Consideration	3,931	10,107
Other Current Liabilities	1,905	1,781
Total Current Liabilities	345,300	344,972
Long-term Debt, Net	1,756,949	1,525,413
Derivative Instruments	156,603	225,905
Asset Retirement Obligations	32,905	31,582
Other Noncurrent Liabilities	3,042	2,045
Total Liabilities	\$ 2,294,799	\$ 2,129,917
Commitments and Contingencies		
Stockholders' Equity		

Common Stock, Par Value \$.001; 135,000,000 Shares Authorized; 85,370,223 Shares Outstanding at 3/31/2023 85,165,807 Shares Outstanding at 12/31/2022	487	487
Additional Paid-In Capital	1,708,147	1,745,532
Retained Deficit	(660,568)	(1,000,759)
Total Stockholders' Equity	<u>1,048,067</u>	<u>745,260</u>
Total Liabilities and Stockholders' Equity	<u>\$ 3,342,866</u>	<u>\$ 2,875,178</u>

The accompanying notes are an integral part of these condensed financial statements.

NORTHERN OIL AND GAS, INC.
CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

<i>(In thousands, except share and per share data)</i>	Three Months Ended March 31,	
	2023	2022
Revenues		
Oil and Gas Sales	\$ 426,234	\$ 456,458
Gain (Loss) on Commodity Derivatives, Net	153,656	(489,388)
Other Revenues	2,324	—
Total Revenues	582,214	(32,930)
Operating Expenses		
Production Expenses	78,088	54,540
Production Taxes	34,918	34,616
General and Administrative Expenses	13,000	13,813
Depletion, Depreciation, Amortization and Accretion	94,618	53,185
Other Expenses	1,001	—
Total Operating Expenses	221,625	156,154
Income (Loss) From Operations	360,589	(189,084)
Other Income (Expense)		
Interest Expense, Net of Capitalization	(30,143)	(17,977)
Gain (Loss) on Unsettled Interest Rate Derivatives, Net	(1,017)	1,290
Gain on Extinguishment of Debt, Net	659	—
Contingent Consideration Gain	6,176	—
Other Income (Expense)	4,619	—
Total Other Income (Expense)	(19,706)	(16,687)
Income (Loss) Before Income Taxes	340,883	(205,771)
Income Tax Provision (Benefit)	692	789
Net Income (Loss)	\$ 340,191	\$ (206,560)
Cumulative Preferred Stock Dividend	—	(3,016)
Premium on Repurchase of Preferred Stock	—	(14,957)
Net Income (Loss) Attributable to Common Stockholders	\$ 340,191	\$ (224,533)
Net Income (Loss) Per Common Share – Basic	\$ 4.01	\$ (2.92)
Net Income (Loss) Per Common Share – Diluted	\$ 3.98	\$ (2.92)
Weighted Average Common Shares Outstanding – Basic	84,915,729	76,922,543
Weighted Average Common Shares Outstanding – Diluted	85,407,197	76,922,543

The accompanying notes are an integral part of these condensed financial statements.

NORTHERN OIL AND GAS, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

<i>(In thousands)</i>	Three Months Ended March 31,	
	2023	2022
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 340,191	\$ (206,560)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Depletion, Depreciation, Amortization, and Accretion	94,618	53,185
Amortization of Debt Issuance Costs	1,751	1,078
(Gain) Loss on Extinguishment of Debt	(659)	—
Amortization of Bond Premium on Long-term Debt	(510)	(531)
Deferred Income Taxes	692	789
Unrealized (Gain) Loss of Derivative Instruments	(138,970)	382,937
(Gain) Loss on Contingent Consideration	(6,176)	—
Stock-Based Compensation Expense	2,151	1,447
Other	3,084	2,675
Changes in Working Capital and Other Items:		
Accounts Receivable, Net	(2,866)	(102,033)
Prepaid and Other Expenses	(314)	(698)
Accounts Payable	(11,903)	33,243
Accrued Interest	(8,915)	(14,488)
Accrued Liabilities and Expenses	(2,866)	2,991
Net Cash Provided by Operating Activities	269,308	154,034
Cash Flows from Investing Activities		
Capital Expenditures on Oil and Natural Gas Properties	(460,982)	(417,482)
Purchases of Other Property and Equipment	(238)	(117)
Net Cash Used for Investing Activities	(461,220)	(417,599)
Cash Flows from Financing Activities		
Advances on Revolving Credit Facility	337,000	434,000
Repayments on Revolving Credit Facility	(87,000)	(118,000)
Repurchase of Senior Notes	(18,436)	—
Debt Issuance Costs Paid	(32)	(13)
Repurchases of Common Stock	(8,004)	—
Repurchases of Preferred Stock	—	(50,225)
Restricted Stock Surrenders - Tax Obligations	(2,616)	(2,206)
Common Dividends Paid	(25,454)	(6,176)
Net Cash Provided by Financing Activities	195,458	257,380
Net Increase (Decrease) in Cash and Cash Equivalents	3,545	(6,185)
Cash and Cash Equivalents - Beginning of Period	2,528	9,519
Cash and Cash Equivalents - End of Period	6,073	3,335

The accompanying notes are an integral part of these condensed financial statements.

NORTHERN OIL AND GAS, INC.
CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

<i>(In thousands, except share data)</i>	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
December 31, 2022	85,165,807	\$ 487	—	\$ —	\$ 1,745,532	\$ (1,000,759)	\$ 745,260
Issuance of Common Stock	193,293	—	—	—	—	—	—
Restricted Stock Forfeitures	(6,854)	—	—	—	(54)	—	(54)
Share Based Compensation	—	—	—	—	2,316	—	2,316
Restricted Stock Surrenders - Tax Obligations	(98,052)	—	—	—	(2,616)	—	(2,616)
Issuance of Common Stock in Exchange for Warrants	403,780	—	—	—	—	—	—
Repurchases of Common Stock	(287,751)	—	—	—	(8,004)	—	(8,004)
Common Stock Dividends Declared	—	—	—	—	(29,026)	—	(29,026)
Net Income	—	—	—	—	—	340,191	340,191
March 31, 2023	85,370,223	\$ 487	—	\$ —	\$ 1,708,147	\$ (660,568)	\$ 1,048,067

<i>(In thousands, except share data)</i>	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
December 31, 2021	77,341,921	\$ 479	2,218,732	\$ 2	\$ 1,988,649	\$ (1,773,996)	\$ 215,135
Issuance of Common Stock	15,651	—	—	—	—	—	—
Restricted Stock Forfeitures	(1,815)	—	—	—	—	—	—
Share Based Compensation	—	—	—	—	1,499	—	1,499
Restricted Stock Surrenders - Tax Obligations	(89,620)	—	—	—	(2,206)	—	(2,206)
Issuance of Common Stock Warrants - Acquisitions of Oil and Natural Gas Properties	—	—	—	—	17,870	—	17,870
Repurchases of Preferred Stock	—	—	(362,671)	—	(50,225)	—	(50,225)
Common Stock Dividends Declared	—	—	—	—	(10,815)	—	(10,815)
Net Loss	—	—	—	—	—	(206,560)	(206,560)
March 31, 2022	77,266,137	\$ 479	1,856,061	\$ 2	\$ 1,944,773	\$ (1,980,556)	\$ (35,302)

The accompanying notes are an integral part of these condensed financial statements.

NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2023
(UNAUDITED)

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Northern Oil and Gas, Inc. (the “Company,” “Northern,” “our” and words of similar import), a Delaware corporation, is an independent energy company engaged in the acquisition, exploration, exploitation, development and production of crude oil and natural gas properties. The Company’s common stock trades on the New York Stock Exchange under the symbol “NOG”.

The Company’s principal business is crude oil and natural gas exploration, development, and production with operations in the United States. The Company’s primary strategy is investing in non-operated minority working and mineral interests in oil and gas properties in the United States.

NOTE 2 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial information included herein is unaudited. The balance sheet as of December 31, 2022 has been derived from the Company’s audited financial statements for the year ended December 31, 2022. However, such information includes all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. The results of operations for interim periods are not necessarily indicative of the results to be expected for an entire year.

Certain information, accounting policies, and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted in this Form 10-Q pursuant to certain rules and regulations of the Securities and Exchange Commission (“SEC”). The condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2022, which were included in the Company’s 2022 Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Use of Estimates

The preparation of financial statements under GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The most significant estimates relate to proved crude oil and natural gas reserves, which includes limited control over future development plans as a non-operator, estimates relating to certain crude oil and natural gas revenues and expenses, fair value of derivative instruments, fair value of contingent consideration, acquisition date fair values of assets acquired and liabilities assumed, impairment of crude oil and natural gas properties, asset retirement obligations and deferred income taxes.

Management’s estimates and assumptions were based on historical data and consideration of future market conditions. Given the uncertainty inherent in any projection, actual results may differ from the estimates and assumptions used, and conditions may change, which could materially affect amounts reported in the unaudited condensed financial statements.

Reclassifications

Certain prior period balances in the condensed statements of cash flows have been reclassified to conform to the current year presentation. Such reclassifications had no impact on net income (loss), cash flows or stockholders’ equity (deficit) previously reported.

Adopted and Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company’s financial statements upon adoption.

Revenue Recognition

The Company's revenues are primarily derived from its interests in the sale of oil and natural gas production. The Company recognizes revenue from its interests in the sales of crude oil and natural gas in the period that its performance obligations are satisfied. Performance obligations are satisfied when the customer obtains control of the product, when the Company has no further obligations to perform related to the sale, when the transaction price has been determined and when collectability is probable. The sales of oil and natural gas are made under contracts which the third-party operators of the wells have negotiated with customers, which typically include variable consideration that is based on pricing tied to local indices and volumes delivered in the current month. The Company receives payment from the sale of oil and natural gas production from one to three months after delivery. At the end of each month when the performance obligation is satisfied, the variable consideration can be reasonably estimated and amounts due from customers are accrued in trade receivables, net in the balance sheets. Variances between the Company's estimated revenue and actual payments are recorded in the month the payment is received, however, differences have been and are insignificant. Accordingly, the variable consideration is not constrained.

The Company does not disclose the value of unsatisfied performance obligations under its contracts with customers as it applies the practical exemption, which applies to variable consideration that is recognized as control of the product is transferred to the customer. Since each unit of product represents a separate performance obligation, future volumes are wholly unsatisfied, and disclosure of the transaction price allocated to remaining performance obligations is not required.

The Company's oil is typically sold at delivery points under contracts terms that are common in our industry. The Company's natural gas produced is delivered by the well operators to various purchasers at agreed upon delivery points under a limited number of contract types that are also common in our industry. Regardless of the contract type, the terms of these contracts compensate the well operators for the value of the oil and natural gas at specified prices, and then the well operators will remit payment to the Company for its share in the value of the oil and natural gas sold.

A wellhead imbalance liability equal to the Company's share is recorded to the extent that the Company's well operators have sold volumes in excess of its share of remaining reserves in an underlying property. However, for the three months ended March 31, 2023 and 2022, the Company's natural gas production was in balance, meaning its cumulative portion of natural gas production taken and sold from wells in which it has an interest equaled its entitled interest in natural gas production from those wells.

The Company's disaggregated revenue has two primary sources: oil sales and natural gas and NGL sales. Substantially all of the Company's oil and natural gas sales come from three geographic areas in the United States: the Williston Basin (North Dakota and Montana), the Appalachian Basin (Pennsylvania), and the Permian Basin (New Mexico and Texas). The following tables present the disaggregation of the Company's oil revenues and natural gas and NGL revenues by basin for the three months ended March 31, 2023 and 2022.

<i>(In thousands)</i>	Three Months Ended March 31, 2023				Three Months Ended March 31, 2022			
	Williston	Permian	Appalachian	Total	Williston	Permian	Appalachian	Total
Oil Revenues	\$ 212,723	\$ 142,655	\$ —	\$ 355,378	\$ 268,010	\$ 80,816	\$ —	\$ 348,826
Natural Gas and NGL Revenues	32,423	23,104	15,329	70,856	62,620	18,214	26,797	107,632
Other	—	2,324	—	2,324	—	—	—	—
Total	\$ 245,146	\$ 168,083	\$ 15,329	\$ 428,558	\$ 330,631	\$ 99,030	\$ 26,797	\$ 456,458

Concentrations of Market, Credit Risk and Other Risks

The future results of the Company's crude oil and natural gas operations will be affected by the market prices of crude oil and natural gas. The availability of a ready market for crude oil and natural gas products in the future will depend on numerous factors beyond the control of the Company, including weather, imports, marketing of competitive fuels, proximity and capacity of crude oil and natural gas pipelines and other transportation facilities, any oversupply or undersupply of crude oil, natural gas and liquid products, the regulatory environment, the economic environment, and other regional and political events, none of which can be predicted with certainty.

The Company operates in the exploration, development and production sector of the crude oil and natural gas industry. The Company's receivables include amounts due, indirectly via the third-party operators of the wells, from purchasers of its crude oil and natural gas production. While certain of these customers, as well as third-party operators of the wells, are affected by periodic downturns in the economy in general or in their specific segment of the crude oil or natural gas industry, the Company believes that its level of credit-related losses due to such economic fluctuations have been immaterial.

As a non-operator, 100% of the Company's wells are operated by third-party operating partners. As a result, the Company is highly dependent on the success of these third-party operators. If they are not successful in the development, exploitation, production and exploration activities relating to the Company's leasehold interests, or are unable or unwilling to perform, the Company's financial condition and results of operation could be adversely affected. These risks are heightened in a low commodity price environment, which may present significant challenges to these third-party operators. The Company's third-party operators will make decisions in connection with their operations that may not be in the Company's best interests, and the Company may have little or no ability to exercise influence over the operational decisions of its third-party operators. For the three months ended March 31, 2023, the Company's top four operators made up 38% of total oil and natural gas sales, compared to 43% for the three months ended March 31, 2022.

The Company faces concentration risk due to the fact that a majority of its oil and natural gas revenue is sourced from North Dakota. Acquisitions since 2021 have diversified the Company's portfolio to include New Mexico, Pennsylvania and Texas, but the Company remains disproportionately exposed to risks affecting a limited number of geographic areas of operations.

