
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 June 30, 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: 001-35371



Civitas Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware

61-1630631

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

555 17th Street, Suite 3700

80202

Denver, Colorado

(Address of principal executive offices)

(Zip Code)

(303) 293-9100

(Registrant's telephone number, including area code)

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

Title of each class

Trading Symbol

Name of exchange on which registered

Common Stock, par value \$0.01 per share

CIVI

New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

As of July 31, 2024, the registrant had 98,349,643 shares of common stock outstanding.

CIVITAS RESOURCES, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2024

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Information Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains various statements, including those that express belief, expectation or intention, as well as those that are not statements of historic fact, that are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). When used in this Quarterly Report on Form 10-Q, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "may," "continue," "predict," "potential," "project," "plan," "will," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements include statements related to, among other things:

- our business strategies;
- reserves estimates;
- estimated sales volumes;
- the amount and allocation of forecasted capital expenditures and plans for funding capital expenditures and operating expenses;
- our ability to modify future capital expenditures;
- anticipated costs;
- compliance with debt covenants;
- our ability to fund and satisfy obligations related to ongoing operations;
- compliance with government regulations, including those related to climate change as well as environmental, health, and safety regulations and liabilities thereunder;
- our ability to achieve, reach, or otherwise meet initiatives, plans, or ambitions with respect to environmental, social and governance matters;
- the adequacy of gathering systems and continuous improvement of such gathering systems;
- the impact from the lack of available gathering systems and processing facilities in certain areas;
- crude oil, natural gas, and natural gas liquids ("NGL") prices and factors affecting the volatility of such prices;
- the impact of commodity prices;
- the ability to use derivative instruments to manage commodity price risk and ability to use such instruments in the future;
- our drilling inventory and drilling intentions;
- the impact of potentially disruptive technologies;
- the timing and success of specific projects;
- our implementation of standard and long reach laterals;
- our intention to continue to optimize enhanced completion techniques and well design changes;
- stated working interest percentages;
- our management and technical team;
- outcomes and effects of litigation, claims, and disputes;
- our ability to replace crude oil and natural gas reserves;

- our ability to convert proved undeveloped reserves to producing properties within five years of their initial proved booking;
- our ability to pursue potential future capital management activities such as share repurchases, paying dividends on our common stock at their current level or at all, or additional mechanisms to return excess capital to our stockholders;
- the impact of the loss of a single customer or any purchaser of our products;
- the timing and ability to meet certain volume commitments related to purchase and transportation agreements;
- the impact of customary royalty interests, overriding royalty interests, obligations incident to operating agreements, liens for current taxes, and other industry-related constraints;
- our anticipated financial position, including our cash flow and liquidity;
- the adequacy of our insurance;
- plans and expectations with respect to our recent acquisitions and the anticipated impact of the recent acquisitions on our results of operations, financial position, future growth opportunities, reserve estimates, and competitive position;
- the results, effects, benefits, and synergies of other mergers and acquisitions; and
- other statements concerning our anticipated operations, economic performance, and financial condition.

We have based these forward-looking statements on certain assumptions and analyses we have made 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. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining actual future results. The actual results or developments anticipated by these forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control, and may not be realized or, even if substantially realized, may not have the expected consequences. Actual results could differ materially from those expressed or implied in the forward-looking statements.

Factors that could cause actual results to differ materially include, but are not limited to, the following:

- the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 (" [2023 Form 10-K](#)");
- declines or volatility in the prices we receive for our crude oil, natural gas, and NGL;
- general economic conditions, whether internationally, nationally, or in the regional and local market areas in which we do business, including any future economic downturn, the impact of continued or further inflation, disruption in the financial markets, and the availability of credit on acceptable terms;
- our ability to identify and select possible additional acquisition and disposition opportunities;
- the effects of disruption of our operations or excess supply of crude oil and natural gas and other effects of world health events, and the actions by certain crude oil and natural gas producing countries, including Russia;
- the ability of our customers to meet their obligations to us;
- our access to capital on acceptable terms;
- our ability to generate sufficient cash flow from operations, borrowings, or other sources to enable us to fully develop our undeveloped acreage positions;
- the presence or recoverability of estimated crude oil and natural gas reserves and the actual future sales volume rates and associated costs;
- uncertainties associated with estimates of proved oil and gas reserves;

