UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2024

or

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

For the transition period from to

Commission File Number: 001-35380

Vital Energy, Inc.

(Exact name of registrant as specified in its charter)

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

521 E. Second Street	**Suite 1000**	
Tulsa	**Oklahoma**	**74120**
(Address of principal executive offices)		(Zip code)

(918) 513-4570

(Registrant's telephone number, including area code)

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, $0.01 par value per share	**VTLE**	**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, if any, 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	☒	Accelerated filer	☐	Non-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 ☒

Number of shares of registrant's common stock outstanding as of May 3, 2024: 36,659,581

VITAL ENERGY, INC.
FOR THE QUARTER ENDED MARCH 31, 2024
TABLE OF CONTENTS

	Page
Glossary of Oil and Natural Gas Terms and Certain Other Terms	iii
Cautionary Statement Regarding Forward-Looking Statements	v
Part I	1
Item 1. Consolidated Financial Statements (Unaudited)	1
Consolidated balance sheets	1
Consolidated statements of operations	2
Consolidated statements of stockholders' equity	3
Consolidated statements of cash flows	4
Condensed notes to the consolidated financial statements:	5
Note 1—Organization and basis of presentation	5
Note 2—New accounting standards	5
Note 3—Acquisitions	6
Note 4—Debt	6
Note 5—Equity Incentive Plan	8
Note 6—Net income (loss) per common share	9
Note 7—Derivatives	10
Note 8—Fair value measurements	12
Note 9—Commitments and contingencies	14
Note 10—Supplemental cash flow and non-cash information	14
Note 11—Income taxes	14
Note 12—Related parties	15
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and Qualitative Disclosures About Market Risk	27
Item 4. Controls and Procedures	28
Part II	29
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	29
Item 3. Defaults Upon Senior Securities	29
Item 4. Mine Safety Disclosures	29
Item 5. Other Information	30
Item 6. Exhibits	31
Signatures	33

Glossary of Oil and Natural Gas Terms and Certain Other Terms

The following terms are used throughout this Quarterly Report on Form 10-Q (this "Quarterly Report"):

"*Argus WTI Midland*"—An index price reflecting the weighted average price of WTI at the pipeline and storage hub at Midland.

"*Argus WTI Formula Basis*"—The outright price at Cushing that is used as the basis for pricing all other Argus US Gulf coast physical crudes.

"*Basin*"—A large natural depression on the earth's surface in which sediments, generally brought by water, accumulate.

"*Bbl*" or "*barrel*"—One stock tank barrel, of 42 U.S. gallons liquid volume, used herein in reference to crude oil, condensate, natural gas liquids or water.

"*Bbl/d*"—Bbl per day.

"*Benchmark Prices*"—The unweighted arithmetic average first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period before differentials, as required by SEC guidelines.

"*BOE*"—One barrel of oil equivalent, calculated by converting natural gas to oil equivalent barrels at a ratio of six Mcf of natural gas to one Bbl of oil.

"*BOE/d*"—BOE per day.

"*Btu*"—British thermal unit, the quantity of heat required to raise the temperature of a one pound mass of water by one degree Fahrenheit.

"*Completion*"—The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas, or in the case of a dry hole, the reporting of abandonment to the appropriate agency.

"*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.

"*Exchange Act*" —The Securities Exchange Act of 1934, as amended.

"*Formation*"—A layer of rock which has distinct characteristics that differ from nearby rock.

"*Fracturing*" or "*Frac*"—The propagation of fractures in a rock layer by a pressurized fluid. This technique is used to release petroleum and natural gas for extraction.

"*GAAP*"—Generally accepted accounting principles in the United States.

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

"Henry Hub"—A natural gas pipeline delivery point in south Louisiana that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.

"*Horizon*" —A term used to denote a surface in or of rock, or a distinctive layer of rock that might be represented by a reflection in seismic data.

"*Initial Production*"—The measurement of production from an oil or gas well when first brought on stream. Often stated in terms of production during the first thirty days.

"*Liquids*"—Describes oil, condensate and natural gas liquids.

"*MBbl*"—One thousand barrels of crude oil, condensate or natural gas liquids.

"*MBOE*"—One thousand BOE.

"*Mcf*"—One thousand cubic feet of natural gas.

"*MMBtu*"—One million Btu.

"*MMcf*"—One million cubic feet of natural gas.

"*Natural gas liquids*" or "*NGL*"—Components of natural gas that are separated from the gas state in the form of liquids, which include propane, butanes and ethane, among others.

"*Net acres*"—The percentage of gross acres an owner has out of a particular number of acres, or a specified tract. An owner who has 50% interest in 100 acres owns 50 net acres.

"*NYMEX*"—The New York Mercantile Exchange.

"*OPEC*"—The Organization of the Petroleum Exporting Countries.

"*Proved reserves*"—The estimated quantities of oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic and operating conditions.

"*Realized Prices*"—Prices which reflect adjustments to the Benchmark Prices for quality, transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point without giving effect to our commodity derivative transactions.

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

"*SEC*" — The U.S. Securities and Exchange Commission.

"*Securities Act*" — The Securities Act of 1933, as amended.

"*Senior Secured Credit Facility*" — The Fifth Amended and Restated Credit Agreement among Vital Energy, Inc., as borrower, Wells Fargo Bank, N.A., as administrative agent, Vital Midstream Services, LLC, as guarantor, and the banks signatory thereto.

"*Spacing*"—The distance between wells producing from the same reservoir.

"*Standardized measure*"—Discounted future net cash flows estimated by applying Realized 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.

"*WAHA*"—Waha West Texas Natural Gas Index price as quoted in Platt's Inside FERC.

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

"*WTI*"—West Texas Intermediate grade crude oil. A light (low density) and sweet (low sulfur) crude oil, used as a pricing benchmark for NYMEX oil futures contracts.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in or incorporated by reference into this Quarterly Report are forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act. These forward-looking statements include statements, projections and estimates concerning our operations, performance, business strategy, oil, NGL and natural gas reserves, drilling program capital expenditures, liquidity and capital resources, the timing and success of specific projects, outcomes and effects of litigation, claims and disputes, derivative activities and potential financing. Forward-looking statements are generally accompanied by words such as "estimate," "project," "predict," "believe," "expect," "anticipate," "potential," "could," "may," "will," "foresee," "plan," "goal," "should," "intend," "pursue," "target," "continue," "suggest" or the negative thereof or other variations thereof or other words that convey the uncertainty of future events or outcomes. Forward-looking statements are not guarantees of performance. These statements are based on certain assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate under the circumstances. Among the factors that significantly impact our business and could impact our business in the future are:

- the volatility of oil, NGL and natural gas prices, including our area of operation in the Permian Basin;
- continuing and/or worsening inflationary pressures and associated changes in monetary policy that may cause costs to rise;
- changes in domestic and global production, supply and demand for oil, NGL and natural gas, and actions by the Organization of the Petroleum Exporting Countries members and other oil exporting nations ("OPEC+");
- our ability to execute our strategies, including our ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to our financial results and to successfully integrate acquired businesses, assets and properties;
- our ability to realize the anticipated benefits of acquisitions, including effectively managing our expanded acreage;
- reduced demand due to shifting market perception towards the oil and gas industry;
- our ability to optimize spacing, drilling and completions techniques in order to maximize our rate of return, cash flows from operations and stockholder value;
- the ongoing instability and uncertainty in the United States ("U.S.") and international energy, financial and consumer markets that could adversely affect the liquidity available to us and our customers and the demand for commodities, including oil, NGL and natural gas;
- competition in the oil and gas industry;
- our ability to discover, estimate, develop and replace oil, NGL and natural gas reserves and inventory;
- insufficient transportation capacity in the Permian Basin and challenges associated with such constraint, and the availability and costs of sufficient gathering, processing, storage and export capacity;
- a decrease in production levels which may impair our ability to meet our contractual obligations and ability to retain our leases;
- risks associated with the uncertainty of potential drilling locations and plans to drill in the future;
- the inability of significant customers to meet their obligations;
- revisions to our reserve estimates as a result of changes in commodity prices, decline curves and other uncertainties;
- the availability and costs of drilling and production equipment, supplies, labor and oil and natural gas processing and other services;
- the effects, duration and other implications of, including government response to, widespread epidemic or pandemic diseases;

- ongoing war and political instability in Ukraine, Israel and the Middle East and the effects of such conflicts on the global hydrocarbon market;
- loss of senior management or other key personnel;
- risks related to the geographic concentration of our assets;
- capital requirements for our operations and projects;
- our ability to hedge commercial risk, including commodity price volatility, and regulations that affect our ability to hedge such risks;
- our ability to continue to maintain the borrowing capacity under our Senior Secured Credit Facility (as defined herein) or access other means of obtaining capital and liquidity, especially during periods of sustained low commodity prices;
- our ability to comply with restrictions contained in our debt agreements, including our Senior Secured Credit Facility and the indentures governing our senior unsecured notes, as well as debt that could be incurred in the future;
- our ability to generate sufficient cash to service our indebtedness and pay dividends on our 2.0% Mandatorily Convertible Series A Preferred Stock, fund our capital requirements and generate future profits;
- drilling and operating risks, including risks related to hydraulic fracturing activities and those related to inclement or extreme weather, impacting our ability to produce existing wells and/or drill and complete new wells over an extended period of time;
- the impact of legislation or regulatory initiatives intended to address induced seismicity on our ability to conduct our operations;
- U.S. and international economic conditions and legal, tax, political and administrative developments, including the effects of energy, trade and environmental policies and existing and future laws and government regulations as well as volatility in the political, legal and regulatory environments ahead of the upcoming U.S. presidential election;
- our ability to comply with federal, state and local regulatory requirements;
- the impact of repurchases, if any, of securities from time to time;
- our ability to maintain the health and safety of, as well as recruit and retain, qualified personnel necessary to operate our business;
- our ability to secure or generate sufficient electricity to produce our wells without limitations; and
- our belief that the outcome of any legal proceedings will not materially affect our financial results and operations.

Reserve engineering is a process of estimating underground accumulations of oil, NGL and natural gas that cannot be measured in an exact way. The accuracy of any reserve estimate depends on the quality of available data, the interpretation of such data and price and cost assumptions made by reserve engineers. In addition, the results of drilling, testing and production activities may justify upward or downward revisions of estimates that were made previously. If significant, such revisions would change the schedule of any further production and development drilling. Accordingly, reserve estimates may differ significantly from the quantities of oil, NGL and natural gas that are ultimately recovered.

These forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Forward-looking statements should therefore be considered in light of various factors, including those set forth under "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report, and under "Item 1A. Risk Factors," in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report") and those set forth from time to time in our other filings with the SEC. These documents are available through our website or through the SEC's Electronic Data Gathering and Analysis Retrieval system at https://www.sec.gov. In light of such risks and uncertainties, we caution you not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report, or if earlier, as of the date they were made.

Should one or more of the risks or uncertainties described herein occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. All forward-looking statements, expressed or implied, included in this Quarterly Report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report.

Part I

Item 1. Consolidated Financial Statements (Unaudited)

Vital Energy, Inc.
Consolidated balance sheets
(in thousands, except share data)
(Unaudited)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 423,325	$ 14,061
Accounts receivable, net	290,248	238,773
Derivatives	7,929	99,336
Other current assets	24,395	18,749
Total current assets	745,897	370,919
Property and equipment:		
Oil and natural gas properties, full cost method:		
Evaluated properties	12,100,933	11,799,155
Unevaluated properties not being depleted	190,387	195,457
Less: accumulated depletion and impairment	(7,925,773)	(7,764,697)
Oil and natural gas properties, net	4,365,547	4,229,915
Midstream and other fixed assets, net	130,918	130,293
Property and equipment, net	4,496,465	4,360,208
Derivatives	34,898	51,071
Operating lease right-of-use assets	144,667	144,900
Deferred income taxes	205,760	188,836
Other noncurrent assets, net	34,214	33,647
Total assets	$ 5,661,901	$ 5,149,581
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 150,756	$ 159,892
Accrued capital expenditures	108,546	91,937
Undistributed revenue and royalties	181,442	194,307
Derivatives	35,567	—
Operating lease liabilities	75,122	70,651
Other current liabilities	57,902	78,802
Total current liabilities	609,335	595,589
Long-term debt, net	2,097,044	1,609,424
Asset retirement obligations	83,039	81,680
Operating lease liabilities	66,791	71,343
Other noncurrent liabilities	6,888	6,288
Total liabilities	2,863,097	2,364,324
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $ 0.01 par value, 50,000,000 shares authorized, and 1,575,376 and 595,104 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	16	6
Common stock, $ 0.01 par value, 80,000,000 shares authorized, and 36,660,995 and 35,413,551 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	367	354
Additional paid-in capital	3,813,430	3,733,775
Accumulated deficit	(1,015,009)	(948,878)
Total stockholders' equity	2,798,804	2,785,257
Total liabilities and stockholders' equity	$ 5,661,901	$ 5,149,581

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

Vital Energy, Inc.
Consolidated statements of operations
(in thousands, except per share data)
(Unaudited)

	Three months ended March 31,	
	2024	**2023**
Revenues:		
Oil sales	$ 415,784	$ 266,731
NGL sales	47,075	33,006
Natural gas sales	18,245	18,074
Sales of purchased oil	—	13,851
Other operating revenues	1,235	845
Total revenues	482,339	332,507
Costs and expenses:		
Lease operating expenses	105,728	50,181
Production and ad valorem taxes	30,614	20,531
Oil transportation and marketing expenses	9,833	10,915
Gas gathering, processing and transportation expenses	2,376	—
Costs of purchased oil	—	14,167
General and administrative	29,356	25,930
Depletion, depreciation and amortization	166,107	86,779
Other operating expenses, net	1,018	1,484
Total costs and expenses	345,032	209,987
Gain on disposal of assets, net	130	237
Operating income	137,437	122,757
Non-operating income (expense):		
Gain (loss) on derivatives, net	(152,147)	20,490
Interest expense	(43,421)	(28,554)
Loss on extinguishment of debt, net	(25,814)	—
Other income, net	2,065	854
Total non-operating expense, net	(219,317)	(7,210)
Income (loss) before income taxes	(81,880)	115,547
Income tax benefit (expense)	15,749	(1,607)
Net income (loss)	(66,131)	113,940
Preferred stock dividends	(349)	—
Net income (loss) available to common stockholders	$ (66,480)	$ 113,940
Net income (loss) per common share:		
Basic	$ (1.87)	$ 6.93
Diluted	$ (1.87)	$ 6.89
Weighted-average common shares outstanding:		
Basic	35,566	16,431
Diluted	35,566	16,545

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

Vital Energy, Inc.
Consolidated statements of stockholders' equity
(in thousands)
(Unaudited)