The Company manages and controls market and counterparty credit risk. In the normal course of business, collateral is not required for financial instruments with credit risk. Financial instruments which potentially subject the Company to credit risk consist principally of temporary cash balances and derivative financial instruments. The Company maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed the federally insured limits. The Company has not experienced any significant losses from such investments. The Company attempts to limit the amount of credit exposure to any one financial institution or company. The Company believes the credit quality of its counterparties is generally high. In the normal course of business, letters of credit or parent guarantees may be required for counterparties which management perceives to have a higher credit risk.

Net Income (Loss) Per Common Share

Basic earnings per share ("EPS") are computed by dividing net income (loss) attributable to common stockholders (the numerator) by the weighted average number of common shares outstanding for the period (the denominator). Diluted EPS is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares and potential common shares outstanding (if dilutive) during each period. Potential common shares include shares issuable upon exercise of stock options or warrants and vesting of restricted stock awards, and shares issuable upon conversion of the Preferred Stock or Convertible Notes (see Note 4). The number of potential common shares outstanding are calculated using the treasury stock or if-converted method.

In those reporting periods in which the Company has reported net income available to common stockholders, anti-dilutive shares generally are comprised of the restricted stock that has average unrecognized stock compensation expense greater than the average stock price. In those reporting periods in which the Company has a net loss, anti-dilutive shares are comprised of the impact of those number of shares that would have been dilutive had the Company had net income plus the number of common stock equivalents that would be anti-dilutive had the company had net income.

Restricted stock awards are excluded from the calculation of basic weighted average common shares outstanding until they vest. For restricted stock awards that vest based on achievement of performance and/or market conditions, the number of contingently issuable common shares included in diluted weighted-average common shares outstanding is based on the number of common shares, if any, that would be issuable under the terms of the arrangement if the end of the reporting period were the end of the contingency period, assuming the result would be dilutive.

The reconciliation of the denominators used to calculate basic EPS and diluted EPS for the three months ended March 31, 2023 and 2022 are as follows:

<i>(In thousands, except share and per share data)</i>	Three Months Ended March 31,	
	2023	2022
Net Income (Loss)	\$ 340,191	\$ (206,560)
Less: Cumulative Dividends on Preferred Stock	—	(3,016)
Less: Premium on Repurchase of Preferred Stock	—	(14,957)
Net (Income) Loss Attributable to Common Stockholders	<u>340,191</u>	<u>\$ (224,533)</u>
Weighted Average Common Shares Outstanding:		
Weighted Average Common Shares Outstanding – Basic	84,915,729	76,922,543
Plus: Dilutive Effect of Restricted Stock, Warrants, Preferred Shares and Convertible Notes	491,468	—
Weighted Average Common Shares Outstanding – Diluted	<u>85,407,197</u>	<u>76,922,543</u>
Net Income (Loss) per Common Share:		
Basic	\$ 4.01	\$ (2.92)
Diluted	\$ 3.98	\$ (2.92)
Shares Excluded from EPS Due to Anti-Dilutive Effect:		
Restricted Stock	610	239,033

Supplemental Cash Flow Information

The following reflects the Company's supplemental cash flow information:

<i>(In thousands)</i>	Three Months Ended March 31,	
	2023	2022
Supplemental Cash Items:		
Cash Paid During the Period for Interest, Net of Amount Capitalized	\$ 28,878	\$ 29,147
Cash Paid During the Period for Income Taxes	—	65
Non-cash Investing Activities:		
Oil and Natural Gas Properties Included in Accounts Payable and Accrued Liabilities	217,065	139,799
Capitalized Asset Retirement Obligations	962	1,586
Compensation Capitalized on Oil and Gas Properties	111	53
Issuance of Common Stock Warrants - Acquisition of Oil and Natural Gas Properties	—	17,870
Non-cash Financing Activities:		
Issuance of Common Stock Warrants - Acquisitions of Oil and Natural Gas Properties	—	17,870
Issuance of Common Stock in Exchange for Warrants	13,328	—
Common Stock Dividends Declared, But Not Paid	29,021	10,815

NOTE 3 CRUDE OIL AND NATURAL GAS PROPERTIES

The Company follows the full cost method of accounting for crude oil and natural gas operations whereby all costs related to the exploration and development of crude oil and natural gas properties are capitalized into a single cost center ("full cost pool"). Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling directly related to acquisition, and exploration activities. Internal costs that are capitalized are directly attributable to acquisition, exploration and development activities and do not include costs related to production,

general corporate overhead or similar activities. Costs associated with production and general corporate activities are expensed in the period incurred.

Under the full cost method of accounting, the Company is required to perform a ceiling test each quarter. The test determines a limit, or ceiling, on the book value of the proved oil and gas properties. Net capitalized costs are limited to the lower of unamortized cost net of deferred income taxes, or the cost center ceiling. The Company did not have any impairment of its proved oil and gas properties for the three months ended March 31, 2023 and 2022, respectively.

The book value of the Company's crude oil and natural gas properties consists of all acquisition costs (including cash expenditures and the value of stock consideration), drilling costs and other associated capitalized costs. Acquisitions are accounted for as purchases and, accordingly, the results of operations are included in the accompanying condensed statements of operations from the closing date of the acquisition. Acquired assets and liabilities assumed are recorded based on their estimated fair value at the time of the acquisition.

2023 Acquisitions

In addition to the closing of the MPDC Acquisition (defined below), during the three months ended March 31, 2023, the Company acquired oil and natural gas properties, through a number of independent transactions, for a total of \$13.0 million.

MPDC Acquisition

On January 5, 2023, the Company completed its acquisition (the "MPDC Acquisition") of certain oil and gas properties, interests and related assets from Midland Petro D.C. Partners, LLC and Collegiate Midstream LLC (collectively, "MPDC"), effective as of August 1, 2022. At closing, the Company acquired a 39.958% working interest in MPDC's four-unit development project in the Permian Midland Basin, which includes an interest in gathering assets associated with the project.

The total consideration at closing was \$319.9 million in cash. As a result of customary post-closing adjustments, the Company reduced its proved oil and natural gas properties and total consideration by \$11.3 million subsequent to closing.

The results of operations from the acquisition from the January 5, 2023 closing date through March 31, 2023, represented approximately \$7.3 million of revenue and \$16.8 million of income from operations. The Company incurred \$3.4 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the statement of operations. The following table reflects the fair values of the net assets and liabilities as of the closing date of the acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	320,395
Total assets acquired		320,395
Asset retirement obligations		(451)
Net assets acquired	\$	319,944
Fair value of consideration paid for net assets:		
Cash consideration	\$	319,944
Total fair value of consideration transferred	\$	319,944

2022 Acquisitions

During 2022, the Company completed the following larger bolt-on acquisitions (each as defined and described below): the Veritas Acquisition, the Incline Acquisition, the Laredo Acquisition, the Alpha Acquisition, and the Delaware Acquisition (collectively, the "2022 Bolt-on Acquisitions").

During 2022, in addition to the 2022 Bolt-on Acquisitions, the Company acquired oil and natural gas properties through a number of smaller independent transactions for a total of \$100.0 million.

Veritas Acquisition

On January 27, 2022, the Company completed the acquisition of certain non-operated oil and gas properties, interests and related assets in the Permian Basin from Veritas TM Resources, LLC, Veritas Permian Resources, LLC, Veritas Lone Star Resources, LLC, and Veritas MOC Resources, LLC, effective as of October 1, 2021 (the “Veritas Acquisition”).

The total consideration was \$408.8 million, which included \$390.9 million in cash and warrants to purchase 1,939,998 shares of the Company’s common stock, par value \$0.001 per share, at an exercise price equal to \$28.30 per share. The warrants had a total estimated fair value of \$17.9 million. As a result of customary post-closing adjustments, the Company further decreased its proved oil and natural gas properties and total consideration by \$3.0 million subsequent to closing.

The results of operations from the acquisition from the January 27, 2022 closing date through December 31, 2022, represented approximately \$44.1 million of revenue and \$168.0 million of income from operations. The Company incurred \$7.3 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the Company’s statement of operations. The following table reflects the fair values of the net assets and liabilities as of the date of acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	383,755
Unproved oil and natural gas properties		26,262
Total assets acquired		410,017
Asset retirement obligations		(1,219)
Net assets acquired	\$	408,798
Fair value of consideration paid for net assets:		
Cash consideration	\$	390,928
Issuance of Common Stock Warrants (1.9 million shares at \$28.30 per share)		17,870
Total fair value of consideration transferred	\$	408,798

Incline Acquisition

On August 15, 2022, the Company completed the acquisition of certain non-operated oil and gas properties, interests and related assets in the Williston Basin from Incline Bakken, LLC, effective as of April 1, 2022 (the “Incline Acquisition”).

The total consideration at closing was \$159.8 million which includes \$158.0 million in cash and \$1.8 million in value attributable to potential additional contingent consideration (described in more detail below). As a result of customary post-closing adjustments, the Company reduced its proved oil and natural gas properties and total consideration by \$6.6 million subsequent to closing.

The results of operations from the acquisition from the August 15, 2022 closing date through December 31, 2022, represented approximately \$5.3 million of revenue and \$17.0 million of income from operations. The Company incurred \$1.1 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the Company’s statement of operations. The following table reflects the fair values of the net assets and liabilities as of the closing date of the acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	160,155
Total assets acquired		160,155
Asset retirement obligations		(319)
Net assets acquired	\$	159,836
Fair value of consideration paid for net assets:		
Cash consideration	\$	157,977
Contingent consideration		1,850
Total fair value of consideration transferred	\$	159,827

A contingent consideration liability arising from potential additional consideration in connection with the Incline Acquisition was recognized at its fair value. The seller had the potential to earn up to \$5.0 million of additional cash consideration dependent upon NYMEX WTI oil pricing at the end of 2022. This contingent consideration was not earned, and there was no remaining associated liability as of December 31, 2022. The acquisition date fair value of the potential additional consideration, totaling \$1.8 million, was recorded within contingent consideration liabilities on the Company's balance sheets. Changes in the fair value of the liability (that were not accounted for as revisions of the acquisition date fair value) are recorded in other income (expense) on the Company's statement of operations.

Laredo Acquisition

On October 3, 2022, the Company completed the acquisition of certain non-operated oil and gas properties, interests and related assets in the Permian Midland Basin from Laredo Petroleum, Inc., effective as of August 1, 2022 (the "Laredo Acquisition").

The total consideration at closing was \$110.1 million in cash. As a result of customary post-closing adjustments, the Company reduced its proved oil and natural gas properties and total consideration by \$3.2 million subsequent to closing.

The results of operations from the acquisition from the October 3, 2022 closing date through December 31, 2022, represented approximately \$9.4 million of revenue and \$6.8 million of income from operations. The Company incurred \$0.8 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the Company's statement of operations. The following table reflects the fair values of the net assets and liabilities as of the closing date of the acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	110,258
Total assets acquired		110,258
Asset retirement obligations		(187)
Net assets acquired	\$	110,071
Fair value of consideration paid for net assets:		
Cash consideration	\$	110,071
Total fair value of consideration transferred	\$	110,071

Alpha Acquisition

On December 1, 2022, the Company completed the acquisition of certain non-operated oil and gas properties, interests and related assets in the Permian Midland Basin from Alpha Energy Partners, effective as of September 1, 2022 (the "Alpha Acquisition").

The total consideration at closing was \$164.0 million, which includes \$153.9 million in cash and \$10.1 million in value attributable to potential additional contingent consideration (described in more detail below). As a result of customary post-closing adjustments, the Company increased its proved oil and natural gas properties and total consideration by \$0.3 million subsequent to closing.

The results of operations from the acquisition from the December 1, 2022 closing date through December 31, 2022, represented approximately \$2.6 million of revenue and \$1.5 million of income from operations. The Company incurred \$1.3 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the Company's statement of operations. The following table reflects the fair values of the net assets and liabilities as of the closing date of the acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	164,300
Total assets acquired		164,300
Asset retirement obligations		(278)
Net assets acquired	\$	164,023
Fair value of consideration paid for net assets:		
Cash consideration	\$	153,916
Contingent consideration		10,107
Total fair value of consideration transferred	\$	164,023

A contingent consideration liability arising from potential additional consideration in connection with the Alpha Acquisition was recognized at its fair value. The seller has the potential to earn additional cash consideration dependent upon average front month NYMEX WTI oil pricing during the first six months of 2023. The amount will be determined on a sliding scale from zero additional consideration if such pricing is below \$75.00 per barrel, up to \$22.5 million of additional consideration if such pricing is at least \$87.85 per barrel. The acquisition date fair value of the potential additional consideration, totaling \$10.1 million, was recorded within contingent consideration liabilities on the Company's condensed balance sheets. Changes in the fair value of the liability are recorded in other income (expense) on the Company's condensed statement of operations. For the three months ended March 31, 2023 we recorded a \$6.2 million contingent consideration gain relating to the change in fair value of the liability.

Delaware Acquisition

On December 16, 2022, the Company completed the acquisition of certain non-operated oil and gas properties, interests and related assets in the Permian Delaware Basin from a private seller, effective as of November 1, 2022 (the "Delaware Acquisition").

The total consideration at closing was \$131.6 million in cash. As a result of customary post-closing adjustments, the Company increased its proved oil and natural gas properties and total consideration by \$0.1 million subsequent to closing.

The results of operations from the acquisition from the December 16, 2022 closing date through December 31, 2022, represented approximately \$2.2 million of revenue and \$0.7 million of income from operations. The Company incurred \$1.3 million of transaction costs in connection with the acquisition, which are included in general and administrative expense in the Company's statement of operations. The following table reflects the fair values of the net assets and liabilities as of the closing date of the acquisition:

	<i>(In thousands)</i>	
Fair value of net assets:		
Proved oil and natural gas properties	\$	131,773
Total assets acquired		131,773
Asset retirement obligations		(155)
Net assets acquired	\$	131,618
Fair value of consideration paid for net assets:		
Cash consideration	\$	131,618
Total fair value of consideration transferred	\$	131,618

Pro Forma Information

The following summarized unaudited pro forma condensed statement of operations information for the three months ended March 31, 2022, assumes that the MPDC Acquisition and each of the 2022 Bolt-on Acquisitions occurred as of January 1, 2022. There is no pro forma information included for the three months ended March 31, 2023, because the Company's actual financial results for such period fully reflect all such acquisitions. The Company prepared the following summarized unaudited pro forma financial results for comparative purposes only. The summarized unaudited pro forma information may not be indicative of the results that would have occurred had the Company completed the acquisitions as of January 1, 2022, or that would be attained in the future.