- the possibility that the industry may be subject to future local, state, and federal regulatory or legislative actions (including additional taxes and changes in environmental, health, and safety regulation and regulations addressing climate change);
- environmental, health, and safety risks;
- seasonal weather conditions as well as severe weather and other natural events caused by climate change;
- lease stipulations;
- drilling and operating risks, including the risks associated with the employment of horizontal drilling and completion techniques;
- our ability to acquire adequate supplies of water for drilling and completion operations;
- availability of oilfield equipment, services, and personnel;
- exploration and development risks;
- operational interruption of centralized crude oil and natural gas processing facilities;
- competition in the crude oil and natural gas industry;
- management's ability to execute our plans to meet our goals;
- unforeseen difficulties encountered in operating in new geographic areas;
- our ability to attract and retain key members of our senior management and key technical employees;
- our ability to maintain effective internal controls;
- access to adequate gathering systems and pipeline take-away capacity;
- our ability to secure adequate processing capacity for natural gas we produce, to secure adequate transportation for crude oil, natural gas, and NGL we produce, and to sell the crude oil, natural gas, and NGL at market prices;
- costs and other risks associated with perfecting title for mineral rights in some of our properties;
- pandemics and other public health epidemics;
- potential impacts following the result of the upcoming presidential election in the United States, including volatility in the political, legal, and regulatory environments;
- political conditions in or affecting other producing countries, including conflicts or hostilities in or relating to the Middle East (including the current events related to the Israel-Palestine conflict), South America, Russia (including the current events involving Russia and Ukraine), and the Red Sea, and other sustained military campaigns or acts of terrorism or sabotage and the effects therefrom; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical, and technological factors that may negatively impact our businesses, operations, or pricing.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions, or expectations will be achieved. We disclose other important factors that could cause our actual results to differ materially from our expectations under "Part I, Item 1A. Risk Factors" and elsewhere in our 2023 Form 10-K, which may be updated by in subsequent Quarterly Reports on Form 10-Q and other documents we file with the Securities and Exchange Commission (the "SEC"). These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CIVITAS RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except per share amounts)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 91,884	\$ 1,124,797
Accounts receivable, net:		
Crude oil and natural gas sales	559,736	505,961
Joint interest and other	227,233	247,228
Derivative assets	14,118	35,192
Deposits for acquisitions	—	163,164
Prepaid expenses and other	60,809	68,070
Total current assets	953,780	2,144,412
Property and equipment (successful efforts method):		
Proved properties	15,671,856	12,738,568
Less: accumulated depreciation, depletion, and amortization	(3,249,814)	(2,339,541)
Total proved properties, net	12,422,042	10,399,027
Unproved properties	817,351	821,939
Wells in progress	661,599	536,858
Other property and equipment, net of accumulated depreciation of \$ 10,938 in 2024 and \$ 9,808 in 2023	56,630	62,392
Total property and equipment, net	13,957,622	11,820,216
Derivative assets	500	8,233
Other noncurrent assets	129,388	124,458
Total assets	\$ 15,041,290	\$ 14,097,319
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 665,635	\$ 565,708
Production taxes payable	259,304	421,045
Crude oil and natural gas revenue distribution payable	705,343	766,123
Derivative liability	70,835	18,096
Deferred acquisition consideration	497,277	—
Other liabilities	91,345	80,915
Total current liabilities	2,289,739	1,851,887
Long-term liabilities:		
Long-term debt	4,889,554	4,785,732
Ad valorem taxes	189,917	307,924
Derivative liability	936	—
Deferred income tax liabilities, net	657,470	564,781
Asset retirement obligations	317,886	305,716
Other long-term liabilities	109,771	99,958
Total liabilities	8,455,273	7,915,998
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value, 225,000,000 shares authorized, 98,347,937 and 93,774,901 issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	5,050	5,004
Additional paid-in capital	5,318,431	4,964,450
Retained earnings	1,262,536	1,211,867
Total stockholders' equity	6,586,017	6,181,321
Total liabilities and stockholders' equity	\$ 15,041,290	\$ 14,097,319