	Preferred Stock		Common stock		Additional paid-in capital	Treasury stock (at cost)		Accumulated deficit	Total
	Shares	Amount	Shares	Amount		Shares	Amount		
Balance, December 31, 2023	595	$ 6	35,414	$ 354	$ 3,733,775	—	$ —	$ (948,878)	$ 2,785,257
Restricted stock awards	—	—	445	5	—	—	—	—	5
Restricted stock forfeitures	—	—	(5)	—	(4)	—	—	—	(4)
Stock exchanged for tax withholding	—	—	(72)	(1)	(3,410)	72	3,411	—	—
Retirement of treasury stock	—	—	—	—	—	(72)	(3,411)	—	(3,411)
Share-settled equity-based compensation	—	—	—	—	4,348	—	—	—	4,348
Equity issued for acquisition of oil and natural gas properties	980	10	879	9	78,721	—	—	—	78,740
Net loss	—	—	—	—	—	—	—	(66,131)	(66,131)
Balance, March 31, 2024	1,575	$ 16	36,661	$ 367	$ 3,813,430	—	$ —	$ (1,015,009)	$ 2,798,804

	Preferred Stock		Common stock		Additional paid-in capital	Treasury stock (at cost)		Accumulated deficit	Total
	Shares	Amount	Shares	Amount		Shares	Amount		
Balance, December 31, 2022	—	$ —	16,762	$ 168	$ 2,754,085	—	$ —	$ (1,643,507)	$ 1,110,746
Restricted stock awards	—	—	315	3	(3)	—	—	—	—
Restricted stock forfeitures	—	—	(3)	—	—	—	—	—	—
Stock exchanged for tax withholding	—	—	(49)	(1)	(2,458)	49	2,459	—	—
Retirement of treasury stock	—	—	—	—	—	(49)	(2,459)	—	(2,459)
Share-settled equity-based compensation	—	—	—	—	3,141	—	—	—	3,141
Net income	—	—	—	—	—	—	—	113,940	113,940
Balance, March 31, 2023	—	$ —	17,025	$ 170	$ 2,754,765	—	$ —	$ (1,529,567)	$ 1,225,368

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

Vital Energy, Inc.
Consolidated statements of cash flows
(in thousands)
(Unaudited)

	Three months ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ (66,131)	$ 113,940
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Share-settled equity-based compensation, net	3,501	2,572
Depletion, depreciation and amortization	166,107	86,779
Mark-to-market on derivatives:		
(Gain) loss on derivatives, net	152,147	(20,490)
Settlements paid for matured derivatives, net	(9,000)	(2,343)
Loss on extinguishment of debt, net	25,814	—
Deferred income tax (benefit) expense	(16,924)	276
Other, net	5,402	2,147
Changes in operating assets and liabilities:		
Accounts receivable, net	(51,475)	13,961
Other current assets	(5,646)	(7,464)
Other noncurrent assets, net	(357)	2,345
Accounts payable and accrued liabilities	(9,064)	(10,693)
Undistributed revenue and royalties	(12,865)	(11,825)
Other current liabilities	(21,347)	(48,650)
Other noncurrent liabilities	(1,572)	(4,430)
Net cash provided by operating activities	158,590	116,125
Cash flows from investing activities:		
Acquisitions of oil and natural gas properties, net	(4,380)	—
Capital expenditures:		
Oil and natural gas properties	(195,372)	(165,042)
Midstream and other fixed assets	(5,085)	(2,771)
Proceeds from dispositions of capital assets, net of selling costs	125	2,175
Other, net	(952)	2,035
Net cash used in investing activities	(205,664)	(163,603)
Cash flows from financing activities:		
Borrowings on Senior Secured Credit Facility	130,000	95,000
Payments on Senior Secured Credit Facility	—	(45,000)
Issuance of senior unsecured notes	800,000	—
Extinguishment of debt	(453,518)	—
Stock exchanged for tax withholding	(3,411)	(2,459)
Payments for debt issuance costs	(15,721)	—
Other, net	(1,012)	(492)
Net cash provided by financing activities	456,338	47,049
Net increase (decrease) in cash, cash equivalents and restricted cash	409,264	(429)
Cash, cash equivalents and restricted cash, beginning of period	14,061	44,435
Cash, cash equivalents and restricted cash, end of period[1]	$ 423,325	$ 44,006

(1) See Note 10 for additional information on the Company's restricted cash as of March 31, 2023.

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

Condensed notes to the consolidated financial statements
(Unaudited)

Note 1— Organization and basis of presentation

Organization

Vital Energy, Inc. ("Vital Energy" or the "Company"), together with its wholly-owned subsidiaries, is an independent energy company focused on the acquisition, exploration and development of oil and natural gas properties in the Permian Basin of West Texas. The Company has identified one operating segment: exploration and production. In these notes, the "Company" refers to Vital Energy and its subsidiaries collectively, unless the context indicates otherwise. All amounts, dollars and percentages presented in these unaudited consolidated financial statements and the related notes are rounded and, therefore, approximate.

Basis of presentation

The unaudited consolidated financial statements were derived from the historical accounting records of the Company and reflect the historical financial position, results of operations and cash flows for the periods described herein. The unaudited consolidated financial statements have been prepared in accordance with GAAP. All material intercompany transactions and account balances have been eliminated in the consolidation of accounts.

The unaudited consolidated financial statements have not been audited by the Company's independent registered public accounting firm, except that the consolidated balance sheet as of December 31, 2023 is derived from the Company's audited consolidated financial statements. In the opinion of management, the unaudited consolidated financial statements reflect all necessary adjustments to present fairly the Company's interim financial position, results of operations and cash flows. All adjustments are of a recurring nature unless otherwise disclosed herein.

Certain disclosures have been condensed or omitted from the unaudited consolidated financial statements. Accordingly, the unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the 2023 Annual Report.

Significant accounting policies

There have been no material changes in the Company's significant accounting policies during the three months ended March 31, 2024. See Note 2 in the 2023 Annual Report for discussion of significant accounting policies.

Use of estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions 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. Although management believes these estimates are reasonable, actual results could differ.

See Note 2 in the 2023 Annual Report for further information regarding the use of estimates and assumptions.

Note 2— New accounting standards

The Company considered the applicability and impact of all accounting standard updates ("ASU") issued by the Financial Accounting Standards Board ("FASB") to the Accounting Standards Codification. ASUs not discussed were assessed and determined to be either not applicable, the effects of adoption are not expected to be material or are clarifications of ASUs previously disclosed. There were no new material ASUs adopted during the three months ended March 31, 2024. See below for discussion of ASUs not yet adopted.

Accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which sets forth improvements to the current segment disclosure requirements in accordance with Topic 280 "Segment Reporting," including clarifying that entities with a single reportable segment are subject to both new and existing segment reporting requirements. ASU 2023-07 will be effective retrospectively for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. Early adoption is permitted. Adoption of this ASU will result in additional disclosure, but will not impact the Company’s consolidated financial position, results of operations or cash flows.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which requires more detailed tax disclosures, including disaggregated information about an entity's effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2024, on a prospective basis. Early adoption is permitted. Adoption of this ASU will result in additional disclosure, but will not impact the Company’s consolidated financial position, results of operations or cash flows.

Note 3— Acquisitions

PEP Acquisition

On February 2, 2024 (the "PEP Closing Date"), the Company purchased additional working interests in producing properties associated with the Henry Acquisition (as defined herein), with an effective date of August 1, 2023 (the "PEP Acquisition") through PEP Henry Production Partners LP, PEP HPP Jubilee SPV LP, PEP PEOF Dropkick SPV, LLC, PEP HPP Dropkick SPV LP and HPP Acorn SPV LP (collectively, "PEP"). The aggregate purchase price of $ 80.0 million consisted of (i) 878,690 shares of the Company's common stock, par value $ 0.01 per share ("Common Stock") based upon the share price as of the PEP Closing Date, (ii) 980,272 shares of the Company's 2.0 % Cumulative Mandatorily Convertible Series A Preferred Stock, par value $ 0.01 per share ("Preferred Stock") based upon the share price as of the PEP Closing Date and (iii) $ 1.3 million in transaction-related expenses, inclusive of customary closing price adjustments and subject to post-closing adjustments. The PEP Acquisition was accounted for as an asset acquisition, as substantially all the gross assets acquired are concentrated in a group of similar identifiable assets.

The "Henry Acquisition," which closed on November 5, 2023, consisted of the purchase of certain oil and natural gas properties in the Midland and Delaware basins, and was accounted for as a business combination. See Note 4 in the 2023 Annual Report for additional discussion of the Henry Acquisition and the Company's 2023 asset acquisitions.

Note 4— Debt

Long-term debt, net

The following table presents the Company's long-term debt and unamortized debt issuance costs, discounts and premiums included in "Long-term debt, net" on the consolidated balance sheets as of the dates presented:

(in thousands)	March 31, 2024	December 31, 2023
10.125 % senior unsecured notes due 2028	$ 269,159	$ 700,309
7.750 % senior unsecured notes due 2029	298,214	298,214
9.750 % senior unsecured notes due 2030	500,000	500,000
7.875 % senior unsecured notes due 2032	800,000	—
Senior Secured Credit Facility (1)	265,000	135,000
Total long-term debt	2,132,373	1,633,523
Unamortized debt issuance costs	(30,843)	(21,800)
Unamortized discounts	(5,846)	(6,068)
Unamortized premiums	1,360	3,769
Total long-term debt, net	$ 2,097,044	$ 1,609,424

(1) Unamortized debt issuance costs related to the Senior Secured Credit Facility of $ 13.2 million and $ 14.1 million as of March 31, 2024 and December 31, 2023, respectively, are included in "Other noncurrent assets, net" on the consolidated balance sheets.

Senior Secured Credit Facility

As of March 31, 2024, the Senior Secured Credit Facility, which matures on September 13, 2027, had a maximum credit amount of $ 3.0 billion, a borrowing base and an aggregate elected commitment of $ 1.5 billion and $ 1.25 billion, respectively, with an outstanding balance of $ 265.0 million subject to a weighted-average interest rate of 7.676 %. The Senior Secured Credit Facility contains both financial and non-financial covenants, all of which the Company was in compliance with for all periods presented. Additionally, the Senior Secured Credit Facility provides for the issuance of letters of credit, limited to the lesser of total capacity or $ 80.0 million. As of March 31, 2024 and December 31, 2023, the Company had no letters of credit outstanding under the Senior Secured Credit Facility. For additional information see Note 7 in the 2023 Annual Report.

Subsequent to March 31, 2024, the Company repaid $ 265.0 million and borrowed $ 215.0 million on the Senior Secured Credit Facility. As a result, the outstanding balance under the Senior Secured Credit Facility was $ 215.0 million as of May 6, 2024.

On May 8, 2024, pursuant to the regular semi-annual redetermination, the Company's lenders reaffirmed the borrowing base at $ 1.5 billion and increased the aggregate elected commitment to $ 1.35 billion under the Senior Secured Credit Facility.

March 2032 Notes

On March 28, 2024, the Company completed an offering of $ 800.0 million in aggregate principal amount of 7.875 % senior unsecured notes due 2032 (the "Initial March 2032 Notes") for net proceeds of $ 784.8 million. The net proceeds from this offering and the Tack-On March 2032 Notes (defined below) were used to (i) extinguish in full the Company's outstanding 10.125 % senior unsecured notes due 2028 (the "January 2028 Notes"), (ii) reduce the outstanding principal amount of the 9.750 % senior unsecured notes due 2030 (the "September 2030 Notes") and (iii) repay a portion of the outstanding borrowings on the Senior Secured Credit Facility. On March 29, 2024, the Company settled a cash tender offer on the January 2028 Notes for an aggregate principal amount outstanding of $ 431.2 million.

On April 3, 2024, the Company completed an offering of an additional $ 200.0 million in aggregate principal amount of 7.875 % senior unsecured notes due 2032 (the "Tack-On March 2032 Notes," and, together with the Initial March 2032 Notes, the "March 2032 Notes"), at 100.750 % of par, under the same indenture dated as of March 28, 2024 for net proceeds of approximately $ 198.7 million. On April 3, 2024, the Company settled a cash tender offer on the September 2030 Notes of $ 197.6 million and on April 29, 2024, the Company redeemed the remaining principal amount outstanding on the January 2028 Notes of $ 269.2 million at a redemption price of 105.063 %. The Company expects to record a loss on extinguishment of debt in the second quarter of 2024 of approximately $ 40.0 million related to a cash tender offer for the September 2030 Notes and the redemption of the January 2028 Notes.

Interest for the March 2032 Notes is payable semi-annually, in cash in arrears on April 15 and October 15 of each year, commencing October 15, 2024 with interest from closing to that date. The terms of the Company's March 2032 Notes include covenants, which are in addition to covenants in the Senior Secured Credit Facility, which limit the Company's ability to incur indebtedness, make restricted payments, grant liens and dispose of assets. The March 2032 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Vital Midstream Services, LLC and certain of the Company's future restricted subsidiaries, subject to certain automatic customary releases, including the sale, disposition or transfer of all of the capital stock or of all or substantially all of the assets of a subsidiary guarantor to one or more persons that are not the Company or a restricted subsidiary, exercise of legal defeasance or covenant defeasance options or satisfaction and discharge of the applicable indenture, designation of a subsidiary guarantor as a non-guarantor restricted subsidiary or as an unrestricted subsidiary in accordance with the applicable indenture, release from guarantee under the Senior Secured Credit Facility, or liquidation or dissolution.

The following table presents the components of the Company's cash tender offer for the January 2028 Notes and the related loss on extinguishment of debt during the period presented:

(in thousands)	Three months ended March 31, 2024
Principal amount tendered	$ 431,150
Extinguishment of debt[(1)]	(453,518)
Early tender premiums	(22,368)
Write-off of debt issuance costs	(5,672)
Write-off of issuance premium	2,226
Loss on extinguishment of debt, net[(2)]	$ (25,814)

(1) Amounts are included in "Extinguishment of debt" in cash flows from financing activities on the consolidated statements of cash flows.
(2) Amounts are included in "Loss on extinguishment of debt, net" on the consolidated statements of operations.

Note 5— Equity Incentive Plan

The Vital Energy, Inc. Omnibus Equity Incentive Plan (the "Equity Incentive Plan") provides for the granting of incentive awards in the form of restricted stock awards, stock option awards, performance share awards, performance unit awards, phantom unit awards and other awards. The Equity Incentive Plan allows for the issuance of up to 2,432,500 shares.

See Note 9 in the 2023 Annual Report for additional discussion of the Company's equity-based compensation awards.