<i>(In thousands)</i>	Three Months Ended	
	March 31, 2022	
Total Revenues	\$	107,005
Net Income (Loss)		(103,782)

Unproved Properties

All properties that are not classified as proved properties are considered unproved properties and, thus, the costs associated with such properties are not subject to depletion. Once a property is classified as proved, all associated acreage and drilling costs are subject to depletion.

The Company historically has acquired unproved properties by purchasing individual or small groups of leases directly from mineral owners, landmen, or lease brokers, which leases historically have not been subject to specified drilling projects, and by purchasing lease packages in identified project areas controlled by specific operators. The Company generally participates in drilling activities on a heads up basis by electing whether to participate in each well on a well-by-well basis at the time wells are proposed for drilling.

The Company believes that the majority of its unproved costs will become subject to depletion within the next five years by proving up reserves relating to the acreage through exploration and development activities, by impairing the acreage that will expire before the Company can explore or develop it further or by determining that further exploration and development activity will not occur. The timing by which all other properties will become subject to depletion will be dependent upon the timing of future drilling activities and delineation of its reserves.

Capitalized costs associated with impaired unproved properties, which includes leases that have expired or have been deemed uneconomic, and capitalized costs related to properties having proved reserves, plus the estimated future development costs and asset retirement costs, are depleted and amortized on the unit-of-production method. Under this method, depletion is calculated at the end of each period by multiplying total production for the period by a depletion rate. The depletion rate is determined by dividing the total unamortized cost base plus future development costs by net equivalent proved reserves at the beginning of the period. The costs of unproved properties are withheld from the depletion base until such time as they are either developed or impaired. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion and full cost ceiling calculations. For the three months ended March 31, 2023 and 2022, unproved properties of \$0.6 million and \$1.3 million, respectively, were impaired.

NOTE 4 LONG-TERM DEBT

The Company's long-term debt consists of the following:

<i>(In thousands)</i>	March 31, 2023			
	Principal Balance	Unamortized Premium	Debt Issuance Costs, Net	Long-term Debt, Net
	Revolving Credit Facility ⁽¹⁾	\$ 569,000	\$ —	\$ —
Senior Notes	705,108	9,901	(11,072)	703,937
Convertible Notes	500,000	—	(15,988)	484,012
Total	<u>\$ 1,774,108</u>	<u>\$ 9,901</u>	<u>\$ (27,060)</u>	<u>\$ 1,756,949</u>

<i>(In thousands)</i>	December 31, 2022			
	Principal Balance	Unamortized Net Premium	Debt Issuance Costs, Net	Long-term Debt, Net
	Revolving Credit Facility ⁽¹⁾	\$ 319,000	\$ —	\$ —
Senior Notes	724,235	10,682	(11,946)	722,972
Convertible Notes	500,000	—	(16,558)	483,442
Total	<u>\$ 1,543,235</u>	<u>\$ 10,682</u>	<u>\$ (28,504)</u>	<u>\$ 1,525,413</u>

(1) Debt issuance costs related to the Company's Revolving Credit Facility of \$10.4 million and \$10.9 million as of March 31, 2023 and December 31, 2022, are recorded in "Other Noncurrent Assets, Net" in the balance sheets.

Revolving Credit Facility

On June 7, 2022, the Company entered into a Third Amended and Restated Credit Agreement (the "Revolving Credit Facility") with Wells Fargo Bank, National Association, as administrative agent and collateral agent ("Agent"), and the lenders from time to time party thereto, which amended and restated the Company's prior revolving credit facility that was entered into on November 22, 2019. The Revolving Credit Facility is scheduled to mature on June 7, 2027.

The Revolving Credit Facility is comprised of revolving loans and letters of credit and is subject to a borrowing base with maximum loan value to be assigned to the proved reserves attributable to the Company and its subsidiaries' (if any) oil and gas properties. As of March 31, 2023, the borrowing base was \$1.6 billion and the aggregate elected commitment amount was \$1.0 billion. The Company's borrowing availability under the Revolving Credit Facility is set at the lesser of the borrowing base and the elected commitment amount. The borrowing base will be redetermined semiannually on or around April 1st and October 1st, with one interim "wildcard" redetermination available to each of the Company and the Agent (acting at the direction of the lenders holding at least two-thirds of commitments and loans outstanding under the Revolving Credit Facility) between scheduled redeterminations. Upon an acquisition of oil and gas properties with an aggregate value exceeding 5% of the borrowing base, the Company may request an additional redetermination. The scheduled redetermination are based on a December 31st or June 30th reserve report, as applicable, prepared under the supervision of the Company's chief engineer and, in the case of the December 31st reserve report, audited by an approved petroleum engineer (reasonably acceptable to the Agent). The Company has the option to seek commitments for term loans, which such term loans (if obtained) are capped at the least of (i) the borrowing base minus the aggregate elected commitment amount minus the then-outstanding principal amount of term loans, (ii) the aggregate elected commitment amount minus the then-outstanding principal amount of term loans and (iii) \$500.0 million. Such term loans are subject to certain other terms of the Revolving Credit Facility.

At the Company's option, borrowings under the Revolving Credit Facility shall bear interest at the base rate or SOFR plus an applicable margin. Base rate loans bear interest at a rate per annum equal to the greatest of: (i) the Agent bank's prime rate; (ii) the federal funds effective rate plus 50 basis points; and (iii) the adjusted SOFR rate for a one-month interest period plus 100 basis points. The applicable margin for base rate loans ranges from 125 to 225 basis points, and the applicable margin for SOFR loans ranges from 225 to 325 basis points, in each case depending on the percentage of the borrowing base utilized.

The Revolving Credit Facility contains negative covenants that limit the Company's ability, among other things, to pay dividends, incur additional indebtedness, sell assets, enter into certain derivatives contracts, change the nature of its business or

operations, merge, consolidate, or make certain types of investments. In addition, the Revolving Credit Facility requires that the Company comply with the following financial covenants: (i) as of the date of determination, the ratio of total net debt to EBITDAX (as defined in the Revolving Credit Facility) shall be no more than 3.50 to 1.00, measured on a rolling four quarter basis, and (ii) the current ratio (defined as consolidated current assets including unused amounts of the total commitments, but excluding non-cash assets under FASB ASC 815, divided by consolidated current liabilities excluding current non-cash obligations under FASB ASC 815, current maturities under the Revolving Credit Facility and current maturities of any long-term debt) shall not be less than 1.00 to 1.00. The Company is in compliance with these financial covenants as of March 31, 2023.

The Company's obligations under the Revolving Credit Facility may be accelerated, subject to customary grace and cure periods, upon the occurrence of certain Events of Default (as defined in the Revolving Credit Facility). Such Events of Default include customary events for a financing agreement of this type, including, without limitation, payment defaults, the inaccuracy of representations and warranties, defaults in the performance of affirmative or negative covenants, defaults on other indebtedness of the Company or its subsidiaries, defaults related to judgments and the occurrence of a Change in Control (as defined in the Revolving Credit Facility).

The Company's obligations under the Revolving Credit Facility are secured by mortgages on not less than 90% of the value of proven reserves associated with the oil and gas properties included in the determination of the borrowing base. Additionally, the Company entered into a Guaranty and Collateral Agreement in favor of the Agent for the secured parties, pursuant to which the Company's obligations under the Revolving Credit Facility are secured by a first priority security interest in substantially all of the Company's assets.

Senior Notes

On February 18, 2021, the Company and Wilmington Trust, National Association, as trustee, entered into an indenture (the "Senior Notes Indenture"), pursuant to which the Company issued \$550.0 million in aggregate principal amount of 8.125% senior unsecured notes due 2028 (the "Original 2028 Notes"). On November 15, 2021, the Company issued an additional \$200.0 million aggregate principal amount of 8.125% senior notes due 2028 (the "Additional 2028 Notes" and, together with the Original 2028 Notes, the "Senior Notes"). The proceeds of the Senior Notes were used primarily to refinance existing indebtedness, and for general corporate purposes.

During the three months ended March 31, 2023, the Company repurchased and retired \$19.1 million in aggregate principal amount of the Senior Notes in open market transactions for a total of \$18.4 million in cash, plus accrued interest. During 2022, the Company repurchased and retired \$25.8 million in aggregate principal amount of the Senior Notes in open market transactions for a total of \$24.9 million in cash, plus accrued interest.

The Senior Notes will mature on March 1, 2028. Interest on the Senior Notes is payable semi-annually in arrears on each March 1 and September 1 to holders of record on the February 15 and August 15 immediately preceding the related interest payment date, at a rate of 8.125% per annum. Prior to March 1, 2024, the Company may redeem all or a part of the Senior Notes at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. On or after March 1, 2024, the Company may redeem all or a part of the Senior Notes at redemption prices (expressed as percentages of principal amount) equal to 104.063% for the twelve-month period beginning on March 1, 2024, 102.031% for the twelve-month period beginning on March 1, 2025, and 100% beginning on March 1, 2026, plus accrued and unpaid interest to the redemption date.

The Senior Notes Indenture contains covenants that, among other things, limit the Company's ability and the ability of its restricted subsidiaries, if any, to: (i) incur or guarantee additional indebtedness or issue certain types of preferred stock; (ii) pay dividends or distributions in respect of equity interests or redeem, repurchase or retire equity securities or subordinated indebtedness; (iii) transfer or sell certain assets; (iv) make investments; (v) create liens to secure indebtedness; (vi) enter into agreements that restrict dividends or other payments from any non-guarantor subsidiary to the Company; (vii) consolidate with or merge with or into, or sell substantially all of the Company's assets to, another person; (viii) enter into transactions with affiliates; and (ix) create unrestricted subsidiaries. These covenants are subject to a number of important exceptions and qualifications, and many of these covenants will be terminated if the Senior Notes achieve an investment grade rating from either Moody's Investors Services, Inc. or S&P Global Ratings.

The Senior Notes Indenture contains customary events of default, including, but not limited to: (i) default for 30 days in the payment when due of interest on the Senior Notes; (ii) default in payment when due of the principal of, or premium, if any, on the Senior Notes; (iii) failure by the Company or certain of its subsidiaries, if any, to comply with certain of their respective obligations, covenants or agreements contained in the Senior Notes or the Senior Notes Indenture, subject to certain notice and

grace periods; (iv) failure by the Company or any of its restricted subsidiaries to pay indebtedness within any applicable grace period or the acceleration of any such indebtedness if the total amount of such indebtedness exceeds \$35.0 million; (v) failure by the Company or any of its restricted subsidiaries that is a Significant Subsidiary (as defined in the Senior Notes Indenture) to pay final non-appealable judgments aggregating in excess of \$35.0 million, which judgments are not paid, discharged or stayed for a period of 60 days; (vi) except as permitted by the Senior Notes Indenture, any guarantee of the Senior Notes is held in any judicial proceeding to be unenforceable or invalid, or ceases for any reason to be in full force and effect, or is denied or disaffirmed by a Guarantor (as defined in the Senior Notes Indenture); and (vii) certain events of bankruptcy or insolvency described in the Senior Notes Indenture with respect to the Company and its restricted subsidiaries that are Significant Subsidiaries.

Convertible Notes

On October 14, 2022, the Company and Wilmington Trust, National Association, as trustee, entered into an indenture (the “Convertible Notes Indenture”), pursuant to which the Company issued \$500.0 million in aggregate principal amount of 3.625% convertible senior notes due 2029 (the “Convertible Notes”). The proceeds of the Convertible Notes were used to refinance existing indebtedness and for other general corporate purposes. The Convertible Notes mature on April 15, 2029, unless earlier repurchased, redeemed or converted. The Convertible Notes accrue interest at a rate of 3.625% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on April 15, 2023.

Before October 16, 2028, noteholders have the right to convert their Convertible Notes only upon the occurrence of certain events. From and after October 16, 2028, noteholders may convert their Convertible Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will have the right to elect to settle conversions either entirely in cash or in a combination of cash and shares of its common stock. However, upon conversion of any Convertible Notes, the conversion value, which will be determined over a period of 40 trading days, will be paid in cash up to at least the principal amount of the Convertible Notes being converted. The initial conversion rate was 26.3104 shares of common stock per \$1,000 principal amount of Convertible Notes, which represented an initial conversion price of approximately \$38.01 per share of common stock. The conversion rate and conversion price are subject to customary anti-dilution and other adjustments upon the occurrence of certain events. As of March 31, 2023, the conversion rate was 26.3464 shares of common stock per \$1,000 principal amount of Convertible Notes, which represented a conversion price of approximately \$37.96 per share of common stock. In addition, if certain corporate events that constitute a “Make-Whole Fundamental Change” (as defined in the Convertible Notes Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Convertible Notes are redeemable, in whole or in part (subject to certain limitations), at the Company’s option at any time, and from time to time, on or after April 15, 2026 and on or before the 40th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company sends the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice. In addition, calling any Convertible Note for redemption will constitute a Make-Whole Fundamental Change with respect to that Convertible Note, in which case the conversion rate applicable to the conversion of that Convertible Note will be increased in certain circumstances if it is converted after it is called for redemption.

If certain corporate events that constitute a “Fundamental Change” (as defined in the Convertible Notes Indenture) occur, then, subject to a limited exception for certain cash mergers, noteholders may require the Company to repurchase their Convertible Notes at a cash repurchase price equal to the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. The definition of Fundamental Change includes certain business combination transactions involving the Company and certain de-listing events with respect to the Company’s common stock.

The Convertible Notes have customary provisions relating to the occurrence of “Events of Default” (as defined in the Convertible Notes Indenture), which include the following: (i) certain payment defaults on the Convertible Notes due 2029 (which, in the case of a default in the payment of interest on the Convertible Notes, will be subject to a 30-day cure period); (ii) the Company’s failure to send certain notices under the Convertible Notes Indenture within specified periods of time; (iii) the Company’s failure to comply with certain covenants in the Convertible Notes Indenture relating to the Company’s ability to consolidate with or merge with or into, or sell, lease or otherwise transfer, in one transaction or a series of transactions, all or substantially all of the assets of the Company and any subsidiaries that the Company may form or acquire in the future, taken as a whole, to another person; (iv) a default by the Company in certain of its other obligations or agreements under the Convertible

Notes Indenture or the Convertible Notes if such default is not cured or waived within 60 days after notice is given in accordance with the Convertible Notes Indenture; (v) certain defaults by the Company or any subsidiaries that the Company may form or acquire in the future with respect to indebtedness for borrowed money of at least \$50.0 million; (vi) the rendering of certain judgments against the Company or any of its subsidiaries for the payment of at least \$50.0 million, where such judgments are not paid, discharged or stayed within 60 days after the date on which the right to appeal has expired or on which all rights to appeal have been extinguished; and (vii) certain events of bankruptcy, insolvency and reorganization involving the Company or any of the Company's significant subsidiaries that the Company may form or acquire in the future.