The following table presents activity for equity-based compensation awards for the three months ended March 31, 2024:

	Equity Awards		Liability Awards
(in thousands)	Restricted Stock Awards	Performance Share Awards	Performance Unit Awards[(1)(2)]
Outstanding as of December 31, 2023	472	48	158
Granted	445	—	140
Forfeited	(5)	—	—
Vested	(194)	—	(83)
Outstanding as of March 31, 2024	718	48	215

(1) The performance unit awards granted on March 9, 2021 had a performance period of January 1, 2021 to December 31, 2023 and, as their market and performance criteria were satisfied, resulted in a 145.83 % payout, or 120,297 units. As such, the granted awards vested and were paid out in cash on March 8, 2024 at $ 50.38 per unit based on the Company's closing stock price on the vesting date.
(2) On February 20, 2024, the Company granted performance unit awards with a performance period of January 1, 2024 through December 31, 2026. The market criteria consists of: (i) relative total shareholder return comparing the Company's shareholder return to the shareholder return of the exploration and production companies listed in the Russel 2000 Index and (ii) absolute shareholder return. The performance criteria for these awards consists of: (i) earnings before interest, taxes, depreciation, amortization and exploration expense and three-year total debt reduction, (ii) growth in inventory and (iii) emissions reductions. Any units earned are expected to be paid in cash during the first quarter following the completion of the requisite service period, based on the achievement of market and performance criteria, and the payout can range from 0 % to 225 %.

As of March 31, 2024, total unrecognized cost related to equity-based compensation awards was $ 43.6 million, of which $ 10.6 million was attributable to liability awards which will be settled in cash rather than shares. Such cost will be recognized on a straight-line basis over an expected weighted-average period of 2.36 years.

Equity-based compensation

The following table reflects equity-based compensation expense for the periods presented:

	Three months ended March 31,	
(in thousands)	**2024**	**2023**
Equity awards:		
Restricted stock awards	$ 3,802	$ 2,717
Performance share awards	546	424
Total share-settled equity-based compensation, gross	4,348	3,141
Less amounts capitalized	(847)	(569)
Total share-settled equity-based compensation, net	3,501	2,572
Liability awards:		
Performance unit awards and phantom unit awards	1,767	714
Total cash-settled equity-based compensation, gross	1,767	714
Less amounts capitalized	(7)	(50)
Total cash-settled equity-based compensation, net	1,760	664
Total equity-based compensation, net	$ 5,261	$ 3,236

Note 6— Net income (loss) per common share

Basic net income (loss) per common share is computed by first subtracting preferred stock dividends from net income (loss) to arrive at net income (loss) available to common stockholders, and then dividing net income (loss) available to common stockholders by the basic weighted-average common shares outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the diluted weighted average common shares outstanding for the period, which reflects the potential dilution of preferred stock and non-vested equity-based compensation awards. See Notes 8 and 9 in the 2023 Annual Report for additional discussion of the Company's preferred stock and equity-based compensation awards, respectively. For the three months ended March 31, 2024, the preferred stock and equity-based compensation awards were anti-dilutive due to the Company's net loss and, therefore, were excluded from the calculation of diluted net loss per common share.

The following table reflects the calculations of basic and diluted (i) weighted-average common shares outstanding and (ii) net income (loss) per common share for the periods presented:

(in thousands, except for per share data)	Three months ended March 31, 2024	2023
Net income (loss)	$ (66,131)	$ 113,940
Less: Preferred stock dividends	349	—
Net income (loss) available to common stockholders	$ (66,480)	$ 113,940
Weighted-average common shares outstanding:		
Basic	35,566	16,431
Dilutive non-vested restricted stock awards	—	114
Diluted	35,566	16,545
Net income (loss) per common share:		
Basic	$ (1.87)	$ 6.93
Diluted	$ (1.87)	$ 6.89
Anti-dilutive weighted-average common shares outstanding[1]:		
Restricted stock awards	370	298
Performance share awards	8	29
Preferred stock	1,231	—

(1) Shares excluded from the diluted net income (loss) per common share calculation because their effect would be anti-dilutive.

Note 7— Derivatives

The Company has two types of derivative instruments as of March 31, 2024: (i) commodity derivatives and (ii) a contingent consideration derivative. See Note 8 for discussion of fair value measurement of derivatives on a recurring basis. The Company's derivatives were not designated as hedges for accounting purposes, and the Company does not enter into such instruments for speculative trading purposes. Accordingly, the changes in derivative fair values are recognized in "Gain (loss) on derivatives, net" under "Non-operating income (expense)" on the consolidated statements of operations.

The following table summarizes components of the Company's gain (loss) on derivatives, net by type of derivative instrument for the periods presented:

(in thousands)	Three months ended March 31, 2024	2023
Commodity	$ (155,835)	$ 17,582
Contingent consideration	3,688	2,908
Gain (loss) on derivatives, net	$ (152,147)	$ 20,490

Commodity

Due to the inherent volatility in oil, NGL and natural gas prices and the sometimes wide pricing differentials between where the Company produces and where the Company sells such commodities, the Company engages in commodity derivative transactions, such as puts, swaps, collars and basis swaps, to hedge price risk associated with a portion of the Company's anticipated sales volumes. By removing a portion of the price volatility associated with future sales volumes, the Company expects to mitigate, but not eliminate, the potential effects of variability in cash flows from operations. See Note 11 in the 2023 Annual Report for discussion of transaction types and settlement indexes. During the three months ended March 31, 2024, the Company’s derivatives were settled based on reported prices on commodity exchanges, with (i) oil derivatives settled based on WTI NYMEX, Argus WTI Midland and Argus WTI Formula Basis pricing, (ii) NGL derivatives settled based on Mont Belvieu OPIS pricing and (iii) natural gas derivatives settled based on Henry Hub NYMEX and Waha Inside FERC pricing.

The following table summarizes open commodity derivative positions as of March 31, 2024, for commodity derivatives that were entered into through March 31, 2024, for the settlement periods presented:

	Remaining Year 2024	Year 2025
Oil:		
WTI NYMEX - Swaps:		
Volume (Bbl)	14,813,950	4,345,000
Weighted-average price ($/Bbl)	$ 76.16	$ 75.44
WTI NYMEX - Three-way Collars:		
Volume (Bbl)	156,050	—
Weighted-average sold put price ($/Bbl)	$ 50.00	$ —
Weighted-average floor price ($/Bbl)	$ 66.48	$ —
Weighted-average ceiling price ($/Bbl)	$ 87.07	$ —
Argus WTI Midland to Argus WTI Formula Basis - Basis Swaps:		
Volume (Bbl)	211,000	—
Weighted-average differential ($/Bbl)	$ 0.11	$ —
NGL:		
Non-TET Propane - Swaps:		
Volume (Bbl)	306,000	—
Weighted-average price ($/Bbl)	$ 34.23	$ —
Non-TET Normal Butane - Swaps:		
Volume (Bbl)	67,757	—
Weighted-average price ($/Bbl)	$ 39.78	$ —
Non-TET Isobutane - Swaps:		
Volume (Bbl)	218,571	—
Weighted-average price ($/Bbl)	$ 42.26	$ —
Non-TET Pentane - Swaps:		
Volume (Bbl)	211,286	—
Weighted-average price ($/Bbl)	$ 65.15	$ —
Natural gas:		
Henry Hub NYMEX - Swaps:		
Volume (MMBtu)	19,596,200	—
Weighted-average price ($/MMBtu)	$ 3.47	$ —
Henry Hub NYMEX - Collars:		
Volume (MMBtu)	533,164	—
Weighted-average floor price ($/MMBtu)	$ 3.40	$ —
Weighted-average ceiling price ($/MMBtu)	$ 6.10	$ —
Waha Inside FERC to Henry Hub NYMEX - Basis Swaps:		
Volume (MMBtu)	20,129,364	—
Weighted-average differential ($/MMBtu)	$ (0.74)	$ —

Contingent consideration

On May 7, 2021, the Company entered into a purchase and sale agreement (the "Sixth Street PSA"), to sell 37.5 % of the Company's working interest in certain producing wellbores and the related properties primarily located within Glasscock and Reagan Counties, Texas. The Sixth Street PSA provides for potential contingent payments to be paid to the Company if certain cash flow targets are met related to divested oil and natural gas property operations (the "Sixth Street Contingent Consideration"). The Sixth Street Contingent Consideration provides the Company with the right to receive up to a maximum of $ 93.7 million in additional cash consideration, comprised of potential quarterly payments through June 2027 totaling up to $ 38.7 million and a potential balloon payment of $ 55.0 million in June 2027. As of March 31, 2024, the Company had received life-to-date contingent consideration payments of $ 4.3 million, with maximum remaining potential cash consideration totaling $ 83.0 million. The fair value of the Sixth Street Contingent Consideration was $ 34.8 million as of March 31, 2024 and $ 31.1 million as of December 31, 2023 .

Note 8— Fair value measurements

See the beginning of Note 12 in the 2023 Annual Report for information about the fair value hierarchy levels.

Fair value measurement on a recurring basis

See Note 7 for further discussion of the Company's derivatives.

Balance sheet presentation

The following tables present the Company's derivatives by (i) balance sheet classification, (ii) derivative type and (iii) fair value hierarchy level, and provide a total, on a gross basis and a net basis reflected in "Derivatives" on the consolidated balance sheets as of the dates presented:

	March 31, 2024					
(in thousands)	Level 1	Level 2	Level 3	Total gross fair value	Amounts offset	Net fair value presented on the consolidated balance sheets
Assets:						
Current:						
Commodity	$ —	$ 28,120	$ —	$ 28,120	$ (22,410)	$ 5,710
Contingent consideration	—	—	2,219	2,219	—	2,219
Noncurrent:						
Commodity	—	2,277	—	2,277	46	2,323
Contingent consideration	—	—	32,575	32,575	—	32,575
Liabilities:						
Current:						
Commodity	—	(57,977)	—	(57,977)	22,410	(35,567)
Noncurrent:						
Commodity	—	46	—	46	(46)	—
Net derivative asset positions	$ —	$ (27,534)	$ 34,794	$ 7,260	$ —	$ 7,260

	December 31, 2023					
(in thousands)	Level 1	Level 2	Level 3	Total gross fair value	Amounts offset	Net fair value presented on the consolidated balance sheets
Assets:						
Current:						
Commodity	$ —	$ 106,067	$ —	$ 106,067	$ (9,032)	$ 97,035
Contingent consideration	—	—	2,301	2,301	—	2,301
Noncurrent:						
Commodity	—	22,266	—	22,266	—	22,266
Contingent consideration	—	—	28,805	28,805	—	28,805
Liabilities:						
Current:						
Commodity	—	(9,032)	—	(9,032)	9,032	—
Net derivative asset positions	$ —	$ 119,301	$ 31,106	$ 150,407	$ —	$ 150,407

See Note 12 in the 2023 Annual Report for discussion of the significant Level 2 inputs used in the fair value mark-to-market analysis of commodity and contingent consideration derivatives. The Company reviewed the third-party specialist's valuations of commodity and contingent consideration derivatives, including the related inputs, and analyzed changes in fair values between reporting dates.

The Sixth Street Contingent Consideration associated with the Working Interest Sale was categorized as Level 3 of the fair value hierarchy, as the Company utilized its own cash flow projections along with a risk-adjusted discount rate generated by a third-party valuation specialist to determine the valuation. The Company reviewed the third-party specialist's valuation, including the related inputs, and analyzed changes in fair values between the divestiture closing date and the reporting dates. The fair value of the Sixth Street Contingent Consideration was recorded as part of the basis in the oil and natural gas properties divested and as a contingent consideration asset. At each quarterly reporting period, the Company remeasures contingent consideration with the change in fair values recognized in "Gain (loss) on derivatives, net" under "Non-operating income (expense)" on the consolidated statement of operations.

The following table summarizes the changes in contingent consideration derivatives classified as Level 3 measurements for the periods presented:

	Three months ended March 31,	
(in thousands)	**2024**	**2023**
Balance of Level 3 at beginning of period	$ 31,106	$ 26,640
Change in Sixth Street Contingent Consideration fair value	3,688	2,908
Settlements realized[(1)]	—	(1,455)
Balance of Level 3 at end of period	$ 34,794	$ 28,093

(1) For the three months ended March 31, 2024 and 2023, any settlements are included in "Other, net" in cash flows from investing activities on the consolidated statements of cash flows.

Items not accounted for at fair value

The carrying amounts reported on the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, accrued capital expenditures, undistributed revenue and royalties and other accrued assets and liabilities approximate their fair values.

The Company has not elected to account for its debt instruments at fair value. The following table presents the carrying amounts and fair values of the Company's debt as of the dates presented:

	March 31, 2024		December 31, 2023	
(in thousands)	**Carrying amount[(1)]**	**Fair value[(2)]**	**Carrying amount[(1)]**	**Fair value[(2)]**
10.125 % senior unsecured notes due 2028	$ 269,159	$ 282,515	$ 700,309	$ 719,617
7.750 % senior unsecured notes due 2029	298,214	300,677	298,214	285,099
9.750 % senior unsecured notes due 2030	500,000	546,715	500,000	518,875
7.875 % senior unsecured notes due 2032	800,000	813,496	—	—
Senior Secured Credit Facility	265,000	265,301	135,000	135,095
Total	$ 2,132,373	$ 2,208,704	$ 1,633,523	$ 1,658,686

(1) Amounts presented do not include issuance premiums or discounts.

(2) The fair values of the outstanding notes were determined using the Level 2 fair value hierarchy quoted market prices for each respective instrument as of March 31, 2024 and December 31, 2023. The fair values of the outstanding debt under the Senior Secured Credit Facility was estimated utilizing the Level 2 fair value hierarchy pricing model for similar instruments as of March 31, 2024 and December 31, 2023.

Note 9— Commitments and contingencies

From time to time, the Company is subject to various legal proceedings arising in the ordinary course of business, including those that arise from interpretation of federal, state and local laws and regulations affecting the oil and natural gas industry, personal injury claims, title disputes, royalty disputes, contract claims, contamination claims relating to oil and natural gas exploration and development and environmental claims, including claims involving assets previously sold to third parties and no longer part of the Company's current operations. The Company may not have insurance coverage for some of these proceedings and failure to comply with applicable laws and regulations can result in substantial penalties. While many of these matters involve inherent uncertainty, as of the date hereof, the Company believes that any such legal proceedings, if ultimately decided adversely, will not have a material adverse effect on the Company's business, financial position, results of operations or liquidity.

The Company has committed to deliver, for sale or transportation, fixed volumes of product under certain contractual arrangements that specify the delivery of a fixed and determinable quantity. If not fulfilled, the Company is subject to firm transportation payments on excess pipeline capacity and other contractual penalties. These commitments are normal and customary for the Company's business. In certain instances, the Company has used spot market purchases to meet its commitments in certain locations or due to favorable pricing. As of March 31, 2024, future firm sale and transportation commitments of $ 114.6 million are expected to be satisfied and, as such, are not recorded as a liability on the consolidated balance sheet.

Note 10— Supplemental cash flow and non-cash information

The following table presents supplemental cash flow and non-cash information for the periods presented:

	Three months ended March 31,	
(in thousands)	2024	2023
Supplemental cash flow information:		
Cash paid for interest, net of $ 483 and $ 535 of capitalized interest, respectively	$ 60,772	$ 51,147
Restricted cash(1)	$ —	$ 16,324
Supplemental non-cash operating information:		
Right-of-use assets obtained in exchange for operating lease liabilities (2)	$ 19,491	$ 124,128
Supplemental non-cash investing information:		
Change in accrued capital expenditures	$ 16,609	$ 18,843
Equity issued for acquisition of oil and natural gas properties (3)	$ 78,740	$ —

(1) Represents a short-term deposit for acquisition of oil and natural gas properties held in a third-party escrow account.
(2) See Note 5 in the 2023 Annual Report for additional discussion of the Company's leases.
(3) See Note 3 for additional discussion of the Company's acquisitions.

Note 11— Income taxes

The following table presents income tax benefit (expense) for the periods presented:

	Three months ended March 31,	
(in thousands)	2024	2023
Current	$ (1,175)	$ (1,331)
Deferred	16,924	(276)
Income tax benefit (expense)	$ 15,749	$ (1,607)

The Company estimates its annual effective tax rate (“AETR”) in recording its interim quarterly income tax provision for the various jurisdictions in which it operates. The tax effects of statutory rate changes, significant unusual or infrequently occurring items, and certain changes in the assessment of the realizability of deferred tax assets are excluded from the determination of its estimated AETR and are recognized as discrete items in the quarter in which they occur. The Company's effective tax rate during three months ended March 31, 2024 was 19.23 % and is the result of projecting current and deferred

U.S. income and Texas franchise taxes, including the impact of discrete items and permanent differences. Current income tax expense is primarily attributable to Texas Franchise tax.

Our estimated effective tax rate during the three months ended March 31, 2023 was 1.37 % as a result of projecting current Texas franchise tax and maintaining full valuation allowances against our U.S. and state of Oklahoma net deferred asset positions.

As of March 31, 2024, the Company continues to maintain a full valuation allowance against its state of Oklahoma deferred tax assets.

The Company’s deferred tax assets are primarily the result of U.S. net operating loss carryforwards. As of March 31, 2024, the Company had U.S. net operating loss carryforwards totaling $ 1.2 billion, of which $ 789.8 million will begin to expire in 2034 and $ 452.7 million will not expire but may be limited in future periods, and state of Oklahoma net operating loss carryforwards totaling $ 530.9 million, of which $ 34.6 million is subject to expiration beginning in 2032.

If the Company were to experience an "ownership change" as determined under Section 382 of the Internal Revenue Code, the Company's ability to offset taxable income arising after the ownership change with net operating losses arising prior to the ownership change could be significantly limited. Based on information available as of March 31, 2024, no such ownership change has occurred.

The Company closed the PEP Acquisition during the first quarter of 2024. For income tax purposes, the PEP Acquisition will be treated as an asset purchase such that the tax basis in the assets and liabilities will generally reflect the allocated fair value at closing. Therefore, the Company does not anticipate recording any deferred income taxes as part of the purchase consideration with respect to this acquisition. See Note 3 for additional information regarding the Company's acquisition.

Note 12— Related parties

Halliburton

The Chairman of the Company's board of directors is on the board of directors of Halliburton Company ("Halliburton"). The Company has a lease agreement with Halliburton, which extends through 2025, to provide an electric fracture stimulation crew and the related services. Under the agreement, the Company had a lease liability of $ 52.7 million as of March 31, 2024 and $ 59.7 million as of December 31, 2023, which is included in both current and noncurrent "Operating lease liabilities" on the consolidated balance sheets. Payments to Halliburton are included in capital expenditures for oil and natural gas properties in cash flows from investing activities on the consolidated statements of cash flows.

The following table presents the capital expenditures for oil and natural gas properties paid to Halliburton included in the consolidated statements of cash flows for the periods presented:

	Three months ended March 31,	
(in thousands)	**2024**	**2023**
Capital expenditures for oil and natural gas properties	$ 22,683	$ 32,249

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

The following discussion and analysis of our financial condition and results of operations is for the three months ended March 31, 2024 and 2023, and should be read in conjunction with our unaudited consolidated financial statements and condensed notes thereto included elsewhere in this Quarterly Report as well as our audited consolidated financial statements and notes thereto included in our 2023 Annual Report. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" and "Part II, Item 1A. Risk Factors." Except for purposes of the unaudited consolidated financial statements and condensed notes thereto included elsewhere in this Quarterly Report, references in this Quarterly Report to "Vital Energy," "we," "us," "our" or similar terms refer to Vital Energy and its subsidiaries, collectively, unless the context otherwise indicates or requires. Unless otherwise specified, references to "average sales price" refer to average sales price excluding the effects of our derivative transactions. All amounts, dollars and percentages presented in this Quarterly Report are rounded and therefore approximate.

Executive overview

We are an independent energy company focused on the acquisition, exploration and development of oil and natural gas properties in the Permian Basin of West Texas. The oil and liquids-rich Permian Basin is characterized by multiple target horizons, extensive production histories, long-lived reserves, high drilling success rates and high initial production rates. During 2023, we added approximately 88,050 net acres through multiple acquisitions. As of March 31, 2024, we had assembled 266,416 net acres in the Permian Basin.

As of March 31, 2024, we were operating four drilling rigs and two completions crews. We expect to continue this level of utilization through the second quarter of 2024. Our planned capital expenditures for full-year 2024 are expected to be between $750.0 million and $850.0 million. However, we will continue to monitor commodity prices and service costs and adjust activity levels in order to proactively manage our cash flows and preserve liquidity. Below is a summary and comparative analysis of our financial and operating performance for the periods presented:

- Oil sales volumes increased to 5,327 MBbl for the three months ended March 31, 2024 from 3,467 MBbl for the three months ended March 31, 2023.
- Oil equivalent sales volumes increased to 11,349 MBOE for the three months ended March 31, 2024 from 7,237 MBOE for the three months ended March 31, 2023.
- Oil, NGL, and natural gas sales increased to $481.1 million for the three months ended March 31, 2024 from $317.8 million for the three months ended March 31, 2023, primarily driven by a 57% increase in oil equivalent sales volumes.
- Net loss of $66.1 million for the three months ended March 31, 2024, which includes a non-cash loss on the mark-to-market of commodity derivatives of $146.8 million, compared to net income of $113.9 million for the three months ended March 31, 2023.

Recent developments

Acquisition

- February 2, 2024 - Completed the PEP Acquisition, which consisted of purchasing additional working interests in producing properties associated with the Henry Acquisition, for an aggregate purchase price of $80.0 million. See Note 3 to our consolidated financial statements included elsewhere in this Quarterly Report for further discussion of the acquisition.

Debt

- March 28, 2024 - Issued $800.0 million in aggregate principal amount of 7.875% senior unsecured notes due 2032 for net proceeds of $784.8 million.
- March 29, 2024 - Settled a cash tender offer on the January 2028 Notes for an aggregate principal amount of $431.2 million.
- April 3, 2024 - Issued an additional $200.0 million in aggregate principal amount of 7.875% senior unsecured notes, at 100.750% of par, under the same indenture dated as of March 28, 2024 for net proceeds of $198.7 million.

- April 3, 2024 - Settled a cash tender offer on the September 2030 Notes for an aggregate principal amount of $197.6 million.
- April 29, 2024 - Redeemed the remaining principal amount outstanding on the January 2028 Notes of $269.2 million.
- Decreased the weighted-average interest rate on our senior unsecured notes from 9.527% to 8.206%, for an expected future annual interest expense savings of approximately $11.0 million as a result of the aforementioned financing transactions.
- May 8, 2024 - Pursuant to the regular semi-annual redetermination, our lenders reaffirmed the borrowing base at $1.5 billion and increased the aggregate elected commitment to $1.35 billion under our Senior Secured Credit Facility.

Pricing and reserves

Commodity prices have historically been volatile. While general economic concerns continue to place some downward pressure on commodity prices, worldwide commodity demand continues to rise. Although supply has increased, it has been constrained and pricing has been affected, in part, by the impact of the world political and economic environment. Any of the above factors could change or reverse, and global commodity and financial markets remain subject to heightened levels of uncertainty and volatility.

Our results of operations are heavily influenced by oil, NGL and natural gas prices. We maintain an active commodity derivatives strategy to minimize commodity price volatility and support cash flows for operations. We have entered into a number of commodity derivative contracts that have enabled us to offset a portion of the changes in our cash flow caused by fluctuations in price and basis differentials for our sales of oil, NGL and natural gas, as discussed in "Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk." See Notes 7 and 8 to our consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our commodity derivatives. Notwithstanding our derivatives strategy, a collapse in commodity prices may affect the economic viability of, and our ability to fund, our drilling projects, as well as the economic recovery of oil, NGL and natural gas reserves. See "Critical accounting estimates" in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of the 2023 Annual Report for further discussion of our oil, NGL and natural gas reserve quantities and standardized measure of discounted future net cash flows.

Our reserves are reported in three streams: oil, NGL and natural gas. The Realized Prices, which are utilized to value our proved reserves and calculated using the average first-day-of-the-month prices for each month within the 12-month period prior to the end of the reporting period, adjusted for factors affecting price received at the delivery point, as of March 31, 2024 were $78.71 for oil, $16.20 for NGL and $1.08 for natural gas. The unamortized cost of evaluated oil and natural gas properties being depleted did not exceed the full cost ceiling as of March 31, 2024 or March 31, 2023. As such, no full cost ceiling impairments were recorded during these periods.

There are numerous uncertainties inherent in the estimation of proved reserves and accounting for oil and natural gas properties in future periods. In addition to commodity prices, our production rates, levels of proved reserves, future development costs, transfers of unevaluated properties and other factors will determine our actual ceiling test calculation and impairment analysis in future periods. Also, purchases of proved properties may be recorded at a cost that exceeds a related increase in the full cost ceiling calculation as acquisitions are generally based on fair value using expected future prices rather than historical prices used in the full cost ceiling test. A decline in the future trailing 12-month commodity prices may result in recording write downs, which could be material depending on price declines. If the future trailing 12-month commodity prices remain at current levels in future quarters and absent changes in other inputs, we do not anticipate recording material write downs in subsequent quarters in 2024. See Notes 2 and 6 in our 2023 Annual Report for discussion of the full cost method of accounting and our Realized Prices.

Results of operations

Revenues

Sources of our revenue

The following table presents our sources of revenue as a percentage of total revenues for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
	2024	2023	Change (#)	Change (%)
Oil sales	86 %	80 %	6 %	8 %
NGL sales	10 %	10 %	— %	— %
Natural gas sales	4 %	5 %	(1) %	(20)%
Sales of purchased oil	— %	5 %	(5) %	(100)%
Total	100 %	100 %		

Oil, NGL and natural gas sales volumes, revenues and prices

The following table presents information regarding our oil, NGL and natural gas sales volumes, sales revenues and average sales prices for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
	2024	2023	Change (#)	Change (%)
Sales volumes:				
Oil (MBbl)	5,327	3,467	1,860	54 %
NGL (MBbl)	2,934	1,849	1,085	59 %
Natural gas (MMcf)	18,534	11,529	7,005	61 %
Oil equivalent (MBOE)[(1)(2)]	11,349	7,237	4,112	57 %
Average daily oil equivalent sales volumes (BOE/d)[(2)]	124,719	80,416	44,303	55 %
Average daily oil sales volumes (Bbl/d)[(2)]	58,534	38,522	20,012	52 %
Sales revenues (in thousands):				
Oil	$ 415,784	$ 266,731	$ 149,053	56 %
NGL	47,075	33,006	14,069	43 %
Natural gas	18,245	18,074	171	1 %
Total oil, NGL and natural gas sales revenues	$ 481,104	$ 317,811	$ 163,293	51 %
Average sales prices[(2)]:				
Oil ($/Bbl)[(3)]	$ 78.06	$ 76.94	$ 1.12	1 %
NGL ($/Bbl)[(3)]	$ 16.05	$ 17.85	$ (1.80)	(10) %
Natural gas ($/Mcf)[(3)]	$ 0.98	$ 1.57	$ (0.59)	(38) %
Average sales price ($/BOE)[(3)]	$ 42.39	$ 43.91	$ (1.52)	(3) %
Oil, with commodity derivatives ($/Bbl)[(4)]	$ 74.95	$ 76.82	$ (1.87)	(2) %
NGL, with commodity derivatives ($/Bbl)[(4)]	$ 15.92	$ 17.85	$ (1.93)	(11) %
Natural gas, with commodity derivatives ($/Mcf)[(4)]	$ 1.41	$ 1.45	$ (0.04)	(3) %
Average sales price, with commodity derivatives ($/BOE)[(4)]	$ 41.60	$ 43.67	$ (2.07)	(5) %

(1) BOE is calculated using a conversion rate of six Mcf per one Bbl.

(2) The numbers presented in the three months ended March 31, 2024 and 2023 columns are based on actual amounts and may not recalculate using the rounded numbers presented in the table above or the table below.

(3) Price reflects the average of actual sales prices received when control passes to the purchaser/customer adjusted for quality, certain transportation fees, geographical differentials, marketing bonuses or deductions and other factors affecting the price received at the delivery point.

(4) Price reflects the after-effects of our commodity derivative transactions on our average sales prices. Our calculation of such after-effects includes settlements of matured commodity derivatives during the respective periods.

The following table presents net settlements received (paid) for matured commodity derivatives utilized in our calculation of the average sales prices, with commodity derivatives, for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	**2024**	**2023**	**Change ($)**	**Change (%)**
Oil	$ (16,578)	$ 414	$ (16,992)	(4,104)%
NGL	(378)	—	(378)	(100)%
Natural gas	7,956	1,349	6,607	490 %
Total	$ (9,000)	$ 1,763	$ (10,763)	(610)%

Changes in average sales prices and sales volumes caused the following changes to our oil, NGL and natural gas revenues between the three months ended March 31, 2024 and 2023:

(in thousands)	**Oil**	**NGL**	**Natural gas**	**Total**
First-quarter 2023 Revenues	$ 266,731	$ 33,006	$ 18,074	$ 317,811
Effect of changes in average sales prices	5,980	(5,297)	(10,810)	(10,127)
Effect of changes in sales volumes	143,073	19,366	10,981	173,420
First-quarter 2024 Revenues	$ 415,784	$ 47,075	$ 18,245	$ 481,104
Change ($)	$ 149,053	$ 14,069	$ 171	$ 163,293
Change (%)	56 %	43 %	1 %	51 %

Sales of purchased oil

Sales of purchased oil are a function of the volumes and prices of purchased oil sold to customers. We are a firm shipper on the Gray Oak pipeline and we may utilize purchased oil to fulfill portions of our commitments. The continuance of this practice in the future is based upon, among other factors, our pipeline capacity as a firm shipper and the quantity of our lease production which may contribute to our pipeline commitments. Sales of purchased oil decreased for the three months ended March 31, 2024, compared to the same period in 2023 due to fulfilling our Gray Oak pipeline commitments with our lease production, which we expect to continue doing in the near future.