If an Event of Default involving bankruptcy, insolvency or reorganization events with respect to the Company (and not solely with respect to any significant subsidiary that the Company may form or acquire in the future) occurs, then the principal amount of, and all accrued and unpaid interest on, all of the Convertible Notes then outstanding will immediately become due and payable without any further action or notice by any person. If any other Event of Default occurs and is continuing, then, the Trustee, by notice to the Company, or noteholders of at least 25% of the aggregate principal amount of Convertible Notes then outstanding, by notice to the Company and the Trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the Convertible Notes then outstanding to become due and payable immediately. However, notwithstanding the foregoing, the Company may elect, at its option, that the sole remedy for an Event of Default relating to certain failures by the Company to comply with certain reporting covenants in the Convertible Notes Indenture consists exclusively of the right of the noteholders to receive special interest on the Convertible Notes for up to 365 days at a specified rate per annum not exceeding 0.25% on the principal amount of the Convertible Notes for the first 180 days and, thereafter, at a specified rate per annum not exceeding 0.50% on the principal amount of the Convertible Notes.

Capped Call Transactions

In October 2022, in connection with the Convertible Notes offering described above, the Company entered into privately negotiated capped call transactions (the "Capped Call Transactions") with certain of the initial purchasers of the Convertible Notes and/or their respective affiliates and/or other financial institutions. The Company paid \$36.1 million in total consideration to enter into the Capped Call Transactions. The Capped Call Transactions cover, subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Convertible Notes, the number of shares of common stock initially underlying the Convertible Notes. The Capped Call Transactions are expected generally to reduce potential dilution to the common stock upon any conversion of Convertible Notes and/or offset any potential cash payments the Company is required to make in excess of the principal amount of such converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap. The cap price of the Capped Call Transactions was initially approximately \$52.17 per share of common stock, which represents a premium of 75% over the last reported sale price of the common stock of \$29.81 per share on October 11, 2022, and is subject to certain customary adjustments under the terms of the Capped Call Transactions. As of March 31, 2023, the cap price of the Capped Call Transactions was approximately \$52.10 per share of common stock.

NOTE 5 COMMON AND PREFERRED STOCK

Common Stock

The Company is authorized to issue up to 135,000,000 shares of common stock, par value \$0.001 per share. As of March 31, 2023, the Company had 85,370,223 shares of common stock issued and outstanding.

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock, par value \$0.001 per share, with such designations, voting and other rights and preferences as may be determined from time to time by the Company's Board of Directors. As of March 31, 2023, the Company had zero shares of preferred stock issued and outstanding.

2023 Activity

Common Stock

During the three months ended March 31, 2023, 98,052 shares of common stock were surrendered by certain employees of the Company to cover tax obligations in connection with their restricted stock awards. The total value of these shares was approximately \$2.6 million, which is based on the market prices on the dates the shares were surrendered.

During the three months ended March 31, 2023, the Company issued 403,780 shares of common stock in exchange for the surrender and cancellation of a portion of the warrants originally issued by the Company at closing of the Veritas Acquisition, which immediately prior to their cancellation were exercisable for an aggregate of approximately 824,602 shares of common stock at an exercise price of \$27.4946 per share.

Dividends

In February 2023, the Company's Board of Directors declared a cash dividend on the Company's common stock in the amount of \$0.34 per share. The dividend was paid on April 28, 2023 to stockholders of record as of the close of business on March 30, 2023.

Stock Repurchase Program

In May 2022, the Company's Board of Directors approved a stock repurchase program to acquire up to \$50.0 million of the Company's outstanding common stock. The stock repurchase program allows the Company to repurchase its shares from time to time in the open market, block transactions and in negotiated transactions.

During the three months ended March 31, 2023, the Company repurchased 287,751 shares of its common stock under the stock repurchase program at a total cost of \$0.0 million. During the three months ended March 31, 2022, the Company did not repurchase shares of its common stock under the stock repurchase program.

The Company's accounting policy upon the repurchase of shares is to deduct its par value from common stock and to reflect any excess of cost over par value as a deduction from Additional Paid-in Capital. All repurchased shares are included in the Company's pool of authorized but unissued shares.

NOTE 6 STOCK-BASED COMPENSATION AND WARRANTS

Stock-Based Compensation

The Company maintains its 2018 Equity Incentive Plan (the "2018 Plan"), for making equity-based awards to employees, directors and other eligible persons. As of March 31, 2023, there were 273,141 shares available for future awards under the 2018 Plan.

The Company recognizes the fair value of stock-based compensation awards expected to vest over the requisite service period as a charge against earnings, net of amounts capitalized. The Company's stock-based compensation awards are accounted for as equity instruments and are included in the "General and administrative expenses" line item in the unaudited statements of operations. The Company capitalizes a portion of stock-based compensation for employees who are directly involved in the acquisition of oil and natural gas properties into the full cost pool. Capitalized stock-based compensation is included in the "Oil and natural gas properties" line item in the unaudited balance sheet.

The 2018 Plan award types are summarized as follows:

Restricted Stock Awards

The Company issues restricted stock awards ("RSAs") subject to various vesting conditions as compensation to executive officers, employees and directors of the Company. RSAs issued to employees and executive officers generally vest over three years, provided that any performance and/or market conditions are also met. RSAs issued to directors generally vest over one year, provided that any performance and/or market conditions are also met. For RSAs subject to service and/or performance vesting conditions, the grant-date fair value is established based on the closing price of the Company's common stock on such date. Stock-based compensation expense for awards subject to only service conditions is recognized on a straight-line basis over the service period. Stock-based compensation expense for awards with both service and performance conditions is recognized on a graded basis only if it is probable that the performance condition will be achieved. The Company accounts for forfeitures of awards granted under these plans as they occur in determining stock-based compensation expense.

For awards subject to a market condition, the grant-date fair value is estimated using a Monte Carlo valuation model. The Company recognizes stock-based compensation expense for awards subject to market-based vesting conditions regardless of whether it becomes probable that these conditions will be achieved or not, and stock-based compensation expense for any such awards is not reversed if vesting does not actually occur. The Monte Carlo model is based on random projections of stock price

paths and must be repeated numerous times to achieve a probabilistic assessment. Expected volatility is calculated based on the historical volatility and implied volatility of the Company's common stock, and the risk-free interest rate is based on U.S. Treasury yield curve rates with maturities consistent with the three-year vesting period.

The following table reflects the outstanding RSAs and activity related thereto for the three months ended March 31, 2023:

	Service-based Awards	
	Number of Shares	Weighted-average Grant Date Fair Value
Outstanding at December 31, 2022	316,333	\$ 16.39
Shares granted	193,293	32.83
Shares forfeited	(6,854)	21.37
Shares vested	(219,284)	16.68
Outstanding at March 31, 2023	283,488	\$ 24.38

At March 31, 2023, there was \$4.8 million of total unrecognized compensation expense related to unvested RSAs. That cost is expected to be recognized over a weighted average period of 1.02 years. For the three months ended March 31, 2023 and 2022, the total fair value of the Company's restricted stock awards vested was \$5.5 million and \$4.6 million, respectively.

Performance Equity Awards

In April 2022, the Company granted performance equity awards under its 2022 executive compensation program to certain executive officers. The awards were subject to a market condition, which was based on a comparison of the Company versus a defined peer group with respect to total shareholder return ("TSR") based on the last 20 trading days of 2022 compared to the same period of 2021. Depending on the Company's TSR relative to the defined peer group, the award recipients in the aggregate could earn between zero and \$2.4 million in the form of awards expected to be settled in restricted shares. In January 2023, the Company issued 74,220 restricted shares of common stock in settlement of these awards, with service-based vesting over three years. For the three months ended March 31, 2023, the Company recorded \$0.2 million of compensation expense in connection with the performance equity awards.

Warrants

In January 2022, the Company issued common stock warrants as a part of the Veritas Acquisition as purchase consideration. These warrants gave holders the right to purchase 1,939,998 shares of the Company's common stock at an exercise price equal to \$28.30 per share (subject to certain anti-dilution adjustments), had a total fair value of \$17.9 million at issuance, and are generally exercisable from April 27, 2022 until January 27, 2029. The fair value of the warrants at issuance was determined by utilizing an Option Pricing Model, which used the market value of the Company's common stock on the issue date, an exercise price of \$28.30, an implied volatility of 60%, a risk-free rate of 2.14% and an implied dividend yield of 3.00%.

In March 2023, the Company issued 403,780 shares of common stock in exchange for the surrender and cancellation of a portion of the warrants originally issued by the Company at closing of the Veritas Acquisition, which immediately prior to their cancellation were exercisable for an aggregate of approximately 824,602 shares of common stock at an exercise price of \$27.4946 per share. Neither the Company nor the holders paid any cash consideration in the transaction.

The following table reflects the outstanding warrants and activity related thereto for the three months ended March 31, 2023:

	Warrants	
	Number of Warrants	Weighted-average Exercise Price
Outstanding at December 31, 2022	1,996,829	\$ 27.49
Issued	—	—
Anti-Dilution Adjustments for Common Stock Dividends	13,609	27.49
Exercised	—	—
Cancelled	(824,602)	27.49
Expired	—	—
Outstanding at March 31, 2023	1,185,836	\$ 27.18

NOTE 7 RELATED PARTY TRANSACTIONSPreferred Stock Repurchase

During February 2022, we entered into and closed three separate stock repurchase agreements pursuant to which we repurchased an aggregate of 71,894 shares of the Company's 6.500% Series A Perpetual Cumulative Convertible Preferred Stock, par value \$0.001 per share ("Series A Preferred Stock"), on identical financial terms from each party for an aggregate purchase price of approximately \$9.5 million in cash. Of the total amount, 21,894 shares were repurchased from affiliates of TRT Holdings, Inc. for \$2.9 million in cash. Two of our directors were employed by TRT Holdings, Inc., which together with its affiliates beneficially owned more than 10% of our outstanding common stock at the time of the transactions described in this paragraph.

The Company's Audit Committee is responsible for approving all transactions involving related parties.

NOTE 8 COMMITMENTS & CONTINGENCIESLitigation

The Company is engaged in various proceedings incidental to the normal course of business. Due to their nature, such legal proceedings involve inherent uncertainties, including but not limited to court rulings, negotiations between affected parties and governmental intervention. Based upon the information available to the Company and discussions with legal counsel, it is the Company's opinion that the outcome of the various legal actions and claims that are incidental to its business will not have a material impact on the Company's financial position, results of operations or cash flows. Such matters, however, are subject to many uncertainties, and the outcome of any matter is not predictable with assurance.

NOTE 9 INCOME TAXES

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date income, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The provision for income taxes for the three months ended March 31, 2023 and 2022 differs from the amount that would be provided by applying the statutory U.S. federal income tax rate of 21% to pre-tax income primarily due to the recognition of a full valuation allowance during the three months ended March 31, 2023 and 2022, respectively.

In assessing the realizability of deferred tax assets ("DTAs"), management considers whether it is more likely than not that some portion, or all, of the Company's DTAs will not be realized. In making such determination, the Company considers all available positive and negative evidence, including (i) its earnings history, (ii) its ability to recover net operating loss carry-forwards, (iii) the projected future income and results of operations, and (iv) its ability to use tax planning strategies. If the Company concludes that it is more likely than not that some portion, or all, of its DTAs will not be realized, the tax asset is reduced by a valuation allowance. The Company assesses the appropriateness of its valuation allowance on a quarterly basis. We intend to continue maintaining a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of any portion of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. It is reasonably possible that sufficient positive evidence will exist within the next 12 months, and as soon as the second quarter of

2023, to release our current valuation allowance position which would be indicative of our ability to utilize deferred tax assets in the future. The exact timing and amount of the valuation allowance release are subject to change based on the evaluation of all evidence and actual results, including, but not limited to, the level of profitability that we are forecasted to achieve in future periods. At March 31, 2023 and December 31, 2022, the Company maintains a full valuation allowance on its net DTAs.

NOTE 10 FAIR VALUE

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Financial Assets and Liabilities

As required, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The following tables set forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of March 31, 2023 and December 31, 2022:

	Fair Value Measurements at March 31, 2023 Using		
	Quoted Prices In Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>			
Commodity Derivatives – Current Assets	\$ —	\$ 72,156	\$ —
Commodity Derivatives – Noncurrent Assets	—	14,495	—
Commodity Derivatives – Current Liabilities	—	(27,560)	—
Commodity Derivatives – Noncurrent Liabilities	—	(156,603)	—
Contingent Consideration – Current Liabilities	—	(3,931)	—
Total	<u>\$ —</u>	<u>\$ (101,445)</u>	<u>\$ —</u>

	Fair Value Measurements at December 31, 2022 Using		
	Quoted Prices In Active Markets for Identical Assets (Liabilities) (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(In thousands)</i>			
Commodity Derivatives – Current Assets	\$ —	\$ 34,276	\$ —
Commodity Derivatives – Noncurrent Assets	—	12,547	—
Commodity Derivatives – Current Liabilities	—	(58,418)	—
Commodity Derivatives – Noncurrent Liabilities	—	(225,905)	—
Interest Rate Derivatives - Noncurrent Assets	—	1,017	—
Contingent Consideration – Current Liabilities	—	(10,107)	—
Total	\$ —	\$ (246,590)	\$ —

Subsequent to the issuance of the Company's financial statements as of and for the period ended December 31, 2022, the Company identified an immaterial error in the presentation of the Fair Value footnote disclosure in which the line item "Contingent Consideration – Current Liabilities" was improperly presented as a positive value as opposed to a negative value. Accordingly, within the "Contingent Consideration – Current Liabilities" line included in the table above, the Company has corrected the amount in the line item and total for the table as of December 31, 2022. Management evaluated the materiality of this error from quantitative and qualitative perspectives and concluded the error was immaterial to the prior period. The error did not impact the balance sheet, statement of operations, statement of cash flows, or statement of stockholder's equity.