Costs and expenses

The following table presents information regarding costs and expenses and selected average costs and expenses per BOE sold for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands except for per BOE sold data)	**2024**	**2023**	**Change ($)**	**Change (%)**
Costs and expenses:				
Lease operating expenses	$ 105,728	$ 50,181	$ 55,547	111 %
Production and ad valorem taxes	30,614	20,531	10,083	49 %
Oil transportation and marketing expenses	9,833	10,915	(1,082)	(10)%
Gas gathering, processing and transportation expenses	2,376	—	2,376	100%
Costs of purchased oil	—	14,167	(14,167)	(100)%
General and administrative (excluding LTIP and transaction expenses)	23,969	21,874	2,095	10 %
General and administrative (LTIP):				
LTIP cash	1,928	923	1,005	109 %
LTIP non-cash	3,127	2,272	855	38 %
General and administrative (transaction expenses)	332	861	(529)	(61)%
Depletion, depreciation and amortization	166,107	86,779	79,328	91 %
Other operating expenses, net	1,018	1,484	(466)	(31)%
Total costs and expenses	$ 345,032	$ 209,987	$ 135,045	64 %
Gain on disposal of assets, net	$ 130	$ 237	$ (107)	(45)%
Selected average costs and expenses per BOE sold [(1)]:				
Lease operating expenses	$ 9.32	$ 6.93	$ 2.39	34 %
Production and ad valorem taxes	2.70	2.84	(0.14)	(5)%
Oil transportation and marketing expenses	0.87	1.51	(0.64)	(42)%
Gas gathering, processing and transportation expenses	0.21	—	0.21	100%
General and administrative (excluding LTIP and transaction expenses)	2.11	3.02	(0.91)	(30)%
Total selected operating expenses	$ 15.21	$ 14.30	$ 0.91	6 %
General and administrative (LTIP):				
LTIP cash	$ 0.17	$ 0.13	$ 0.04	31 %
LTIP non-cash	$ 0.28	$ 0.31	$ (0.03)	(10)%
General and administrative (transaction expenses)	$ 0.03	$ 0.12	$ (0.09)	(75)%
Depletion, depreciation and amortization	$ 14.64	$ 11.99	$ 2.65	22 %

(1) Selected average costs and expenses per BOE sold are based on actual amounts and may not recalculate using the rounded numbers presented in the table above.

Lease operating expenses ("LOE"). LOE, which includes workover expenses, are daily expenses incurred to bring oil, NGL and natural gas out of the ground and to market, together with the daily expenses incurred to maintain our producing properties. Such costs also include maintenance, repairs and non-routine workover expenses related to our oil and natural gas properties. LOE increased for the three months ended March 31, 2024, compared to the same period in 2023 primarily due to our acquisitions of oil and natural gas properties in 2023.

Production and ad valorem taxes. Production and ad valorem taxes increased for the three months ended March 31, 2024, compared to the same period in 2023, due to increased oil, NGL and natural gas sales revenues. Production taxes are based on and fluctuate in proportion to our oil, NGL and natural gas sales revenues, and are established by federal, state or local taxing authorities. We take advantage of all credits and exemptions in our various taxing jurisdictions. Ad valorem taxes are based on and fluctuate in proportion to the taxable value assessed by the various counties where our oil and natural gas properties are located.

Oil transportation and marketing expenses. These are expenses incurred for the delivery of produced oil to customers in the U.S. Gulf Coast market via the Gray Oak pipeline. We ship the majority of our produced oil to the U.S. Gulf Coast, which we believe provides a long-term pricing advantage versus the Midland market. Firm transportation payments on excess pipeline capacity associated with transportation agreements are also included in oil transportation and marketing expenses. Oil transportation and marketing expenses decreased during the three months ended March 31, 2024 compared to the same period in 2023 primarily due to a decrease in expenses for firm transportation payments on excess capacity. See Note 9 to our consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our transportation commitments.

Gas gathering, processing and transportation expenses. During the third quarter of 2023, we became party to certain natural gas processing agreements where the Company concluded it is the principal in the transaction and the customer is the ultimate third party, with control of the NGL or residue gas transferring at the tailgate of the midstream entity's processing plant. Revenue for such agreements is recognized on a gross basis, with gathering, processing and transportation fees presented as an expense on the consolidated statements of operations.

Costs of purchased oil. Costs of purchased oil are a function of the volumes and prices of purchased oil. We are a firm shipper on the Gray Oak pipeline, and in the event our long-haul transportation capacity on the Gray Oak pipeline exceeds our net production, we purchase third-party oil at the trading hubs to satisfy the deficit in our associated long-haul transportation commitments. Costs of purchased oil decreased for the three months ended March 31, 2024, compared to the same periods in 2023 due to fulfilling our Gray Oak pipeline commitments with our lease production, which we expect to continue doing in the near future.

General and administrative ("G&A") (excluding LTIP and transaction expenses). G&A, excluding employee compensation expenses from our long-term incentive plan ("LTIP") and transaction expenses associated with the Henry Acquisition and certain financing transactions, increased for the three months ended March 31, 2024, compared to the same period in 2023. Such increase is primarily due to workforce and professional expenses in connection with the growth of the Company.

General and administrative (LTIP cash). LTIP cash expense increased for the three months ended March 31, 2024, compared to the same period in 2023 primarily due to additional cash-settled performance unit awards granted in the first quarter 2024.

General and administrative (LTIP non-cash). LTIP non-cash expense increased for the three months ended March 31, 2024, compared to the same period in 2023 due to (i) fluctuations in the fair value of our share-settled LTIP awards as a result of the Company's achievement of performance criteria and (ii) first-quarter 2024 expense including restricted stock awards for a larger population of our workforce as compared to first-quarter 2023. See Note 5 to our consolidated financial statements included elsewhere in this Quarterly Report for information regarding our equity-based compensation.

General and administrative (transaction expenses). Transaction expenses for the first quarter of 2024 primarily represent incurred costs associated with the Henry Acquisition. See Note 3 to our consolidated financial statements included elsewhere in this Quarterly Report for further discussion of the Henry Acquisition.

Depletion, depreciation and amortization. The following table presents depletion expense per BOE sold for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	**2024**	**2023**	**Change ($)**	**Change (%)**
Depletion expense per BOE sold	$ 14.19	$ 11.48	$ 2.71	24 %

Depletion expense per BOE increased for the three and three months ended March 31, 2024, compared to the same periods in 2023, primarily due to an increase in future development costs and volumes of our proved reserves as a result of our recent acquisitions of oil and natural gas properties in 2023 and the PEP Acquisition in first quarter of 2024. See Note 6 to our consolidated financial statements included in our 2023 Annual Report and "—Pricing and reserves" for additional information regarding the full cost method of accounting.

Non-operating income (expense)

The following table presents the components of non-operating income (expense), net for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	**2024**	**2023**	**Change ($)**	**Change (%)**
Gain (loss) on derivatives, net	$ (152,147)	$ 20,490	$ (172,637)	(843)%
Interest expense	(43,421)	(28,554)	(14,867)	(52)%
Loss on extinguishment of debt, net	(25,814)	—	(25,814)	(100)%
Other income, net	2,065	854	1,211	142 %
Total non-operating expense, net	$ (219,317)	$ (7,210)	$ (212,107)	2,942 %

Gain (loss) on derivatives, net. The following table presents the changes in the components of gain (loss) on derivatives, net for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	**2024**	**2023**	**Change ($)**	**Change (%)**
Non-cash gain (loss) on derivatives, net	$ (143,147)	$ 20,798	$ (163,945)	(788)%
Settlements paid for matured derivatives, net	(9,000)	(1,763)	(7,237)	(410)%
Settlements received for contingent consideration	—	1,455	(1,455)	(100)%
Gain (loss) on derivatives, net	$ (152,147)	$ 20,490	$ (172,637)	(843)%

Non-cash gain (loss) on derivatives, net is the result of new and matured contracts, including contingent consideration derivatives for the period subsequent to the initial valuation date and through the end of the contingency period, and the changing relationship between our outstanding contract prices and the future market prices in the forward curves, which we use to calculate the fair value of our derivatives. In general, if outstanding commodity contracts are held constant, we experience gains during periods of decreasing market prices and losses during periods of increasing market prices. Settlements paid or received for matured derivatives are for our (i) commodity derivative contracts, which are based on the settlement prices compared to the prices specified in the derivative contracts and (ii) contingent consideration derivatives.

See Notes 7 and 8 to our consolidated financial statements included elsewhere in this Quarterly Report and "Item 3. Quantitative and Qualitative Disclosures About Market Risk" for additional information regarding our derivatives.

Interest expense. Interest expense increased during the three months ended March 31, 2024. We reflect interest paid to the lenders and bondholders in interest expense, net of amounts capitalized. In addition, we include the amortization of: (i) debt issuance costs (including origination, amendment and professional fees), (ii) commitment fees and (iii) annual agency fees in interest expense. The increase during the three months ended March 31, 2024 is due to (i) increased borrowings under our Senior Secured Credit Facility related to acquisition funding and (ii) new senior unsecured notes issued during the third quarter of 2023. See Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding our long-term debt.

Loss on extinguishment of debt, net. During the three months ended March 31, 2024, we recognized a $25.8 million loss on extinguishment of debt related to settling a cash tender offer for the January 2028 Notes, which consisted of early tender premiums and write-offs of debt issuance costs and issuance premium. We expect to record a loss on extinguishment of debt in the second quarter of 2024 of approximately $40.0 million related to settling a cash tender offer for our September 2030 Notes and the redemption of our remaining January 2028 Notes, both of which occurred subsequent to March 31, 2024. See Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report for additional information regarding our long-term debt.

Income tax benefit (expense)

We are subject to federal and state income taxes and the Texas franchise tax. An income tax benefit was recorded during the first three months of 2024 due to the application of our estimated annual effective tax rate to the book net loss before income taxes recorded during the first three months of 2024. Our effective tax rate was 19.23% and 1.37% during the first quarter of 2024 and 2023, respectively. The fluctuation in the effective tax rate is primarily due to no longer maintaining a full valuation allowance against our deferred tax assets during the first three months of 2024 as it was during the first quarter of

2023. Our effective tax rate differs from the U.S. statutory rate as a result of the impact of discrete items, state income taxes and permanent differences. See Note 11 to our consolidated financial statements included elsewhere in this Quarterly Report for a discussion of our income taxes.

We have significant federal and state net operating loss carry-forwards. If we were to experience an “ownership change” as determined under Section 382 of the Internal Revenue Code, our ability to offset taxable income arising after the ownership change with net operating losses arising prior to the ownership change may be significantly limited. Based on information available as of March 31, 2024, no such ownership change has occurred.

Liquidity and capital resources

Historically, our primary sources of liquidity have been cash flows from operations, proceeds from equity offerings, proceeds from senior unsecured and subordinated note offerings, borrowings under our Senior Secured Credit Facility and proceeds from asset dispositions. Our primary operational uses of capital have been for the acquisition, exploration and development of oil and natural gas properties and infrastructure development.

We continually seek to maintain a financial profile that provides operational flexibility and monitor the markets to consider which financing alternatives, including debt and equity capital resources, joint ventures and asset sales, are available to meet our future planned capital expenditures, a significant portion of which we are able to adjust and manage. We also continually evaluate opportunities with respect to our capital structure, including issuances of new securities, as well as transactions involving our outstanding senior notes, which could take the form of open market or private repurchases, exchange or tender offers, or other similar transactions, and our common stock, which could take the form of open market or private repurchases. We may make changes to our capital structure from time to time, with the goal of maintaining financial flexibility, preserving or improving liquidity and/or achieving cost efficiency. Such financing alternatives, or combination of alternatives, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. We continually look for other opportunities to maximize stockholder value. For further discussion of our financing activities related to debt instruments, see Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report.

Due to the inherent volatility in the prices of oil, NGL and natural gas and the sometimes wide pricing differentials between where we produce and where we sell such commodities, we engage in commodity derivative transactions to hedge price risk associated with a portion of our anticipated sales volumes. By removing a portion of the price volatility associated with future sales volumes, we expect to mitigate, but not eliminate, the potential effects of variability in cash flows from operations. See "Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk" below. See Note 8 to our consolidated financial statements included elsewhere in this Quarterly Report for discussion of our open commodity positions.

As of March 31, 2024, we had cash and cash equivalents of $423.3 million and available capacity under the Senior Secured Credit Facility of $1.0 billion, resulting in total liquidity of $1.4 billion. As of May 3, 2024, we had cash and cash equivalents of $72.4 million and available capacity under the Senior Secured Credit Facility of $1.0 billion, resulting in total liquidity of $1.1 billion. Our cash and cash equivalents as of March 31, 2024, were subsequently used to fund the cash tender offers for our September 2030 Notes and the redemption of our remaining January 2028 Notes. We believe that our operating cash flows and the aforementioned liquidity sources provide us with sufficient liquidity and financial resources to manage our cash needs and contractual obligations, to implement our currently planned capital expenditure budget and, at our discretion, to fund any share repurchases, pay down, repurchase or refinance debt or adjust our planned capital expenditure budget. See Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report for additional discussion of our debt activity subsequent to March 31, 2024.

Cash requirements for known contractual and other obligations

The following table presents significant cash requirements for known contractual and other obligations as of March 31, 2024:

(in thousands)	Short-term	Long-term	Total
Senior unsecured notes [(1)(2)]	$ 133,589	$ 2,818,132	$ 2,951,721
Senior Secured Credit Facility	—	265,000	265,000
Asset retirement obligations	2,632	83,039	85,671
Firm transportation commitments	17,907	35,813	53,720
Operating lease commitments [(3)]	83,840	75,258	159,098
Total	$ 237,968	$ 3,277,242	$ 3,515,210

(1) Amounts presented include both principal and interest obligations.
(2) On March 28, 2024, we gave notice to holders of our 10.125% senior unsecured notes due 2028 that we had elected to redeem the aggregate principal amounts outstanding of $269.2 million on April 29, 2024 at a redemption price of 105.063%.
(3) Amounts presented include both minimum lease payments and imputed interest.

We expect to satisfy our short-term contractual and other obligations with cash flows from operations. See Notes 4 and 9 to our consolidated financial statements included elsewhere in this Quarterly Report and Notes 2, 5 and 18 in our 2023 Annual Report for further discussion of our known contractual and other obligations.

Cash flows

The following table presents our cash flows for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	2024	2023	Change ($)	Change (%)
Net cash provided by operating activities	$ 158,590	$ 116,125	$ 42,465	37 %
Net cash used in investing activities	(205,664)	(163,603)	(42,061)	(26)%
Net cash provided by financing activities	456,338	47,049	409,289	870 %
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 409,264	$ (429)	$ 409,693	95,500 %

Cash flows from operating activities

Net cash provided by operating activities increased during the three months ended March 31, 2024, compared to the same period in 2023. Notable cash changes include (i) an increase in total oil, NGL and natural gas sales revenues of $163.3 million, partially offset by (ii) an increase of $55.5 million in lease operating expenses and (iii) a decrease of $35.6 million due to net changes in operating assets and liabilities. The increase in total oil, NGL and natural gas sales revenues was primarily due to a 57% increase in oil equivalent sales volumes. For additional information, see "—Results of operations."

Our operating cash flows are sensitive to a number of variables, the most significant of which are the volatility of oil, NGL and natural gas prices, mitigated to the extent of our commodity derivatives' exposure, and sales volume levels. Regional and worldwide economic activity, weather, infrastructure, transportation capacity to reach markets, costs of operations, legislation and regulations, including potential government production curtailments, and other variable factors significantly impact the prices of these commodities. For additional information on risks related to our business, see "Part I. Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II. Item 1A. Risk Factors" included elsewhere in this Quarterly Report and "Part I. Item 1A. Risk Factors" in our 2023 Annual Report.

Cash flows from investing activities

Net cash used in investing activities increased for the three months ended March 31, 2024, compared to the same period in 2023, mainly due to an increase in capital expenditures as a result of increased drilling and completions activity. For further discussion of our acquisitions of oil and natural gas properties, see Note 3 to our consolidated financial statements included elsewhere in this Quarterly Report.

We currently expect capital investments for 2024 to be in the approximate range of $750.0 million to $850.0 million. We will continue to monitor commodity prices and service costs and adjust activity levels in order to proactively manage our cash flows and preserve liquidity. We do not have a specific acquisition budget since the timing and size of acquisitions cannot be accurately forecasted.

The following table presents the components of our capital investments, excluding non-budgeted acquisition costs, for the periods presented and the corresponding changes for such periods:

	Three months ended March 31,		2024 compared to 2023	
(in thousands)	**2024**	**2023**	**Change ($)**	**Change (%)**
Oil and natural gas properties [1]	$ 213,265	$ 184,114	$ 29,151	16 %
Midstream and other fixed assets [1]	4,635	3,530	1,105	31 %
Total capital investments, excluding non-budgeted acquisition costs	$ 217,900	$ 187,644	$ 30,256	16 %

(1) Includes capitalized share-settled equity-based compensation and asset retirement costs.

The amount, timing and allocation of capital investments are largely discretionary and within management's control. If oil, NGL and natural gas prices are below our acceptable levels, or costs are above our acceptable levels, we may choose to defer a portion of our capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity and prioritize capital projects that we believe have the highest expected returns and potential to generate near-term cash flow. Subject to financing alternatives, we may also increase our capital expenditures significantly to take advantage of opportunities we consider to be attractive. We continually monitor and may adjust our projected capital expenditures in response to world developments, as well as success or lack of success in drilling activities, changes in prices, availability of financing and joint venture opportunities, drilling and acquisition costs, industry conditions, the timing of regulatory approvals, the availability of rigs and supplies, changes in service costs, contractual obligations, internally generated cash flow and other factors both within and outside our control.

Cash flows from financing activities

For the three months ended March 31, 2024, $456.3 million of net cash was provided by financing activities compared to $47.0 million of net cash provided by financing activities for the same period in 2023. Notable 2024 activity includes (i) proceeds from the issuance of our senior unsecured notes of $800.0 million, (ii) extinguishment of our January 2028 Notes of $453.5 million , (iii) borrowings on our Senior Secured Credit Facility of $130.0 million and (iv) payments for debt issuance costs of $15.7 million. For further discussion of our financing activities related to debt instruments, see Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report.

Sources of Liquidity

Senior Secured Credit Facility

As of March 31, 2024, the Senior Secured Credit Facility, which matures on September 13, 2027, had a maximum credit amount of $3.0 billion, a borrowing base of $1.5 billion and an aggregate elected commitment $1.25 billion, with $265.0 million outstanding, and was subject to an interest rate of 7.676%. The Senior Secured Credit Facility contains both financial and non-financial covenants, all of which we were in compliance with for all periods presented. Additionally, the Senior Secured Credit Facility provides for the issuance of letters of credit, limited to the lesser of total capacity or $80.0 million. As of March 31, 2024 and December 31, 2023, we had no letters of credit outstanding under the Senior Secured Credit Facility.

See Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our Senior Secured Credit Facility.

Supplemental Guarantor information

As of March 31, 2024, approximately $1.9 billion of our senior unsecured notes remained outstanding. Our wholly-owned subsidiary, Vital Midstream Services, LLC (the "Guarantor"), jointly and severally, and fully and unconditionally, guarantees the January 2028 Notes, July 2029 Notes, September 2030 Notes and March 2032 Notes.

The guarantees are senior unsecured obligations of the Guarantor and rank equally in right of payment with other existing and future senior indebtedness of such Guarantor, and senior in right of payment to all existing and future subordinated indebtedness of such Guarantor. The guarantees of the senior unsecured notes by the Guarantor are subject to certain Releases. The obligations of the Guarantor under its note guarantee are limited as necessary to prevent such note guarantee from constituting a fraudulent conveyance under applicable law. Further, the rights of holders of the senior unsecured notes against the Guarantor may be limited under the U.S. Bankruptcy Code or state fraudulent transfer or conveyance law. Vital Energy is not restricted from making investments in the Guarantor and the Guarantor is not restricted from making intercompany distributions to Vital Energy.

The assets, liabilities and results of operations of the combined issuer and the Guarantor are not materially different than the corresponding amounts presented in our consolidated financial statements included elsewhere in this Quarterly Report. Accordingly, we have omitted the summarized financial information of the issuer and the Guarantor that would otherwise be required.

Critical accounting estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. Certain accounting policies involve judgments and uncertainties to such an extent that there is reasonable likelihood that materially different amounts could have been reported under different conditions or if different assumptions had been used. We evaluate our estimates and assumptions on a regular basis. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates and assumptions used in preparation of our consolidated financial statements.

There have been no material changes in our critical accounting estimates during the three months ended March 31, 2024. See our critical accounting estimates in "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risk. The term "market risk," in our case, refers to the risk of loss arising from adverse changes in oil, NGL and natural gas prices and in interest rates. The disclosures are not meant to be precise indicators of expected future losses, but rather indicators of how we view and manage our ongoing market risk exposures. All of our market risk-sensitive derivative instruments were entered into for hedging purposes, rather than for speculative trading.

Commodity price exposure

Due to the inherent volatility in oil, NGL and natural gas prices and the sometimes wide pricing differentials between where we produce and where we sell such commodities, we engage in commodity derivative transactions, such as puts, swaps, collars and basis swaps, to hedge price risk associated with a portion of our anticipated sales volumes. By removing a portion of the price volatility associated with future sales volumes, we expect to mitigate, but not eliminate, the potential effects of variability in cash flows from operations.

The fair values of our open commodity positions are largely determined by the relevant forward commodity price curves of the indexes associated with our open derivative positions. The following table provides a sensitivity analysis of the projected incremental effect on income or loss before income taxes of a hypothetical 10% change in the relevant forward commodity price curves of the indexes associated with our open commodity positions as of March 31, 2024:

(in thousands)	As of March 31, 2024	
Commodity derivative liability position	$	(27,534)
Impact of a 10% increase in forward commodity prices	$	(155,961)
Impact of a 10% decrease in forward commodity prices	$	147,441

See Notes 7 and 8 to our consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our commodity derivatives. For additional discussion of our quantitative and qualitative disclosures about market risk, see "Part II, Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in our 2023 Annual Report.

Interest rate risk

Our Senior Secured Credit Facility bears interest at a floating rate and our senior unsecured notes bear interest at fixed rates. The interest rate on our Senior Secured Credit Facility as of March 31, 2024 was 7.676%. See Note 4 to our consolidated financial statements included elsewhere in this Quarterly Report for further discussion of our debt. The interest rate on borrowings may be based on an alternate base rate or term secured overnight financing rate ("Term SOFR"), at our option. Interest on alternate base rate loans is equal to the sum of (a) the highest of (i) the "prime rate" (as publicly announced by Wells Fargo Bank, N.A.) in effect on such day, (ii) the federal funds effective rate in effect on such day plus 0.5% and (iii) the Adjusted Term SOFR (as defined in our Senior Secured Credit Facility) for a one-month tenor in effect on such day plus 1% and (b) the applicable margin. Interest on Term SOFR loans is equal to the sum of (a)(i) the Term SOFR (as defined in our Senior Secured Credit Facility) rate for such period plus (ii) the Term SOFR Adjustment (as defined in our Senior Secured Credit Facility) of 0.1% (in the case of clause (a), subject to a floor of 0%) plus (b) the applicable margin. The applicable margin varies from 1.25% to 2.25% on alternate base rate borrowings and from 2.25% to 3.25% on Term SOFR borrowings, in each case, depending on our utilization ratio. At March 31, 2024, the applicable margin on our borrowings were 1.25% for alternate base rate borrowings and 2.25% for Term SOFR borrowings.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of Vital Energy's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), was performed under the supervision and with the participation of Vital Energy's management, including our principal executive officer and principal financial officer. Based on that evaluation, these officers concluded that Vital Energy's disclosure controls and procedures were effective as of March 31, 2024. Our disclosure controls and other procedures are designed to provide reasonable assurance that the information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Vital Energy's management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Evaluation of changes in internal control over financial reporting

There were no changes in our internal controls over financial reporting (as defined in Rule 13(a)-15(f) of the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Part II

Item 1. Legal Proceedings

From time to time, we are subject to various legal proceedings arising in the ordinary course of business, including proceedings for which we may not have insurance coverage. While many of these matters involve inherent uncertainty as of the date hereof, we do not currently believe that any such legal proceedings will have a material adverse effect on our business, financial position, results of operations or liquidity.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risks discussed in our 2023 Annual Report and those set forth from time to time in our other filings with the SEC. There have been no material changes in our risk factors from those described in our 2023 Annual Report. The risks described in such report are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or future results.

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

Unregistered Sales of Equity Securities

None.

Issuer Repurchases of Equity Securities

The following table summarizes purchases of common stock by Vital Energy for the periods presented:

Period	Total number of shares purchased[1]	Weighted-average price paid per share	Total number of shares purchased as part of publicly announced program	Maximum value that may yet be purchased under the program as of the respective period-end date[2]
January 1, 2024 - January 31, 2024	—	$ —	—	$ 162,710,185
February 1, 2024 - February 29, 2024	55,418	$ 46.83	—	$ 162,710,185
March 1, 2024 - March 31, 2024	16,288	$ 50.08	—	$ 162,710,185
Total	71,706		—	

(1) Represents shares that were withheld by us to satisfy tax withholding obligations that arose upon the lapse of restrictions on certain equity-based compensation awards, namely restricted stock awards.

(2) On May 31, 2022, our board of directors authorized a $200 million share repurchase program commencing on the date of such announcement and continuing through and including May 27, 2024. Share repurchases under the program may be made through a variety of methods, which may include open market purchases, including under plans complying with Rule 10b5-1 of the Exchange Act, and privately negotiated transactions. During the three months ended March 31, 2024, no shares were repurchased.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

The operation of our Howard County, Texas sand mine is subject to regulation by the Federal Mine Safety and Health Administration (the "MSHA") under the Federal Mine Safety and Health Act of 1977 (the "Mine Act"). MSHA may inspect our Howard County mine and may issue citations and orders when it believes a violation has occurred under the Mine Act. While we contract the mining operations of the Howard County mine to an independent contractor, we may be considered an "operator" for purpose of the Mine Act and may be issued notices or citations if MSHA believes that we are responsible for violations.

The information concerning mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Quarterly Report.

Item 5. Other Information

On May 8, 2024, the Company entered into the Twelfth Amendment to the Senior Secured Credit Facility (the "Twelfth Amendment," and the Senior Secured Credit Facility as so amended, the “Amended Senior Secured Credit Facility”). The Twelfth Amendment, among other things, provided for an increase to the revolving elected commitments from $1.25 billion to $1.35 billion. As of May 8, 2024, the Amended Senior Secured Credit Facility, has a maximum credit amount of $3.0 billion, a borrowing base and an aggregate elected commitment of $1.5 billion and $1.35 billion, respectively. Additionally, the Twelfth Amendment terminated certain unused Term Loan commitments under the Senior Secured Credit Facility for the “Initial Term Loan Facility” (as defined in the Senior Secured Credit Facility) and removed certain prepayment requirements.

Rule 10b5-1 Trading Arrangement Changes

None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the quarterly period ended March 31, 2024.

Item 6. Exhibits

		Incorporated by reference (File No. 001-35380, unless otherwise indicated)		
Exhibit	Description	Form	Exhibit	Filing Date
2.1	Purchase and Sale Agreement, dated September 13, 2023, by and among Vital Energy, Inc. and Henry Resources LLC, Henry Energy LP and Moriah Henry Partners LLC.^	8-K	2.1	9/13/2023
3.1	Amended and Restated Certificate of Incorporation of Vital Energy, Inc., dated as of December 19, 2011.	8-K	3.1	12/22/2011
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vital Energy, Inc., dated as of June 1, 2020.	8-K	3.1	6/1/2020
3.3	Second Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vital Energy, Inc., dated May 26, 2022.	8-K	3.1	5/26/2022
3.4	Third Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Vital Energy, Inc., dated January 9, 2023.	8-K	3.1	1/9/2023
3.5	Fourth Certificate of Amendment to Vital Energy, Inc. Amended and Restated Certificate of Incorporated, dated November 21, 2023.	8-K	3.1	11/21/2023
3.6	Certificate of Ownership and Merger, dated as of December 30, 2013.	8-K	3.1	1/6/2014
3.7	Fourth Amended and Restated Bylaws of Vital Energy, Inc., adopted January 9, 2023.	8-K	3.2	1/9/2023
3.8	Certificate of Designations of 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock of Vital Energy, Inc., as filed with the Secretary of State of the State of Delaware on September 13, 2023.	8-K	3.1	9/19/2023
3.9	Certificate of Amendment to Certificate of Designations of 2.0% Cumulative Mandatorily Convertible Series A Preferred Stock of Vital Energy, Inc.	8-K	3.1	11/6/2023
4.1	Form of Common Stock Certificate.	8-A12B/A	4.1	1/7/2014
4.2	Indenture, dated as of March 18, 2015, among Laredo Petroleum, Inc., Laredo Midstream Services, LLC, Garden City Minerals, LLC and Wells Fargo Bank, National Association, as trustee.	8-K	4.1	9/25/2023
4.3	Indenture, dated as of July 16, 2021, among Laredo Petroleum, Inc., Laredo Midstream Services, LLC, Garden City Minerals, LLC and Wells Fargo Bank, National Association, as trustee.	8-K	4.1	7/16/2021
4.4	Fifth Supplemental Indenture, dated as of September 25, 2023, among Vital Energy, Inc., Vital Midstream Services, LLC and U.S. Bank Trust Company, National Association, as trustee.	8-K	4.2	9/25/2023
4.5	Indenture, dated as of March 28, 2024, among Vital Energy, Inc., Vital Midstream Services, LLC and U.S. Bank Trust Company, National Association, as trustee.	8-K	4.1	3/28/2024
10.1	Purchase and Sale Agreement, dated as of February 2, 2024 by and among Vital Energy, Inc. and PEP Henry Production Partners LP, PEP HPP Jubilee SPV LP, PEP PEOF Dropkick SPV, LLC, PEP HPP Dropkick SPV LP and HPP Acorn SPV LP.	8-K/A	2.1	2/5/2024
10.2	Form of Performance Share Unit Award Agreement.	10-K	10.23	3/11/2024
10.3	Nonqualified Director Deferred Compensation Plan.	10-K	10.28	3/11/2024
10.4*	Offer letter, dated March 13, 2024, between Vital Energy, Inc. and Mr. Larry Faulkner			
10.5	Purchase Agreement, dated March 14, 2024, among Vital Energy, Inc., Vital Midstream Services, LLC and BofA Securities, Inc., as representative of the several initial purchasers named therein.	8-K	10.1	3/15/2024
10.6*	Twelfth Amendment to the Fifth Amended and Restated Credit Agreement, dated as ofMay 8, 2024, among Vital Energy, Inc., as borrower, Wells Fargo Bank, N.A., as administrative agent, Vital Midstream Services, LLC, as guarantor, and the banks signatory thereto.^			
22.1	List of Issuers and Guarantor Subsidiaries.	10-K	22.1	3/11/2024
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.			
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.			
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			

95.1*	Mine Safety Disclosures.
101	The following financial information from Vital's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) Condensed Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

---

* Filed herewith.