Commodity Derivatives. The Level 2 instruments presented in the tables above consist of commodity derivative instruments (see Note 11). The fair value of the Company's commodity derivative instruments is determined based upon future prices, volatility and time to maturity, among other things. Counterparty statements are utilized to determine the value of the commodity derivative instruments and are reviewed and corroborated using various methodologies and significant observable inputs. The Company's and the counterparties' nonperformance risk is evaluated. The fair value of commodity derivative contracts is reflected in the condensed balance sheet. The current derivative asset and liability amounts represent the fair values expected to be settled in the subsequent twelve months.

Interest Rate Derivatives. The Level 2 instruments presented in the tables above consist of interest rate derivative instruments (see Note 11). The fair value of the Company's interest rate derivative instruments is determined based upon contracted notional amounts, active market-quoted interest yield curves, and time to maturity, among other things. Counterparty statements are utilized to determine the value of the interest rate derivative instruments and are reviewed and corroborated using various methodologies and significant observable inputs. The Company's and the counterparties' nonperformance risk is evaluated. The fair value of interest rate derivative contracts is reflected in the condensed balance sheet. The current derivative asset and liability amounts represent the fair values expected to be settled in the subsequent twelve months.

Contingent Consideration. These Level 2 instruments presented in the tables above consist of contingent consideration liabilities potentially payable by the Company in connection with the Alpha Acquisition (see Note 3). The fair value of these liabilities was estimated using observable market data (NYMEX WTI forward price curve) and Monte Carlo simulation models. The acquisition date fair values were recorded within contingent consideration liabilities on the Company's balance sheets. Changes in the fair value of the liability are recorded in other income (expense) in the Company's statement of operations.

Fair Value of Other Financial Instruments

The carrying amounts of cash equivalents, receivables and payables approximate fair value due to the highly liquid or short-term nature of these instruments.

Long-term debt is not presented at fair value in the balance sheets, as it is recorded at carrying value, net of unamortized debt issuance costs and unamortized premium (see Note 4). The fair value of the Company's Senior Notes and Convertible Notes was \$699.8 million and \$535.0 million, respectively, at March 31, 2023. The fair value of the Company's Senior Notes and Convertible Notes are based on market quotes, that represent Level 2 inputs.

There is no active market for the Revolving Credit Facility. The recorded value of the Revolving Credit Facility approximates its fair value because of its floating rate structure based on the SOFR spread, secured interest, and the Company's borrowing base utilization. The fair value measurement for the Revolving Credit Facility represents Level 2 inputs.

Non-Financial Assets and Liabilities

The Company estimates asset retirement obligations pursuant to the provisions of ASC Topic 410, Asset Retirement and Environmental Obligations. The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and natural gas properties. Given the unobservable nature of the inputs, including plugging costs and reserve lives, the initial measurement of the asset retirement obligations liability is deemed to use Level 3 inputs. Asset retirement obligations incurred and acquired during the three months ended March 31, 2023 were approximately \$0.8 million.

The Company accounts for acquisitions of oil and natural gas properties under the acquisition method of accounting. Accordingly, the Company conducts assessments of net assets acquired and recognizes amounts for identifiable assets acquired and liabilities assumed at the estimated acquisition date fair values, while transaction costs associated with the acquisitions are expensed as incurred. The Company makes various assumptions in estimating the fair values of assets acquired and liabilities assumed. The most significant assumptions relate to the estimated fair value of oil and natural gas properties. The fair value of these properties is measured using a discounted cash flow model that converts future cash flows to a single discounted amount. These assumptions represent Level 3 inputs under the fair value hierarchy. See Note 3 for additional discussion of the Company's acquisitions of oil and natural gas properties during the three months ended March 31, 2023 and discussion of the significant inputs to the valuations.

Though the Company believes the methods used to estimate fair value are consistent with those used by other market participants, the use of other methods or assumptions could result in a different estimate of fair value. There were no transfers of financial assets or liabilities between Level 1, Level 2 or Level 3 inputs for the three months ended March 31, 2023.

NOTE 11 DERIVATIVE INSTRUMENTS AND PRICE RISK MANAGEMENT

The Company utilizes various commodity price derivative instruments to (i) reduce the effects of volatility in price changes on the crude oil and natural gas commodities it produces and sells, (ii) reduce commodity price risk and (iii) provide a base level of cash flow in order to assure it can execute at least a portion of its capital spending. In addition, from time to time the Company utilizes interest rate swaps to mitigate exposure to changes in interest rates on the Company's variable-rate indebtedness.

All derivative instruments are recorded in the Company's balance sheet as either assets or liabilities measured at their fair value (see Note 10). The Company has not designated any derivative instruments as hedges for accounting purposes and does not enter into such instruments for speculative trading purposes. If a derivative does not qualify as a hedge or is not designated as a hedge, the changes in the fair value are recognized in the Company's condensed statements of operations as a gain or loss on derivative instruments. Mark-to-market gains and losses represent changes in fair values of derivatives that have not been settled. The Company's cash flow is only impacted when the actual settlements under the derivative contracts result in making or receiving a payment to or from the counterparty. These cash settlements represent the cumulative gains and losses on the Company's derivative instruments for the periods presented and do not include a recovery of costs that were paid to acquire or modify the derivative instruments that were settled.

The Company has master netting agreements on individual derivative instruments with certain counterparties and therefore the current asset and liability are netted in the balance sheet and the non-current asset and liability are netted in the balance sheet for contracts with these counterparties.

Commodity Derivative Instruments

The following table presents settlements on commodity derivative instruments and unsettled gains and losses on open commodity derivative instruments for the periods presented which is recorded in the revenue section of our condensed financial statements:

<i>(In thousands)</i>	Three Months Ended	
	March 31,	
	2023	2022
Cash Received (Paid) on Settled Derivatives	\$ 13,670	\$ (105,161)
Non-Cash Mark-to-Market Gain (Loss) on Derivatives	139,987	(384,227)
Gain (Loss) on Commodity Derivatives, Net	\$ 153,656	\$ (489,388)

The following table summarizes open commodity derivative positions as of March 31, 2023, for commodity derivatives that were entered into through March 31, 2023, for the settlement period presented:

	2023	2024	2025
Oil:			
WTI NYMEX - Swaps:			
Volume (Bbl)	5,668,750	2,177,775	—
Weighted-Average Price (\$/Bbl)	\$ 76.34	\$ 75.98	\$ —
WTI NYMEX - Swaptions ⁽¹⁾⁽²⁾ :			
Volume (Bbl)	—	2,424,750	684,375
Weighted-Average Price (\$/Bbl)	\$ —	\$ 67.61	\$ 61.68
Argus American Crude WTI Midland to WTI NYMEX - Basis Swaps:			
Volume (Bbl)	1,715,000	2,562,000	730,000
Weighted-Average Price (\$/Bbl)	\$ 1.39	\$ 1.30	\$ 1.00
WTI NYMEX - Call Options ⁽¹⁾⁽³⁾ :			
Volume (Bbl)	281,875	3,452,210	2,647,345
Weighted-Average Price (\$/Bbl)	\$ 71.55	\$ 65.54	\$ 71.54
WTI NYMEX - Collars:			
Collar Put Volume (Bbl)	3,463,250	3,081,250	478,500
Collar Call Volume (Bbl)	4,367,700	4,554,150	774,750
Weighted-average floor price (Bbl)	\$ 72.98	\$ 69.94	\$ 70.00
Weighted-average ceiling price (Bbl)	\$ 87.81	\$ 84.94	\$ 78.42
Natural Gas:			
Henry Hub NYMEX - Swaps:			
Volume (MMBtu)	16,036,000	9,795,000	1,670,000
Weighted-Average Price (\$/MMBtu)	\$ 4.43	\$ 4.14	\$ 4.00
Waha Inside FERC to Henry Hub - Basis Swaps:			
Volume (MMBtu)	1,925,000	2,562,000	2,128,000
Weighted-Average Differential (\$/MMBtu)	\$ (1.53)	\$ (1.53)	\$ (1.53)
NE - TETCO M2 - Basis Swaps:			
Volume (MMBtu)	11,155,000	3,660,000	—
Weighted-Average Differential (\$/MMBtu)	\$ (1.04)	\$ (1.24)	\$ —
Henry Hub NYMEX - Call Options:			
Volume (MMBtu)	—	5,490,000	5,475,000
Weighted-Average Price (\$/MMBtu)	\$ —	\$ 3.87	\$ 3.87
Henry Hub NYMEX - Collars:			
Collar Put Volume (MMBtu)	14,547,500	1,820,000	—
Collar Call Volume (MMBtu)	14,547,500	1,820,000	—
Weighted-average floor price (\$/MMBtu)	\$ 4.16	\$ 4.00	\$ —
Weighted-average ceiling price (\$/MMBtu)	\$ 6.75	\$ 8.02	\$ —

⁽¹⁾ Swaptions are crude oil derivative contracts that give counterparties the option to extend certain derivative contracts for additional periods. Call Options are crude oil derivative contracts sold by the Company that give counterparties the option to exercise certain derivative contracts. The volumes and prices reflected as Swaptions and Call Options in this table will only be effective if the options are exercised by the applicable counterparties.

⁽²⁾ In 2026, NOG has 1,827,920 Bbl open swaption contracts at a weighted average price of \$62.29 per Bbl.

⁽³⁾ In 2026, NOG has 3,102,500 Bbl open call option contracts at a weighted average price of \$72.59 per Bbl.

Interest Rate Derivative Instruments

At times, the Company uses interest rate swaps to effectively convert a portion of its variable rate indebtedness to fixed rate indebtedness. As of March 31, 2023, the Company had no interest rate swaps. The settlement of these derivative instruments is recognized as a component of interest expense in the condensed statements of operations. The mark-to-market component of

these derivative instruments is recognized in gain (loss) on unsettled interest rate derivatives, net in the condensed statements of operations.

Other Information Regarding Derivative Instruments

The following table sets forth the amounts, on a gross basis, and classification of the Company's outstanding derivative financial instruments at March 31, 2023 and December 31, 2022, respectively. Certain amounts may be presented on a net basis in the condensed financial statements when such amounts are with the same counterparty and subject to a master netting arrangement.

(In thousands)

Type of Commodity	Balance Sheet Location	March 31, 2023 Estimated Fair Value	December 31, 2022 Estimated Fair Value
Derivative Assets:			
Commodity Price Swap Contracts	Current Assets	\$ 58,449	\$ 30,513
Commodity Basis Swap Contracts	Current Assets	1,397	5,620
Commodity Price Collar Contracts	Current Assets	54,439	40,652
Commodity Price Call Option Contracts	Current Assets	10,062	—
Interest Rate Swap Contracts	Current Assets	—	1,017
Commodity Price Swap Contracts	Noncurrent Assets	13,402	11,490
Commodity Basis Swap Contracts	Noncurrent Assets	388	547
Commodity Price Collar Contracts	Noncurrent Assets	27,612	29,538
Commodity Price Call Option Contracts	Noncurrent Assets	9,905	—
Total Derivative Assets		\$ 175,653	\$ 119,377
Derivative Liabilities:			
Commodity Price Swap Contracts	Current Liabilities	\$ (20,737)	\$ (53,386)
Commodity Basis Swap Contracts	Current Liabilities	(4,792)	(4,407)
Commodity Price Swaptions Contracts	Current Liabilities	(6,711)	—
Commodity Price Collar Contracts	Current Liabilities	(21,062)	(29,218)
Commodity Price Call Option Contracts	Current Liabilities	(26,448)	(13,916)
Commodity Price Swap Contracts	Noncurrent Liabilities	(3,672)	(8,343)
Commodity Basis Swap Contracts	Noncurrent Liabilities	(3,511)	(3,071)
Commodity Price Collar Contracts	Noncurrent Liabilities	(22,989)	(33,210)
Commodity Price Call Option Contracts	Noncurrent Liabilities	(112,106)	(132,794)
Commodity Price Swaptions Contracts	Noncurrent Liabilities	(51,137)	(77,515)
Total Derivative Liabilities		\$ (273,166)	\$ (355,860)

The use of derivative transactions involves the risk that the counterparties will be unable to meet the financial terms of such transactions. When the Company has netting arrangements with its counterparties that provide for offsetting payables against receivables from separate derivative instruments these assets and liabilities are netted in the balance sheet. The tables presented below provide reconciliation between the gross assets and liabilities and the amounts reflected in the balance sheet. The amounts presented exclude derivative settlement receivables and payables as of the balance sheet dates.

Estimated Fair Value at March 31, 2023			
<i>(In thousands)</i>	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets (Liabilities) Presented on the Balance Sheet
Offsetting of Derivative Assets:			
Current Assets	\$ 124,346	\$ (52,191)	\$ 72,156
Non-Current Assets	51,306	(36,811)	14,495
Total Derivative Assets	\$ 175,653	\$ (89,002)	\$ 86,650
Offsetting of Derivative Liabilities:			
Current Liabilities	\$ (79,751)	\$ 52,191	\$ (27,560)
Non-Current Liabilities	(193,415)	36,811	(156,603)
Total Derivative Liabilities	\$ (273,166)	\$ 89,002	\$ (184,164)

Estimated Fair Value at December 31, 2022			
<i>(In thousands)</i>	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets (Liabilities) Presented on the Balance Sheet
Offsetting of Derivative Assets:			
Current Assets	\$ 77,802	\$ (42,509)	\$ 35,293
Non-Current Assets	41,575	(29,028)	12,547
Total Derivative Assets	\$ 119,377	\$ (71,537)	\$ 47,840
Offsetting of Derivative Liabilities:			
Current Liabilities	\$ (100,927)	\$ 42,509	\$ (58,418)
Non-Current Liabilities	(254,933)	29,028	(225,905)
Total Derivative Liabilities	\$ (355,860)	\$ 71,537	\$ (284,324)

All of the Company's outstanding derivative instruments are covered by International Swap Dealers Association Master Agreements ("ISDAs") entered into with parties that are also lenders under the Company's Revolving Credit Facility. The Company's obligations under the derivative instruments are secured pursuant to the Revolving Credit Facility, and no additional collateral had been posted by the Company as of March 31, 2023. The ISDAs may provide that as a result of certain circumstances, such as cross-defaults, a counterparty may require all outstanding derivative instruments under an ISDA to be settled immediately. See Note 10 for the aggregate fair value of all derivative instruments that were in a net liability position at March 31, 2023 and December 31, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Concerning Forward-Looking Statements

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf may make forward-looking statements to inform existing and potential security holders about our company. All statements other than statements of historical facts included in this report regarding our financial position, business strategy, plans and objectives of management for future operations, industry conditions, indebtedness covenant compliance, capital expenditures, production, cash flow, borrowing base under our Revolving Credit Facility, our intention or ability to pay or increase dividends on our capital stock, and impairment are forward-looking statements. When used in this report, forward-looking statements are generally accompanied by terms or phrases such as "estimate," "project," "predict," "believe," "expect," "continue," "anticipate," "target," "could," "plan," "intend," "seek," "goal," "will," "should," "may" or other words and similar expressions that convey the uncertainty of future events or outcomes. Items contemplating or making assumptions about actual or potential future production sales, market size, collaborations, cash flows, and trends or operating results also constitute such forward-looking statements.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our company's control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following:

- changes in crude oil and natural gas prices, the pace of drilling and completions activity on our current properties and properties pending acquisition, infrastructure constraints and related factors affecting our properties;
- cost inflation or supply chain disruptions, ongoing legal disputes over and potential shutdown of the Dakota Access Pipeline;
- our ability to acquire additional development opportunities, potential or pending acquisition transactions, the projected capital efficiency savings and other operating efficiencies and synergies resulting from our acquisition transactions, integration and benefits of property acquisitions, or the effects of such acquisitions on our company's cash position and levels of indebtedness;
- changes in our reserves estimates or the value thereof, disruption to our company's business due to acquisitions and other significant transactions;
- general economic or industry conditions, nationally and/or in the communities in which our company conducts business;
- changes in the interest rate environment, legislation or regulatory requirements;
- conditions of the securities markets;
- risks associated with our Convertible Notes, including the potential impact that the Convertible Notes may have on our financial position and liquidity, potential dilution, and that provisions of the Convertible Notes could delay or prevent a beneficial takeover of our company;
- the potential impact of the capped call transaction undertaken in tandem with the Convertible Notes issuance, including counterparty risk;
- increasing attention to environmental, social and governance matters;
- our ability to consummate any pending acquisition transactions;
- other risks and uncertainties related to the closing of pending acquisition transactions;
- our ability to raise or access capital;
- cyber-incidents could have a material adverse effect on our business, financial condition or results of operations;
- changes in accounting principles, policies or guidelines;
- events beyond our control, including a global or domestic health crisis, acts of terrorism, political or economic instability or armed conflict in oil and gas producing regions; and
- other economic, competitive, governmental, regulatory and technical factors affecting our operations, products and prices.

We have based any forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. Accordingly, results actually achieved may differ materially from expected results described in these statements. Forward-looking statements speak only as of the date they are made. You should consider carefully the statements in the section entitled "Item 1A. Risk Factors" and other sections of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, as updated by subsequent reports we file with the SEC (including

this report), which describe factors that could cause our actual results to differ from those set forth in the forward-looking statements. Our company does not undertake, and specifically disclaims, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Overview

Our primary strategy is to invest in non-operated minority working and mineral interests in oil and gas properties, with a core area of focus in the premier basins within the United States. Using this strategy, we had participated in 8,863 gross (827.8 net) producing wells as of March 31, 2023. As of March 31, 2023, we had leased approximately 259,890 net acres, of which approximately 88% were developed and all were located in the United States.

We have grown and diversified our business significantly over the last several years. Prior to 2020, we focused our operations exclusively on oil-weighted properties in the Williston Basin. Since then, we have diversified outside the Williston Basin via a number of larger acquisitions, including the acquisition of natural gas properties in the Appalachian Basin in 2021 and through a number of acquisitions in the Permian Basin from 2021 through 2023. We have also grown our legacy Williston Basin position via acquisitions. See Note 3 to our condensed financial statements for further details regarding our recent acquisition activity.

Our average daily production in the first quarter of 2023 was approximately 87,385 Boe per day, of which approximately 62% was oil. This was a 23% increase in production compared to the first quarter of 2022, primarily due to production attributable to recent acquisitions and new wells added to production. During the three months ended March 31, 2023, we added 13.1 net wells to production (excluding wells added at closing of the MPDC Acquisition).

Our percentage of production volumes by basin for the three months ended March 31, 2023 and 2022 were as follows:

	Three Months Ended March 31, 2023				Three Months Ended March 31, 2022			
	Williston	Permian	Appalachian	Total	Williston	Permian	Appalachian	Total
Oil (Bbl)	73 %	69 %	— %	62 %	73 %	67 %	— %	60 %
Natural Gas and NGLs (Mcf)	27 %	31 %	100 %	38 %	27 %	33 %	100 %	40 %
Total (Boe)	52 %	35 %	13 %	100 %	64 %	20 %	16 %	100 %

Source of Our Revenues

We derive our revenues from the sale of oil, natural gas and NGLs produced from our properties. Revenues are a function of the volume produced, the prevailing market price at the time of sale, oil quality, Btu content and transportation costs to market. We use derivative instruments to hedge future sales prices on a substantial, but varying, portion of our oil and natural gas production. We expect our derivative activities will help us achieve more predictable cash flows and reduce our exposure to downward price fluctuations. The use of derivative instruments has in the past, and may in the future, prevent us from realizing the full benefit of upward price movements but also mitigates the effects of declining price movements.

Principal Components of Our Cost Structure

- *Commodity price differentials.* The price differential between our well head price for oil and the NYMEX WTI benchmark price is primarily driven by the cost to transport oil via train, pipeline or truck to refineries. The price differential between our well head price for natural gas and NGLs and the NYMEX Henry Hub benchmark price is primarily driven by gathering and transportation costs.
- *Gain (loss) on commodity derivatives, net.* We utilize commodity derivative financial instruments to reduce our exposure to fluctuations in the prices of oil and gas. Gain (loss) on commodity derivatives, net is comprised of (i) cash gains and losses we recognize on settled commodity derivatives during the period, and (ii) non-cash mark-to-market gains and losses we incur on commodity derivative instruments outstanding at period end.
- *Production expenses.* Production expenses are daily costs incurred to bring oil and natural gas out of the ground and to the market, together with the daily costs incurred to maintain our producing properties. Such costs also include field personnel compensation, salt water disposal, utilities, maintenance, repairs and servicing expenses related to our oil and natural gas properties.

- *Production taxes.* Production taxes are paid on produced oil and natural gas based on a percentage of revenues from products sold at market prices (not hedged prices) or at fixed rates established by federal, state or local taxing authorities. We seek to take full advantage of all credits and exemptions in our various taxing jurisdictions. In general, the production taxes we pay correlate to the changes in oil and natural gas revenues.
- *Depreciation, depletion, amortization and accretion.* Depreciation, depletion, amortization and accretion includes the systematic expensing of the capitalized costs incurred to acquire, explore and develop oil and natural gas properties. As a full cost company, we capitalize all costs associated with our development and acquisition efforts and allocate these costs to each unit of production using the units-of-production method. Accretion expense relates to the passage of time of our asset retirement obligations.
- *General and administrative expenses.* General and administrative expenses include overhead, including payroll and benefits for our corporate staff, costs of maintaining our headquarters, costs of managing our acquisition and development operations, franchise taxes, audit and other professional fees and legal compliance.
- *Interest expense.* We finance a portion of our working capital requirements, capital expenditures and acquisitions with borrowings. As a result, we incur interest expense that is affected by both fluctuations in interest rates and our financing decisions. We capitalize a portion of the interest paid on applicable borrowings into our unproved cost pool. We include interest expense that is not capitalized into the full cost pool, the amortization of deferred financing costs and bond premiums (including origination and amendment fees), commitment fees and annual agency fees as interest expense.
- *Income tax expense.* Our provision for taxes includes both federal and state taxes. We record our federal income taxes in accordance with accounting for income taxes under GAAP, which results in the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the book carrying amounts and the tax basis of assets and liabilities. 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 and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that the related tax benefits will not be realized.

Selected Factors That Affect Our Operating Results

Our revenues, cash flows from operations and future growth depend substantially upon:

- the timing and success of drilling and production activities by our operating partners;
- the prices and the supply and demand for oil, natural gas and NGLs;
- the quantity of oil and natural gas production from the wells in which we participate;
- changes in the fair value of the derivative instruments we use to reduce our exposure to fluctuations in commodity prices;
- our ability to continue to identify and acquire high-quality acreage and drilling opportunities; and
- the level of our operating expenses.

In addition to the factors that affect companies in our industry generally, the location of substantially all of our acreage and wells in the Williston, Permian and Appalachian Basins subjects our operating results to factors specific to these regions. These factors include the potential adverse impact of weather on drilling, production and transportation activities, particularly during the winter and spring months, as well as infrastructure limitations, transportation capacity, regulatory matters and other factors that may specifically affect one or more of these regions.

The price at which our oil production is sold typically reflects a discount to the NYMEX benchmark price. The price at which our natural gas production is sold may reflect either a discount or premium to the NYMEX benchmark price. Thus, our operating results are also affected by changes in the price differentials between the applicable benchmark and the sales prices we receive for our production. Our oil price differential to the NYMEX benchmark price during the first quarter of 2023 was \$2.67 per barrel, as compared to \$3.98 per barrel in the first quarter of 2022. Our net realized gas price in the first quarter

of 2023 was \$3.91 per Mcf, representing 142% realization relative to average Henry Hub pricing, compared to a net realized gas price of \$6.94 per Mcf in the first quarter of 2022, which represented 150% realization relative to average Henry Hub pricing. Fluctuations in our oil and gas price realizations are due to several factors such as pricing by basin, gathering and transportation costs, transportation method, takeaway capacity relative to production levels, regional storage capacity, seasonal refinery maintenance temporarily depressing demand, and in the case of gas realizations, the price of NGLs.

Another significant factor affecting our operating results is drilling costs. The cost of drilling wells can vary significantly, driven in part by volatility in commodity prices that can substantially impact the level of drilling activity. Generally, higher oil prices have led to increased drilling activity, with the increased demand for drilling and completion services driving these costs higher. Lower oil prices have generally had the opposite effect. In addition, individual components of the cost can vary depending on numerous factors such as the length of the horizontal lateral, the number of fracture stimulation stages, and the type and amount of proppant. Since 2021, we have observed inflationary pressures on drilling and other operating costs due to various factors, such as higher commodity prices, labor shortages, supply chain disruptions and other factors. During the first three months of 2023, the weighted average gross authorization for expenditure (or AFE) cost for wells we elected to participate in was \$9.6 million, compared to \$8.0 million for the wells we elected to participate in during 2022.

Market Conditions

The price that we receive for the oil and natural gas we produce is largely a function of market supply and demand. Because our oil and gas revenues are heavily weighted toward oil, we are more significantly impacted by changes in oil prices than by changes in the price of natural gas. World-wide supply in terms of output, especially production from properties within the United States, the production quota set by OPEC, and the strength of the U.S. dollar can significantly impact oil prices. Historically, commodity prices have been volatile and we expect the volatility to continue in the future. Factors impacting the future oil supply balance are world-wide demand for oil, as well as the growth in domestic oil production.

Prices for various quantities of natural gas, NGLs and oil that we produce significantly impact our revenues and cash flows. The following table lists average NYMEX prices for oil and natural gas for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022
Average NYMEX Prices ⁽¹⁾		
Natural Gas (per Mcf)	\$ 2.75	\$ 4.63
Oil (per Bbl)	\$ 75.98	\$ 95.17

⁽¹⁾ Based on average NYMEX closing prices.

We have entered into derivatives contracts to hedge commodity price risk on a portion of our future expected oil and natural gas production. For a summary as of March 31, 2023, of our open commodity price derivative contracts for future periods, see “Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk” in Part I, Item 3 below. See also Note 11 to our condensed financial statements.

Results of Operations for the Three Months Ended March 31, 2023 and March 31, 2022

The following table sets forth selected operating data for the periods indicated. Production volumes and average sales prices are derived from accrued accounting data for the relevant period indicated.

	Three Months Ended March 31,		
	2023	2022	% Change
Net Production:			
Oil (Bbl)	4,847,773	3,824,022	27 %
Natural Gas and NGLs (Mcf)	18,101,255	15,533,638	17 %
Total (Boe)	7,864,649	6,412,962	23 %
Net Sales (in thousands):			
Oil Sales	355,378	348,730	2 %
Natural Gas and NGL Sales	70,856	107,728	
Gain (Loss) on Settled Commodity Derivatives	13,670	(105,161)	
Gain (Loss) on Unsettled Commodity Derivatives	139,987	(384,227)	
Other Revenue	2,324	—	
Total Revenues	582,214	(32,930)	
Average Sales Prices:			
Oil (per Bbl)	\$ 73.31	\$ 91.19	(20) %
Effect of Gain (Loss) on Settled Oil Derivatives on Average Price (per Bbl)	(1.22)	(26.10)	
Oil Net of Settled Oil Derivatives (per Bbl)	72.09	65.09	11 %
Natural Gas and NGLs (per Mcf)	3.91	6.94	(44) %
Effect of Gain (Loss) on Settled Natural Gas Derivatives on Average Price (per Mcf)	1.08	(0.93)	
Natural Gas and NGLs Net of Settled Natural Gas Derivatives (per Mcf)	4.99	6.01	(17) %
Realized Price on a Boe Basis Excluding Settled Commodity Derivatives	54.20	71.18	(24) %
Effect of Gain (Loss) on Settled Commodity Derivatives on Average Price (per Boe)	1.74	(16.40)	
Realized Price on a Boe Basis Including Settled Commodity Derivatives	55.94	54.78	2 %
Operating Expenses (in thousands):			
Production Expenses	\$ 78,088	\$ 54,540	43 %
Production Taxes	34,918	34,616	1 %
General and Administrative Expenses	13,000	13,813	(6) %
Depletion, Depreciation, Amortization and Accretion	94,618	53,185	78 %
Other Expense	1,001	—	
Costs and Expenses (per Boe):			
Production Expenses	\$ 9.93	\$ 8.50	17 %
Production Taxes	4.44	5.40	(18) %
General and Administrative Expenses	1.65	2.15	(23) %
Depletion, Depreciation, Amortization and Accretion	12.03	8.29	45 %
Net Producing Wells at Period End	827.8	726.7	14 %

Oil and Natural Gas Sales

In the first quarter of 2023, our oil, natural gas and NGL sales, excluding the effect of settled commodity derivatives, was \$426.2 million, compared to \$456.5 million in the first quarter of 2022. The reduction was driven by a 24% decrease in realized prices, excluding the effect of settled commodity derivatives, partially offset by a 23% increase in production volumes. The lower average realized price in the first quarter of 2023 compared to the same period in 2022 was driven by lower average NYMEX oil and natural gas prices, partially offset by a lower average oil price differential. Oil price differential during the first quarter of 2023 was \$2.67 per barrel, as compared to \$3.98 per barrel in the first quarter of 2022. The lower average realized price in the first quarter of 2023 as compared to the same period in 2022 was also driven by a \$3.03 per Mcf decrease in realized natural gas and NGL prices, excluding the effect of settled commodity derivatives, in the first quarter of 2023 compared to the same period of 2022.