** Furnished herewith.

^ Certain schedules and exhibits to this agreement have been omitted in accordance with Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the Securities and Exchange Commission on request.

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.

VITAL ENERGY, INC.

Date: May 8, 2024	By:	/s/ Jason Pigott
		Jason Pigott
		President and Chief Executive Officer
		(principal executive officer)
Date: May 8, 2024	By:	/s/ Bryan J. Lemmerman
		Bryan J. Lemmerman
		Executive Vice President and Chief Financial Officer
		(principal financial officer)
Date: May 8, 2024	By:	/s/ Stephen L. Faulkner, Jr.
		Stephen L. Faulkner, Jr.
		Vice President and Chief Accounting Officer
		(principal accounting officer)

EXHIBIT 10.4

March 11, 2024

Stephen “Larry” Faulkner, Jr.
[Redacted]

Re: Employment Offer for: Vice President Accounting & Chief Accounting Officer

Dear Larry,

I am delighted to offer you the opportunity to join Vital Energy, Inc. (the “Company”) in the position of Vice President Accounting & Chief Accounting Officer. This letter outlines the terms of our offer and will formalize any previous discussions.

If you accept this offer, you will be employed by the Company in that capacity, or such other capacity as may be assigned from time to time. Your employment is considered at will. Your position is located in Tulsa, Oklahoma and includes duties assigned to you by your supervisor, Bryan Lemmerman, Executive Vice President & Chief Financial Officer. Your employment date will be determined following successful completion of your pre-employment requirements. The terms of your employment are outlined below.

1. While you remain in this position, you will be paid a base salary of $300,000.00 per year paid on a bi-weekly basis. This base salary may be adjusted from time to time at the Company’s discretion.
2. Employees of Vital are eligible to participate in the Short-Term Incentive Plan (also referred to as STIP); your target amount is 60% of your base salary. You will not be eligible to receive any bonus if you are not employed by the Company on the payment date. This is a discretionary plan and payouts are determined by both the Company’s and your individual performance.
3. In addition, you will be entitled to participate in our Long-Term Incentive Program; your target amount is 100% of your base salary. You will be eligible under this program in the Spring of 2025 as long as you begin employment by the last payroll of 2024.

   For your 2024 LTI Grant, you will receive a new hire restricted stock award of 6,064 shares under the terms of our LTIP. This award will consist of 75% restricted stock or 4,548 RSAs and 25% performance units or 1,516 PSUs. The restricted shares will have a three-year vesting schedule with 33% of the award vesting on the first anniversary of the grant date, 33% on the second anniversary of the grant date, and the balance on the third anniversary of the grant date. The performance units will cliff vest at the end of the performance period on December 31, 2027. This LTI award will be based on the previous 10-day average stock price prior to March 8, 2024. This award will be made on the first of the month following your hire date.

   Both plans are reviewed and approved by the Compensation Committee of the Board of Directors and may change from year to year based on market conditions and/or Company performance.
4. In this position, you will be eligible to participate in the Vital Energy, Inc., Executive Severance Plan, as approved by the Board of Directors.
5. This offer is contingent upon you successfully completing a drug test, a driving record check, and a background check in accordance with the Company’s normal employment policy. A member of the Human Resources Department will be in contact with you regarding arrangements.
6. This letter does not constitute a guarantee of employment for any specific term or in any specific capacity, and your employment will be subject to such policies as the Company may adopt from time to time.

Subject to the terms of the specific benefit plans and Company policies, you will be eligible to enroll for all other regular employee benefits offered to Laredo employees, which include:

- medical, dental, vision and life insurance benefits,
- flexible spending/dependent care assistance plan,
- short-term and long-term disability coverage,
- optional life insurance, critical care, hospital indemnity, and accident coverage,
- Based on your prior experience, 240 hours of paid time off (PTO) per year which will be pro-rated based on your hire date,
- 10 paid holidays during each calendar year,
- and the Company 401(k) Plan.

You should be aware that our health benefits generally become effective on the first day of the month following your effective employment date. Employee contribution for payment of benefit plans is determined annually and based on whether you choose coverage for yourself only, you and your spouse, or you, your spouse, and children. The terms and conditions upon which these employee benefit plans are being offered are set forth in the plan documents. Those include, but are not limited to, eligibility conditions, plan entry dates, and any steps that an employee must take to become a participant in each plan. These benefits and the terms and conditions upon which they are being offered, are subject to change.

You will be an “at-will” employee of the Company which means that the employment relationship may be terminated by either the Company or you at any time, with or without notice, and with or without cause, for any reason not prohibited by law. As a condition of your employment, you agree that you will comply with all other policies of the Company including those set forth in the Company Employee Handbook.

Should you decide to accept our offer, please sign, and return this letter via DocuSign. The Company’s discussions relative to your employment are deemed to be confidential and fully incorporated herein. Acceptance of offer must be made on or before ten business days from the date of this letter or it is withdrawn.

As you are aware, we place considerable emphasis on choosing the proper person for this position. We are excited about Vital and its potential for growth and the possibility of your contribution to our success. We look forward to your response.

Yours truly,

/s/ Kim Harding
Kim Harding
Vice President, Human Resources

I wish to accept the offer X
I wish to decline the offer _

/s/ Stephen L. Faulkner	3/12/2024
(Signature)	(Date)

EXHIBIT 10.6

Execution Version

TWELFTH AMENDMENT
to
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

among

VITAL ENERGY, INC.,
as Borrower**,**

WELLS FARGO BANK, N.A.,
as Administrative Agent**,**

the Guarantors Signatory Hereto,

and

the Banks Signatory Hereto

TWELFTH AMENDMENT TO
FIFTH AMENDED AND RESTATED CREDIT AGREEMENT

This Twelfth Amendment to Fifth Amended and Restated Credit Agreement (this "Twelfth Amendment"), dated as of May 8, 2024 (the "Twelfth Amendment Effective Date"), is among Vital Energy, Inc., a corporation formed under the laws of the State of Delaware (the "Borrower"); each of the undersigned guarantors (the "Guarantors", and together with Borrower, the "Credit Parties"); each of the Banks party hereto (including the New Bank referred to below); and Wells Fargo Bank, N.A., as administrative agent for the Banks (in such capacity, together with its successors, the "Administrative Agent").

Recitals

A. The Borrower, the Administrative Agent and the financial institutions party thereto as lenders (the "Existing Banks") are parties to that certain Fifth Amended and Restated Credit Agreement dated as of May 2, 2017 (as amended, supplemented or otherwise modified prior to the date hereof, the "Existing Credit Agreement"; and the Existing Credit Agreement, as the same may be further amended, amended and restated, supplemented or otherwise modified from time to time, including by and after giving effect to this Twelfth Amendment, the "Credit Agreement"), pursuant to which the Existing Banks have, subject to the terms and conditions set forth therein, made certain credit available to and on behalf of Borrower.

B. Effective as of the Twelfth Amendment Effective Date, the parties hereto are entering into this Twelfth Amendment to, among other things, on the terms and subject to the conditions set forth herein:

(i) add Fifth Third Bank, National Association as a Bank under the Credit Agreement (in such capacity, the "New Bank") with an Applicable Revolving Commitment Percentage, a Maximum Credit Amount and an Elected Revolving Commitment in the amount shown opposite such New Bank's name on Schedule 1 to the Credit Agreement (as amended hereby);

(ii) increase the Aggregate Elected Commitment Amount by $100,000,000 from $1,250,000,000 to $1,350,000,000;

(iii) provide for a redetermination and reaffirmation of the Borrowing Base at $1,500,000,000 by the Required Banks, which redetermination and reaffirmation of the Borrowing Base shall constitute the Scheduled Redetermination of the Borrowing Base scheduled to occur on May 1, 2024 (or such date promptly thereafter as reasonably practicable); and

(iv) amend certain terms of the Existing Credit Agreement as provided for in Section 2 hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Each capitalized term used herein and not otherwise defined herein has the meaning assigned to such term in the Credit Agreement. Unless otherwise indicated, all section references in this Twelfth Amendment refer to sections of the Credit Agreement.

Section 2. Amendments to Existing Credit Agreement. In reliance on the representations, warranties, covenants and agreements contained in this Twelfth Amendment, and subject to the satisfaction (or waiver) of the conditions precedent set forth in Section 4 hereof, the Existing Credit Agreement shall be amended effective as of the Twelfth Amendment Effective Date in the manner provided in this Section 2.

2.1 Amendments to Body of Existing Credit Agreement. The body of the Existing Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the marked copy of the Credit Agreement attached as Annex A hereto.

2.2 Replacement of Schedule 1 to Existing Credit Agreement. Schedule 1 to the Existing Credit Agreement is hereby replaced in its entirety with Schedule 1 hereto and Schedule 1 hereto shall be deemed to be attached as Schedule 1 to the Credit Agreement and each Bank (including the New Bank) shall have the Maximum Credit Amount, Elected Revolving Commitment and Applicable Revolving Commitment Percentage set forth on Schedule 1 hereto.

Any signature page, schedule or exhibit to the Existing Credit Agreement not amended pursuant to the terms of this Twelfth Amendment shall remain in effect without any amendment or other modification thereto.

Section 3. Spring 2024 Borrowing Base Redetermination and Aggregate Elected Commitment Amount Increase. In reliance on the representations, warranties, covenants and agreements contained in this Twelfth Amendment, and subject to the satisfaction (or waiver) of the conditions precedent set forth in Section 4 hereof, (a) the Administrative Agent and the Required Banks hereby agree that effective as of the Twelfth Amendment Effective Date, the Borrowing Base shall be reaffirmed at $1,500,000,000 (the "Spring 2024 Borrowing Base Redetermination") and continuing until the next Scheduled Redetermination, Interim Redetermination, or other adjustment to the Borrowing Base, whichever occurs first pursuant to the terms of the Credit Agreement and (b) the Borrower, the Administrative Agent and the Banks hereby agree that the Aggregate Elected Commitment Amount shall be increased from $1,250,000,000 to $1,350,000,000 effective as of the Twelfth Amendment Effective Date. The Borrower, the Administrative Agent and the Banks hereby further agree that the Spring 2024 Borrowing Base Redetermination provided for herein shall be deemed to be the Scheduled Redetermination of the Borrowing Base intended to be effective on or about May 1, 2024 as referenced in Section 2.07(b) of the Existing Credit Agreement and that this Twelfth Amendment constitutes the New Borrowing Base Notice with respect to such Scheduled Redetermination.

Section 4. Conditions Precedent (Twelfth Amendment). The effectiveness of this Twelfth Amendment (including the amendments set forth in Section 2 hereof, the redetermination and reaffirmation of the Borrowing Base set forth in Section 3 and the increase in the Aggregate Elected Revolving Commitment Amount set forth in Section 3) is subject to the satisfaction (or waiver) of each of the following conditions precedent:

4.1 Counterparts. The Administrative Agent shall have received counterparts of this Twelfth Amendment from (a) each of the Credit Parties, (b) the Banks constituting at least the Required Banks and (c) the New Bank.

4.2 Fees and Expenses. The Administrative Agent shall have received, to the extent invoiced, all fees and other amounts due and payable on or prior to the Twelfth Amendment Effective Date (including all fees and other amounts due and payable to the Administrative Agent on account of the Banks (including the New Bank)).

4.3 Notes. The Administrative Agent shall have received duly executed Notes (or any amendment or restatement thereof, as the case may be) payable to each requesting Bank (including the New Bank) and its registered assigns in a principal amount equal to such requesting Bank's Maximum Credit Amount as set forth on Schedule 1 to the Credit Agreement (as amended hereby).

4.4 KYC. The requesting Banks shall have received at least three (3) Business Days prior to the Twelfth Amendment Effective Date, to the extent requested in writing at least five (5) Business Days prior to the Twelfth Amendment Effective Date, all documentation and other information required by Governmental Authorities under applicable "know your customer" requirements pursuant to Anti-Terrorism Laws, including the Act.

4.5 Beneficial Ownership. If any Credit Party qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, each Bank that so requests shall have received a Beneficial Ownership Certification in relation to such Credit Party at least three (3) Business Days prior to the Twelfth Amendment Effective Date.

4.6 Administrative Questionnaire. The Administrative Agent shall have received an Administrative Questionnaire from the New Bank.

4.7 Reserve Report. The Administrative Agent shall have received the Reserve Report evaluating the Oil and Gas Properties of the Borrower and the other Credit Parties as of December 31, 2023 prepared by an Approved Petroleum Engineer, accompanied by a certificate covering the matters described in Section 8.12(c) of the Credit Agreement.

Notwithstanding anything to the contrary set forth in Section 12.02 of the Existing Credit Agreement or otherwise, the Administrative Agent is hereby authorized and directed to declare this Twelfth Amendment to be effective and the Twelfth Amendment Effective Date to have occurred on the date it receives the foregoing, to the reasonable satisfaction of the Administrative Agent, or the waiver of such conditions as permitted hereby. Such declaration shall be final, conclusive and binding upon the Banks (including the New Bank) and all other parties to the Credit Agreement for all purposes.