We add production through drilling success as we place new wells into production and through additions from acquisitions, which is offset by the natural decline of our oil and natural gas production from existing wells. Acquisitions were a significant driver of our 23% increase in production levels in the first quarter of 2023 compared to the same period of 2022.

Commodity Derivative Instruments

We enter into commodity derivative instruments to manage the price risk attributable to future oil and natural gas production. Our gain (loss) on commodity derivatives, net, was a gain of \$153.7 million in the first quarter of 2023, compared to a loss of \$489.4 million in the first quarter of 2022. Gain (loss) on commodity derivatives, net, is comprised of (i) cash gains and losses we recognize on settled commodity derivative instruments during the period, and (ii) unsettled gains and losses we incur on commodity derivative instruments outstanding at period-end.

For the first quarter of 2023, we realized a gain on settled commodity derivatives of \$13.7 million, compared to a \$105.2 million loss in the first quarter of 2022. The increased gain on settled derivatives was primarily due to a significant decrease in the average NYMEX oil price in the first quarter of 2023 compared to the same period of 2022. The average NYMEX oil price for the first quarter of 2023 was \$75.98 per barrel, compared to \$95.17 per barrel for the first quarter of 2022. During the first quarter of 2023, our derivative settlements included 2.0 million barrels of oil at an average settlement price of \$72.39 per barrel. During the first quarter of 2022, our settled commodity derivatives included 2.7 million barrels of oil at an average settlement price of \$60.78 per barrel. Our average realized price (including all commodity derivative cash settlements) in the first quarter of 2023 was \$55.94 per Boe compared to \$54.78 per Boe in the first quarter of 2022. The gain (loss) on settled commodity derivatives increased our average realized price per Boe by \$1.74 in the first quarter of 2023 and decreased our average realized price per Boe by \$16.40 in the first quarter of 2022.

Unsettled commodity derivative gains and losses was a gain of \$140.0 million in the first quarter of 2023, compared to a loss of \$384.2 million in the first quarter of 2022. Our derivatives are not designated for hedge accounting and are accounted for using the mark-to-market accounting method whereby gains and losses from changes in the fair value of derivative instruments are recognized immediately into earnings. Mark-to-market accounting treatment creates volatility in our revenues as gains and losses from unsettled derivatives are included in total revenues and are not included in accumulated other comprehensive income in the accompanying balance sheets. As commodity prices increase or decrease, such changes will have an opposite effect on the mark-to-market value of our commodity derivatives. Any gains on our unsettled commodity derivatives are expected to be offset by lower wellhead revenues in the future, while any losses are expected to be offset by higher future wellhead revenues based on the value at the settlement date. At March 31, 2023, all of our derivative contracts are recorded at their fair value, which was a net liability of \$97.5 million, a change of \$139.0 million from the \$236.5 million net liability recorded as of December 31, 2022. The decrease in liability at March 31, 2023 as compared to December 31, 2022 was primarily due to changes in forward commodity prices relative to prices on our open commodity derivative contracts since December 31, 2022. Our open commodity derivative contracts are summarized in “Item 3. Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk.”

Production Expenses

Production expenses were \$78.1 million in the first quarter of 2023, compared to \$54.5 million in the first quarter of 2022. On a per unit basis, production expenses increased from \$8.50 per Boe in the first quarter of 2022 to \$9.93 per Boe in the first quarter of 2023, driven by increased service and maintenance costs and higher workover expenses per Boe in the first quarter of 2023. On an absolute dollar basis, the increase in our production expenses in the first quarter of 2023 compared to the first quarter of 2022 was primarily due to a 23% increase in production volumes, a 14% increase in the total number of net producing wells and the aforementioned higher per unit costs.

Production Taxes

We pay production taxes based on realized oil and natural gas sales. Production taxes were \$34.9 million in the first quarter of 2023, essentially flat compared to \$34.6 million in the first quarter of 2022. As a percentage of oil and natural gas sales, our production taxes were 8.2% and 7.6% in the first quarter of 2023 and 2022, respectively. The fluctuation in our average production tax rate from year to year is primarily due to changes in our oil sales as a percentage of our total oil and gas sales as well as the mix of our production by basin. Oil sales are taxed at a higher rate than natural gas sales.

General and Administrative Expenses

General and administrative expenses were \$13.0 million in the first quarter of 2023 compared to \$13.8 million in the first quarter of 2022. The decrease was primarily due to a \$3.4 million decrease in acquisition-related costs in the first quarter of 2023 as compared to the first quarter of 2022, partially offset by increases of \$1.7 million in compensation expense and \$0.6 million in professional fees.

Depletion, Depreciation, Amortization and Accretion

Depletion, depreciation, amortization and accretion (“DD&A”) was \$94.6 million in the first quarter of 2023, compared to \$53.2 million in the first quarter of 2022. Depletion expense, the largest component of DD&A, increased by \$41.2 million in the first quarter of 2023 compared to the first quarter of 2022. The aggregate increase in depletion expense was driven by a 23% increase in production levels and a 45% increase in the depletion rate per Boe. On a per unit basis, depletion expense was \$11.92 per Boe in the first quarter of 2023 compared to \$8.20 per Boe in the first quarter of 2022. The higher depletion rate per Boe was primarily driven by a significant increase to our depletable base, due to the closing of several larger acquisitions in the second half of 2022 (see Note 3 to our financial statements). Depreciation, amortization and accretion was \$0.9 million and \$0.6 million in the first quarter of 2023 and 2022, respectively. The following table summarizes DD&A expense per Boe for the first quarter of 2023 and 2022:

	Three Months Ended March 31,			
	2023	2022	\$ Change	% Change
Depletion	\$ 11.92	\$ 8.20	\$ 3.72	45 %
Depreciation, Amortization and Accretion	0.11	0.09	0.02	22 %
Total DD&A Expense	\$ 12.03	\$ 8.29	\$ 3.74	45 %

Interest Expense

Interest expense, net of capitalized interest, was \$30.1 million in the first quarter of 2023 compared to \$18.0 million in the first quarter of 2022. The increase was primarily due to higher levels of debt and higher weighted-average interest rates associated with our Revolving Credit Facility in the first quarter of 2023 compared to the first quarter of 2022.

Income Tax

During the first quarter of 2023, we recorded income tax expense of \$0.7 million related to state income taxes. During the first quarter of 2022, no income tax expense (benefit) was recorded. We continue to maintain a full valuation allowance placed on our net deferred tax asset as of March 31, 2023.

We intend to continue maintaining a full valuation allowance on our deferred tax assets until there is sufficient evidence to support the reversal of all or some portion of these allowances. Release of any portion of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. It is reasonably possible that sufficient positive evidence will exist within the next 12 months, and as soon as the second quarter of 2023, to release our current valuation allowance position which would be indicative of our ability to utilize deferred tax assets in the future. The exact timing and amount of the valuation allowance release are subject to change based on the evaluation of all evidence and actual results, including, but not limited to, the level of profitability that we are forecasted to achieve in future periods. For further discussion of our valuation allowance, see Note 9 to our condensed financial statements.

Liquidity and Capital Resources

Overview

Our main sources of liquidity and capital resources as of the date of this report have been internally generated cash flow from operations, proceeds from equity and debt financings, credit facility borrowings, and cash settlements of commodity derivative instruments. Our primary uses of capital have been for the acquisition and development of our oil and natural gas properties and cash settlements of commodity derivative instruments. We continually monitor potential capital sources for opportunities to enhance liquidity or otherwise improve our financial position.

In January 2023, we completed the MPDC Acquisition of oil and gas properties in the Permian Midland Basin for a total cash consideration of \$319.9 million (see Note 3 to our financial statements).

During the three months ended March 31, 2023, we repurchased and retired (i) 287,751 shares of our common stock for total consideration of \$8.0 million and (ii) \$19.1 million aggregate principal amount of our Senior Notes for total consideration of \$18.4 million, plus accrued interest.

As of March 31, 2023, we had outstanding debt consisting of \$569.0 million of borrowings under our Revolving Credit Facility, \$705.1 million aggregate principal amount of our Senior Notes, and \$500.0 million aggregate principal amount of our Convertible Notes.

As of March 31, 2023, we had total liquidity of \$437.1 million, consisting of \$431.0 million of committed borrowing availability under the Revolving Credit Facility and \$6.1 million of cash on hand.

One of the primary sources of variability in our cash flows from operating activities is commodity price volatility. Oil accounted for 83% and 76% of our total oil and gas sales in the first quarter of 2023 and 2022, respectively. As a result, our operating cash flows are more sensitive to fluctuations in oil prices than they are to fluctuations in natural gas and NGL prices. We seek to maintain a robust hedging program to mitigate volatility in commodity prices with respect to a portion of our expected production. For the three months ended March 31, 2023, we hedged approximately 42% of our crude oil production and approximately 40% of our natural gas and NGL production. For a summary as of March 31, 2023, of our open commodity price derivative contracts for future periods, see “Quantitative and Qualitative Disclosures about Market Risk” in Part I, Item 3 below.

With our cash on hand, cash flow from operations, and borrowing capacity under our Revolving Credit Facility, we believe that we will have sufficient cash flow and liquidity to fund our budgeted capital expenditures and operating expenses for at least the next twelve months and, based on current expectations, for the long term. However, we may seek additional access to capital and liquidity. We cannot assure you, however, that any additional capital will be available to us on favorable terms or at all.

Our recent capital commitments have been to fund acquisitions and development of oil and natural gas properties. We expect to fund our near-term capital requirements and working capital needs with cash flows from operations and available borrowing capacity under our Revolving Credit Facility. Our capital expenditures could be curtailed if our cash flows decline from expected levels. Because production from existing oil and natural gas wells declines over time, reductions of capital expenditures used to drill and complete new oil and natural gas wells would likely result in lower levels of oil and natural gas production in the future.

Working Capital

Our working capital balance fluctuates as a result of changes in commodity pricing and production volumes, collection of receivables, expenditures related to our development and production operations and the impact of our outstanding derivative instruments.

At March 31, 2023, we had a working capital surplus of \$50.6 million, compared to a deficit of \$24.5 million at December 31, 2022. Current assets increased by \$75.5 million and current liabilities remained flat at March 31, 2023, compared to December 31, 2022. The increase in current assets is primarily due to a \$36.9 million increase in derivative instruments due to the change in fair value as a result of commodity price changes. Changes in current liabilities were related to a \$30.9 million decrease in our derivative instruments, a \$9.1 million decrease in accrued interest and a \$6.2 million decrease in contingent consideration, offset by a \$46.0 million increase in our accounts payable and accrued liabilities due in part to increased completion activity levels on our properties.

Cash Flows

Cash flows from operations are primarily affected by production volumes and commodity prices, net of the effects of settlements of our derivative contracts, and by changes in working capital. Any interim cash needs are funded by cash on hand, cash flows from operations or borrowings under our Revolving Credit Facility. We typically enter into commodity derivative transactions covering a substantial, but varying, portion of its anticipated future oil and gas production for the next 12 to 36 months. Our cash flows for the three months ended March 31, 2023 and 2022 are presented below:

<i>(In thousands, unaudited)</i>	Three Months Ended March 31,	
	2023	2022
Net Cash Provided by Operating Activities	\$ 269,308	\$ 154,034
Net Cash Used for Investing Activities	(461,220)	(417,599)
Net Cash Provided by Financing Activities	195,458	257,380
Net Change in Cash	<u>\$ 3,545</u>	<u>\$ (6,185)</u>

Cash Flows from Operating Activities

Net cash provided by operating activities for the three months ended March 31, 2023 was \$269.3 million, compared to \$154.0 million in the same period of the prior year. This increase was due to higher production volumes and higher realized commodity prices (including the effect of settled derivatives), which was partially offset by higher operating costs. Net cash provided by operating activities is affected by working capital changes or the timing of cash receipts and disbursements. Changes in working capital and other items (as reflected in our statements of cash flows) in the three months ended March 31, 2023 was a deficit of \$26.9 million compared to a deficit of \$81.0 million in the same period of the prior year.

Cash Flows from Investing Activities

Cash flows used in investing activities during the three months ended March 31, 2023 and 2022 were \$461.2 million and \$417.6 million, respectively. The increase in cash used in investing activities for the first three months of 2023 as compared to the same period of 2022 was attributable to a \$43.5 million increase in our development and acquisition spending, which included the closing of our MPDC Acquisition in the first quarter of 2023. Additionally, the amount of capital expenditures included in accounts payable (and thus not included in cash flows from investing activities) was \$217.1 million and \$139.8 million at March 31, 2023 and 2022, respectively.

Our cash flows used in investing activities reflects actual cash spending, which can lag several months from when the related costs were incurred. As a result, our actual cash spending is not always reflective of current levels of development activity. For instance, during the three months ended March 31, 2023, our capitalized costs incurred, excluding non-cash consideration, for oil and natural gas properties (e.g., drilling and completion costs, acquisitions, and other capital expenditures) amounted to \$526.8 million, while the actual cash spend in this regard amounted to \$461.0 million.