Section 5. Agreements by Existing Banks; Agreements by the New Bank; Reallocation

5.1 Agreements by Existing Banks. Each Bank party to the Existing Credit Agreement immediately prior to giving effect to this Twelfth Amendment hereby agrees that, upon the effectiveness of this Twelfth Amendment, from and after the Twelfth Amendment Effective Date, such Bank shall (a) continue as a Bank as defined in, and for all purposes of, the Existing Credit Agreement, as amended hereby, and the other Loan Papers and shall continue to have all of the rights of a Bank under and as defined therein in all respects and (b) have the Maximum Credit Amount, Elected Revolving Commitment and Applicable Revolving Commitment Percentage in the amount shown opposite its name on Schedule 1 to the Credit Agreement (as amended hereby).

5.2 New Bank. Effective as of the Twelfth Amendment Effective Date, the New Bank hereby joins in, becomes a party to, and agrees to comply with and be bound by the terms and conditions of the Credit Agreement as a Bank thereunder and under each and every other Loan Paper to which any Bank is required to be bound by the Credit Agreement, to the same extent as if the New Bank were an original signatory thereto. The New Bank hereby appoints and authorizes the Administrative Agent to take such action as the Administrative Agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Administrative Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto. The New Bank represents and warrants that (a) it has full power and authority, and has taken all action necessary, to execute and deliver this Twelfth Amendment, to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (b) it has received a copy of the Credit Agreement and copies of the most recent financial statements delivered pursuant to Section 8.01 thereof, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Twelfth Amendment and to become a Bank on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Bank, and (c) from and after the Twelfth Amendment Effective Date, it shall be a party to and be bound by the provisions of the Credit Agreement and the other Loan Papers and have the rights and obligations of a Bank thereunder. The New Bank hereby agrees that upon the effectiveness of this Twelfth Amendment, from and after the Twelfth Amendment Effective Date, it shall have the Maximum Credit Amount, Elected Revolving Commitment and Applicable Revolving Commitment Percentage in the amount shown opposite its name Schedule 1 to the Credit Agreement (as amended hereby).

5.3 Reallocation. After giving effect to this Twelfth Amendment and any Borrowings made on the Twelfth Amendment Effective Date, (a) each Bank (including the New Bank) who holds Revolving Loans in an aggregate amount less than its Applicable Revolving Commitment Percentage of all Revolving Loans shall advance new Revolving Loans which shall be disbursed to the Administrative Agent and used to repay Revolving Loans outstanding to each Bank who holds Revolving Loans in an aggregate amount greater than its Applicable Revolving Commitment Percentage of all Revolving Loans, including with respect to portions of any outstanding SOFR Loans which SOFR Loans shall otherwise remain outstanding through the last day of the Interest Period applicable thereto unless repaid prior thereto by the Borrower after giving effect to the adjustments described in this Section 5.3; provided, that in no event shall any such advance, disbursement or other adjustment be considered an extinguishment, novation or retirement of the Obligations under the Existing Credit Agreement (as amended hereby) or any other Loan Paper, (b) each Bank's (including the New Bank's) participation in each Letter of Credit, if any, shall be automatically adjusted to equal its Applicable Revolving Commitment Percentage, (c) such other adjustments shall be made as the Administrative Agent shall specify so that the Revolving Credit Exposure applicable to each Bank (including the New Bank) equals its Applicable Revolving Commitment Percentage of the Aggregate Revolving Credit Exposures of all Banks (including the New Bank) and (d) upon request by each applicable Bank, the Borrower shall be required to make any break funding payments owing to such Bank that are required under Section 5.02 of the Credit Agreement as a result of the Revolving Loans and adjustments described in this Section 5.3.

Section 6. Representations and Warranties; Etc. Each Credit Party hereby affirms: (a) that as of the date hereof, all of the representations and warranties contained in each Loan Paper to which such Credit Party is a party are true and correct in all material respects as though made on and as of the date hereof except (i) to the extent any such representation and warranty is expressly made as of a specific earlier date, in which case, such representation and warranty was true as of such date and (ii) to the extent that any such representation and warranty is expressly qualified by materiality or by reference to Material Adverse Effect, such representation and warranty (as so qualified) is true and correct in all respects, (b) no Default or Event of Default exists under the Loan Papers or will, after giving effect to this Twelfth Amendment, exist under the Loan Papers and (c) since December 31, 2023, no event has occurred or condition arisen, either individually or in the aggregate, that would reasonably be expected to have a Material Adverse Effect.

Section 7. Miscellaneous.

7.1 Confirmation and Effect. The provisions of the Existing Credit Agreement (as amended by this Twelfth Amendment) shall remain in full force and effect in accordance with its terms following the effectiveness of this Twelfth Amendment. Each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import shall mean and be a reference to the Credit Agreement as amended hereby, and each reference to the Credit Agreement in any other document, instrument or agreement executed and/or delivered in connection with the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

7.2 Ratification and Affirmation of Credit Parties. Each of the Credit Parties hereby expressly (a) acknowledges the terms of this Twelfth Amendment, (b) ratifies and affirms its obligations under the Credit Agreement, the Facility Guaranty and the other Loan Papers to which it is a party, (c) acknowledges, renews and extends its continued liability under the Facility Guaranty and the other Loan Papers to which it is a party (in each case, as amended hereby), (d) in the case of each Guarantor, agrees that its guarantee under the Facility Guaranty and the other Loan Papers (in each case, as amended hereby) to which it is a party remains in full force and effect with respect to the Obligations, as amended hereby, (e) represents and warrants that (i) the execution, delivery and performance of this Twelfth Amendment has been duly authorized by all necessary corporate or company action of such Credit Party, (ii) this Twelfth Amendment constitutes a valid and binding agreement of such Credit Party, and (iii) this Twelfth Amendment is enforceable against such Credit Party in accordance with its terms except as (A) the enforceability thereof may be limited by bankruptcy, insolvency or similar Laws affecting creditors' rights generally, and (B) the availability of equitable remedies may be limited by equitable principles of general applicability, and (f) acknowledges and confirms that the amendments contemplated hereby shall not limit or impair any Liens securing the Obligations, each of which are hereby ratified, affirmed and extended to secure the Obligations after giving effect to this Twelfth Amendment.

7.3 Counterparts. This Twelfth Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of this Twelfth Amendment by facsimile or electronic (e.g. pdf) transmission shall be effective as delivery of a manually executed original counterpart hereof.

7.4 No Oral Agreement. This written Twelfth Amendment, the Credit Agreement and the other Loan Papers executed in connection herewith and therewith represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or unwritten oral agreements of the parties. There are no subsequent oral agreements between the parties.

7.5 Governing Law. This Twelfth Amendment (including, but not limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of New York.

7.6 Payment of Expenses. Borrower agrees to pay or reimburse Administrative Agent for all of its out-of-pocket costs and expenses incurred in connection with this Twelfth Amendment, any other documents prepared in connection herewith and the transactions contemplated hereby, including, without limitation, the reasonable fees and disbursements of counsel to Administrative Agent.

7.7 Severability. Any provision of this Twelfth Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

7.8 Successors and Assigns. This Twelfth Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

7.9 Loan Paper. This Twelfth Amendment shall constitute a "Loan Paper" for all purposes under the other Loan Papers.

7.10 Waiver of Jury Trial. Section 14.13 of the Credit Agreement is hereby incorporated by reference, *mutatis mutandis*.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Twelfth Amendment to be duly executed effective as of the date first written above.

BORROWER: **VITAL ENERGY, INC.**

By: /s/ Bryan Lemmerman
Name: Bryan Lemmerman
Title: Executive Vice President and Chief Financial Officer

GUARANTORS: **VITAL MIDSTREAM SERVICES, LLC**

By: /s/ Bryan Lemmerman
Name: Bryan Lemmerman
Title: Executive Vice President and Chief Financial Officer

WELLS FARGO BANK, N.A.,
as Administrative Agent and as a Bank

By:	/s/ Muhammad A. Dhamani
Name:	Muhammad A. Dhamani
Title:	Managing Director

BANK OF AMERICA, N.A.,
as a Bank

By:	/s/ Ajay Prakash
Name:	Ajay Prakash
Title:	Director

MIZUHO BANK, LTD.,
as a Bank

By:	/s/ Edward Sacks
Name:	Edward Sacks
Title:	Managing Director

TRUIST BANK,
as a Bank

By: /s/ Farhan Iqbal
Name: Farhan Iqbal
Title: Director

CAPITAL ONE, NATIONAL ASSOCIATION,
as a Bank

By:	/s/ Cameron Breitenbach
Name:	Cameron Breitenbach
Title:	Director

CITIBANK, N.A.,
as a Bank

By:	/s/ Cliff Vaz
Name:	Cliff Vaz
Title:	Vice President

KEYBANK NATIONAL ASSOCIATION,
as a Bank

By:	/s/ George E. McKean
Name:	George E. McKean
Title:	Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,
successor to BBVA USA,
as a Bank

By:	/s/ Anvar Musayev
Name:	Anvar Musayev
Title:	Vice President

U.S. BANK NATIONAL ASSOCIATION,
as a Bank

By:	/s/ Matthew A. Turner
Name:	Matthew A. Turner
Title:	Senior Vice President

BOKF, NA DBA BANK OF OKLAHOMA,
as a Bank

By: /s/ Tyler Thalken
Name: Tyler Thalken
Title: Senior Vice President

COMERICA BANK,
as a Bank

By:	/s/ Isabel Araujo
Name:	Isabel Araujo
Title:	Assistant Vice President

ZIONS BANCORPORATION, N.A. dba
AMEGY BANK,
as a Bank

By:	/s/ Matt Lang
Name:	Matt Lang
Title:	Senior Vice President - Amegy Division

FIFTH THIRD BANK, NATIONAL ASSOCIATION,
as the New Bank

By:	/s/ Thomas Kleiderer
Name:	Thomas Kleiderer
Title:	Managing Director

Signature Page to Twelfth Amendment to
Fifth Amended and Restated Credit Agreement

ANNEX A

Amended Credit Agreement

[*See Attached*]

Schedule 1

MAXIMUM CREDIT AMOUNTS AND ELECTED REVOLVING COMMITMENTS

Bank	Maximum Credit Amount	Elected Revolving Commitment	Applicable Revolving Commitment Percentage
Wells Fargo Bank, N.A.	$288,888,888.92	$130,000,000.00	9.629629630%
Bank of America, N.A.	$283,333,333.35	$127,500,000.00	9.444444444%
Mizuho Bank, LTD.	$283,333,333.35	$127,500,000.00	9.444444444%
Truist Bank	$283,333,333.35	$127,500,000.00	9.444444444%
Capital One, National Association	$272,222,222.24	$122,500,000.00	9.074074074%
Citibank, N.A.	$272,222,222.24	$122,500,000.00	9.074074074%
KeyBank National Association	$272,222,222.24	$122,500,000.00	9.074074074%
PNC Bank, National Association, successor to BBVA USA	$272,222,222.24	$122,500,000.00	9.074074074%
U.S. Bank National Association	$272,222,222.24	$122,500,000.00	9.074074074%
Fifth Third Bank, National Association	$222,222,222.01	$100,000,000.00	7.407407407%
BOKF, NA dba Bank of Oklahoma	$111,111,111.13	$50,000,000.00	3.703703704%
Comerica Bank	$88,888,888.90	$40,000,000.00	2.962962963%
Zions Bancorporation, N.A., dba Amegy Bank	$77,777,777.79	$35,000,000.00	2.592592593%
Total:	**$3,000,000,000.00**	**$1,350,000,000.00**	**100.000000000%**

EXHIBIT 31.1

CERTIFICATION

I, Jason Pigott, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vital Energy, 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 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;
    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;
    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; and
5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses 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.

Date: May 8, 2024

/s/ Jason Pigott

Jason Pigott

President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Bryan J. Lemmerman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vital Energy, 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 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;
    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;
    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; and
5. The registrant's other certifying officer 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 the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses 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.

Date: May 8, 2024

/s/ Bryan J. Lemmerman

Bryan J. Lemmerman

Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Jason Pigott, President and Chief Executive Officer of Vital Energy, Inc. (the "Company"), and Bryan J. Lemmerman, Executive Vice President and Chief Financial Officer of the Company, certify that, to their knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the period ending March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (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 result of operations of the Company.

May 8, 2024

/s/ Jason Pigott

Jason Pigott

President and Chief Executive Officer

May 8, 2024

/s/ Bryan J. Lemmerman

Bryan J. Lemmerman

Executive Vice President and Chief Financial Officer

EXHIBIT 95.1

Mine Safety Disclosures

Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and Item 104 of Regulation S-K (17 CFR 229.104) require certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (as amended by the Mine Improvement and New Emergency Response Act of 2006, the "Mine Act").

Vital Energy, Inc. ("Vital"), on April 15, 2020, acquired surface and sand rights on approximately 628 acres in Howard County, Texas, and in October 2020 entered into an agreement with Hi-Crush, Inc. and its subsidiary OnCore Processing, LLC ("OnCore") to construct and operate an in-field sand mine to support Vital's exploration and development operations. Operations began in November 2020 and are subject to regulation by the U.S. Federal Mine Safety and Health Administration ("MSHA").

MSHA inspects mining facilities on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Citations and orders may be appealed with the potential of reduced or dismissed penalties. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Act and Item 104 of Regulation S-K (17 CFR 229.104) are outlined below.

Mine Safety Data

The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- *Section 104 Significant Substantial ("S&S") Citations:* Citations for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
- *Section 104(b) Orders:* Orders which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
- *Section 104(d) Citations and Orders:* Citations and orders for an unwarrantable failure to comply with mandatory health or safety standards.
- *Section 110(b)(2) Violations:* Flagrant violations.
- *Section 107(a) Orders:* Orders for situations in which MSHA determined an "imminent danger" (as defined by MSHA) existed.
- *Notice of Pattern of Violations*: Notice of a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act.
- *Notice of Potential Pattern of Violations*: Notice of the potential to have a pattern of violations under section 104(e).
- *Pending Legal Actions*: Legal actions before the Federal Mine Safety and Health Review Commission ("FMSHRC") initiated.

For the quarter ended March 31, 2024

Citation, Order, Violation or Action	OnCore[a]
Section 104 S&S citations (#)	1
Section 104(b) orders (#)	None
Section 104(d) citations and orders (#)	None
Section 110(b)(2) violations (#)	None
Section 107(a) orders (#)	None
Proposed assessments under MSHA ($) [b]	$1,613
Mining-related fatalities (#)	None
Notice of pattern of violations (yes/no)	None
Notice of potential pattern of violations (yes/no)	None
Pending legal actions (#)	None

(a) The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.

(b) Represents the total dollar value of the proposed assessment from MSHA under the Mine Act pursuant to the citations and/or orders preceding such dollar value in the corresponding row.