Development and acquisition activities are discretionary. We monitor our capital expenditures on a regular basis, adjusting the amount up or down, and between projects, depending on projected commodity prices, cash flows and returns. Our cash spend for development and acquisition activities for the three months ended March 31, 2023 and 2022 are summarized in the following table:

<i>(In millions, unaudited)</i>	Three Months Ended March 31,	
	2023	2022
Drilling and Development Capital Expenditures	\$ 170.2	\$ 54.6
Acquisition of Oil and Natural Gas Properties	289.6	361.5
Other Capital Expenditures	1.1	1.4
Total	<u>\$ 461.0</u>	<u>\$ 417.5</u>

Cash Flows from Financing Activities

Net cash provided by financing activities was \$195.5 million during the three months ended March 31, 2023, compared to net cash provided by financing activities of \$257.4 million during the three months ended March 31, 2022. For the three months ended March 31, 2023, cash provided by financing activities was primarily related to \$250.0 million of net advances under our Revolving Credit Facility, which was partially offset by \$8.0 million in repurchases of common stock, \$18.4 million in repurchases of our Senior Notes, and \$25.5 million of common stock dividend payments. For the three months ended March 31, 2022, cash provided by financing activities was primarily related to \$316.0 million of net advances under our Revolving Credit Facility, which was partially offset by \$50.2 million in repurchases of Series A Preferred Stock and \$6.2 million of common stock dividend payments.

Revolving Credit Facility

We have a Revolving Credit Facility with Wells Fargo Bank, as administrative agent, and the lenders from time to time party thereto. The Revolving Credit Facility is subject to a borrowing base with maximum loan value to be assigned to the proved reserves attributable to our oil and gas properties. As of March 31, 2023, the Revolving Credit Facility had a borrowing base of \$1.6 billion and an elected commitment amount of \$1.0 billion, and we had \$569.0 million in borrowings outstanding under the facility, leaving \$431.0 million in available committed borrowing capacity. See Note 4 to our condensed financial statements for further details regarding the Revolving Credit Facility.

Senior Notes

As of March 31, 2023, we had outstanding \$705.1 million aggregate principal amount of our Senior Notes. See Note 4 to our condensed financial statements for further details regarding the Senior Notes.

Convertible Notes

As of March 31, 2023, we had outstanding \$500.0 million aggregate principal amount of our Convertible Notes. See Note 4 to our financial statements for further details regarding the Convertible Notes.

Effects of Inflation and Pricing

The oil and natural gas industry is very cyclical and the demand for goods and services of oil field companies, suppliers and others associated with the industry put extreme pressure on the economic stability and pricing structure within the industry. Typically, as prices for oil and natural gas increase, so do all associated costs. Conversely, in a period of declining prices, associated cost declines are likely to lag and may not adjust downward in proportion. Material changes in prices also impact our current revenue stream, estimates of future reserves, borrowing base calculations of bank loans, impairment assessments of oil and natural gas properties, and values of properties in purchase and sale transactions. Material changes in prices can impact the value of oil and natural gas companies and their ability to raise capital, borrow money and retain personnel. Higher prices for oil and natural gas typically result in increases in the costs of materials, services and personnel. We are budgeting for a 5-10% increase in drilling and completion and other associated costs in 2023 compared to 2022.

Contractual Obligations and Commitments

Please see our disclosure of contractual obligations and commitments as of December 31, 2022, included in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Critical Accounting Estimates

Critical accounting estimates are those estimates made in accordance with GAAP that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations. Our critical accounting estimates include impairment testing of natural gas and crude oil production properties, asset retirement obligations, revenue recognition, derivative instruments and hedging activity, and income taxes. There were no material changes in our critical accounting estimates from those reported in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

A description of our critical accounting policies, including estimates, was provided in Note 2 to our financial statements provided in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our quantitative and qualitative disclosures about market risk for changes in commodity prices and interest rates are included in Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and, except as set forth below, have not materially changed since that report was filed.

Commodity Price Risk

The price we receive for our oil and natural gas production heavily influences our revenue, profitability, access to capital and future rate of growth. Oil and natural gas are commodities and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand and other factors. Historically, the markets for oil and natural gas have been volatile, and we believe these markets will likely continue to be volatile in the future. The prices we receive for our production depend on numerous factors beyond our control. Our revenue generally would have increased or decreased along with any increases or decreases in oil or natural gas prices, but the exact impact on our income is indeterminable given the variety of expenses associated with producing and selling oil that also increase and decrease along with oil prices.

We enter into derivative contracts to achieve a more predictable cash flow by reducing our exposure to commodity price volatility. All derivative positions are carried at their fair value on the balance sheet and are marked-to-market at the end of each period. Any realized gains and losses on settled derivatives, as well as mark-to-market gains or losses, are aggregated and recorded to gain (loss) on derivative instruments, net on the statements of operations rather than as a component of other comprehensive income or other income (expense).

We generally use derivatives to economically hedge a significant, but varying portion of our anticipated future production. Any payments due to counterparties under our derivative contracts are funded by proceeds received from the sale of our production. Production receipts, however, lag payments to the counterparties. Any interim cash needs are funded by cash from operations or borrowings under our Revolving Credit Facility.

The following table summarizes our open crude oil derivative contracts as of March 31, 2023, by fiscal quarter.

Settlement Period	Crude Oil Contracts					
	Swaps ⁽¹⁾		Collars			
	Volume (Bbls)	Weighted Average Price (\$/Bbl)	Collar Call Volume (Bbls)	Collar Put Volume (Bbls)	Weighted Average Ceiling Price (\$/Bbl)	Weighted Average Floor Price (\$/Bbl)
2023:						
Q2	2,161,250	\$ 75.85	1,046,500	887,250	\$ 89.76	\$ 73.85
Q3	1,782,500	77.17	1,633,000	1,265,000	87.63	72.73
Q4	1,725,000	76.10	1,688,200	1,311,000	86.77	72.63
2024:						
Q1	643,825	\$ 78.10	1,672,125	1,080,625	\$ 85.68	\$ 70.42
Q2	641,550	77.04	1,663,025	1,080,625	85.52	69.68
Q3	632,500	75.34	632,500	494,500	82.36	69.53
Q4	259,900	69.63	586,500	425,500	83.98	69.86
2025:						
Q1	—	—	225,000	135,000	81.25	70.00
Q2	—	—	204,750	136,500	76.60	70.00
Q3	—	—	184,000	115,000	76.90	70.00
Q4	—	—	161,000	92,000	78.50	70.00

⁽¹⁾ This table does not include volumes subject to swaptions and call options, which are crude oil derivative contracts we have entered into which may increase our swapped volumes at the option of our counterparties. See Note 11 to our condensed

financial statements for further details regarding our commodity derivatives, including the swaptions and call options that are not included in the foregoing table.

The following table summarizes our open natural gas derivative contracts as of March 31, 2023, by fiscal quarter.

Natural Gas Contracts						
Contract Period	Swaps ⁽¹⁾		Collars			
	Volume (MMBTU)	Weighted Average Price (\$/MMBTU)	Collar Call Volume (MMBTU)	Collar Put Volume (MMBTU)	Weighted Average Ceiling Price (\$/MMBTU)	Weighted Average Floor Price (\$/MMBTU)
2023:						
Q2	5,232,000	\$ 4.483	3,202,500	3,202,500	\$ 6.577	\$ 4.190
Q3	5,842,000	4.375	5,060,000	5,060,000	6.674	4.182
Q4	4,962,000	4.443	6,285,000	6,285,000	6.902	4.134
2024:						
Q1	3,330,000	\$ 4.291	1,592,500	1,592,500	\$ 7.917	\$ 4.000
Q2	2,484,000	4.071	227,500	227,500	8.700	4.000
Q3	2,484,000	4.071	—	—	—	—
Q4	1,497,000	4.044	—	—	—	—
2025:						
Q1	445,000	\$ 4.000	—	—	\$ —	\$ —
Q2	460,000	4.000	—	—	—	—
Q3	460,000	4.000	—	—	—	—
Q4	305,000	4.000	—	—	—	—

⁽¹⁾ This table does not include volumes subject to call options, which are natural gas derivative contracts we have entered into which may increase our swapped volumes at the option of our counterparties. This table also does not include basis swaps. See Note 11 to our condensed financial statements for further details regarding our commodity derivatives, including the call options and basis swaps that are not included in the foregoing table.

Interest Rate Risk

Our long-term debt as of March 31, 2023 was comprised of borrowings that contain fixed and floating interest rates. The Senior Notes and Convertible Notes bear cash interest at fixed rates. Our Revolving Credit Facility interest rate is a floating rate option that is designated by us within the parameters established by the underlying agreement (see Note 4 to our condensed financial statements).

Changes in interest rates can impact results of operations and cash flows. A 1% increase in short-term interest rates on our floating-rate debt outstanding at March 31, 2023 would cost us approximately \$5.7 million in additional annual interest expense.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934, as amended (“Exchange Act”) reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

As of March 31, 2023, our management, including our principal executive officer and principal financial officer, had evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) pursuant to Rule 13a-15(b) under the Exchange Act. Based upon and as of the date of the evaluation, our principal executive officer and principal financial officer concluded that information required to be disclosed is recorded, processed, summarized and reported within the specified periods and is accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow for timely decisions regarding required disclosure of material information required to be included in our periodic SEC reports. Based on the foregoing, our management determined that our disclosure controls and procedures were effective as of March 31, 2023.

Changes in Internal Control over Financial Reporting

No change in our Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter ended March 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Our Company is subject from time to time to litigation claims and governmental and regulatory proceedings arising in the ordinary course of business.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in the “Risk Factors” section of our Annual Report on Form 10-K filed with the SEC for the period ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

On March 8, 2023, we entered into an exchange agreement (the “Exchange Agreement”) with the holders (the “Holders”) of certain outstanding warrants to purchase shares of our common stock. Pursuant to the Exchange Agreement, on March 14, 2023, we issued an aggregate of 403,780 shares of common stock (the “Exchange Shares”) to the Holders in exchange for the surrender and cancellation of warrants to purchase an aggregate of approximately 824,602 shares of our common stock with an exercise price of \$27.4946 per share held by such Holders (the “Exchanged Warrants”). Neither we nor the Holders paid any cash consideration in the transaction. Upon closing of the Exchange Agreement, the Exchanged Warrants were cancelled in full.

The Exchanged Warrants were originally issued by us on January 27, 2022, as a portion of the consideration we paid upon closing of the Veritas Acquisition. References above to the number of shares and exercise price under the Exchanged Warrants reflect anti-dilution adjustments made pursuant to the terms of the such warrants, due to common stock dividends, since the original issue date. On the original issue date, the Exchanged Warrants represented the right to purchase an aggregate of approximately 801,133 shares of our common stock with an exercise price of \$28.30 per share.

The issuance of the Exchange Shares was made in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of the Company, or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the quarter ended March 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs ⁽²⁾
Month #1				
January 1, 2023 to January 31, 2023	—	\$ —	—	\$ 95.5 million
Month #2				
February 1, 2023 to February 28, 2023	31,593	\$ 31.67	31,593	\$ 94.5 million
Month #3				
March 1, 2023 to March 30, 2023	354,210 ⁽¹⁾	\$ 27.16	256,158	\$ 87.5 million
Total	385,803	\$ 27.53	287,751	\$ 87.5 million

- (1) Includes 98,052 shares surrendered in satisfaction of tax withholding obligations in connection with the vesting of restricted stock awards.
- (2) In May 2022, the Company's Board of Directors approved and the Company promptly announced a stock repurchase program to acquire up to \$150 million of shares of our outstanding common stock. The stock repurchase program allows the Company to repurchase its shares from time to time in the open market, block transactions and in negotiated transactions.

Item 3. *Defaults Upon Senior Securities.*

None.

Item 4. *Mine Safety Disclosures.*

Not applicable.

Item 5. *Other Information.*

None.

Item 6. Exhibits.

Exhibit No.	Description	Reference
2.1	Purchase and Sale Agreement between Northern Oil and Gas, Inc., Midland-Petro D.C. Partners, LLC, and Collegiate Midstream LLC, dated as of October 18, 2022	Incorporated by reference to Exhibit 2.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on October 19, 2022
2.2	First Amendment to Purchase and Sale Agreement between Northern Oil and Gas, Inc., Midland-Petro D.C. Partners, LLC, and Collegiate Midstream LLC, dated as of December 13, 2022	Incorporated by reference to Exhibit 2.2 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 9, 2023
2.3	Second Amendment to Purchase and Sale Agreement between Northern Oil and Gas, Inc., Midland-Petro D.C. Partners, LLC, and Collegiate Midstream LLC, dated as of January 5, 2023	Incorporated by reference to Exhibit 2.3 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 9, 2023
3.1	Restated Certificate of Incorporation of Northern Oil and Gas, Inc., dated August 24, 2018	Incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on August 27, 2018
3.2	Certificate of Amendment to the Restated Certificate of Incorporation of Northern Oil and Gas, Inc., dated September 18, 2020	Incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on September 24, 2020
3.3	Amended and Restated Bylaws of Northern Oil and Gas, Inc.	Incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed with the SEC on January 20, 2023
31.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of the Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	The cover page from Northern Oil and Gas, Inc.’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, formatted in Inline XBRL and contained in Exhibit 101	Filed herewith

SIGNATURES

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

Date:	<u>May 5, 2023</u>	By:	NORTHERN OIL AND GAS, INC. <u>/s/ Nicholas O'Grady</u> Nicholas O'Grady, Chief Executive Officer (on behalf of Registrant)
Date:	<u>May 5, 2023</u>	By:	<u>/s/ Chad Allen</u> Chad Allen, Chief Financial Officer and principal financial and accounting officer (on behalf of Registrant)

CERTIFICATION

I, Nicholas O'Grady certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Oil and Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

By: /s/ Nicholas O'Grady

Nicholas O'Grady
Principal Executive Officer

CERTIFICATION

I, Chad Allen certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Oil and Gas, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 5, 2023

By: /s/ Chad Allen

Chad Allen
Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Northern Oil and Gas, Inc., (the "Company") on Form 10-Q for the quarterly period ended March 31, 2023, as filed with the United States Securities and Exchange Commission on the date hereof, (the "Report"), the undersigned officers of the Company hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 5, 2023

By: /s/ Nicholas O'Grady

Nicholas O'Grady
Principal Executive Officer

Dated: May 5, 2023

By: /s/ Chad Allen

Chad Allen
Principal Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.