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

CIVITAS RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating net revenues:				
Crude oil, natural gas, and NGL sales	\$ 1,311,532	\$ 658,840	\$ 2,639,288	\$ 1,313,681
Other operating income	1,162	1,686	2,609	2,867
Total operating net revenues	1,312,694	660,526	2,641,897	1,316,548
Operating expenses:				
Lease operating expense	126,606	51,230	258,071	97,068
Midstream operating expense	11,939	13,319	25,500	23,380
Gathering, transportation, and processing	94,469	64,873	183,370	132,225
Severance and ad valorem taxes	101,913	52,443	203,819	104,805
Exploration	1,340	546	12,874	1,117
Depreciation, depletion, and amortization	521,090	232,786	987,930	434,089
Transaction costs	7,877	31,145	30,597	31,627
General and administrative expense (including \$ 12,262 , \$ 9,895 , \$ 23,461 , and \$ 17,275 , respectively, of stock-based compensation)	59,135	33,541	117,013	70,399
Other operating expense	1,458	1,199	9,024	1,337
Total operating expenses	925,827	481,082	1,828,198	896,047
Other income (expense):				
Derivative gain (loss), net	7,578	4,927	(102,102)	30,087
Interest expense	(114,897)	(8,753)	(224,683)	(16,202)
Loss on property transactions, net	—	(13)	(1,430)	(254)
Other income	3,434	8,045	8,338	17,068
Total other income (expense)	(103,885)	4,206	(319,877)	30,699
Income from operations before income taxes	282,982	183,650	493,822	451,200
Income tax expense	(66,993)	(44,363)	(102,012)	(109,452)
Net income	\$ 215,989	\$ 139,287	\$ 391,810	\$ 341,748
Earnings per common share:				
Basic	\$ 2.17	\$ 1.73	\$ 3.92	\$ 4.22
Diluted	\$ 2.15	\$ 1.72	\$ 3.88	\$ 4.18
Weighted-average common shares outstanding:				
Basic	99,426	80,393	100,062	81,052
Diluted	100,245	81,144	100,865	81,824

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

CIVITAS RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(in thousands, except per share amounts)

	Additional				
	Common Stock		Paid-In	Retained	Total
	Shares	Amount	Capital	Earnings	
Balances, December 31, 2023	93,774,901	\$ 5,004	\$ 4,964,450	\$ 1,211,867	\$ 6,181,321
Issuance pursuant to acquisition	7,181,527	72	488,846	—	488,918
Restricted common stock issued	255,442	2	—	—	2
Stock used for tax withholdings	(99,307)	(1)	(7,069)	—	(7,070)
Common stock repurchased and retired	(1,028,468)	(10)	(54,447)	(12,479)	(66,936)
Stock-based compensation	—	—	11,199	—	11,199
Dividends declared, \$ 1.45 per share	—	—	—	(148,327)	(148,327)
Net income	—	—	—	175,821	175,821
Balances, March 31, 2024	100,084,095	5,067	5,402,979	1,226,882	6,634,928
Restricted common stock issued	48,999	1	—	—	1
Stock used for tax withholdings	(18,571)	—	(1,436)	—	(1,436)
Exercise of stock options	222	—	6	—	6
Common stock repurchased and retired	(1,766,808)	(18)	(95,380)	(29,538)	(124,936)
Stock-based compensation	—	—	12,262	—	12,262
Dividends declared, \$ 1.50 per share	—	—	—	(150,797)	(150,797)
Net income	—	—	—	215,989	215,989
Balances, June 30, 2024	98,347,937	\$ 5,050	\$ 5,318,431	\$ 1,262,536	\$ 6,586,017
Balances, December 31, 2022	85,120,287	\$ 4,918	\$ 4,211,197	\$ 1,157,804	\$ 5,373,919
Restricted common stock issued	112,052	—	—	—	—
Stock used for tax withholdings	(30,111)	—	(2,118)	—	(2,118)
Exercise of stock options	13,352	—	440	—	440
Common stock repurchased and retired	(4,918,032)	(49)	(243,312)	(60,094)	(303,455)
Stock-based compensation	—	—	7,380	—	7,380
Dividends declared, \$ 2.15 per share	—	—	—	(176,878)	(176,878)
Net income	—	—	—	202,461	202,461
Balances, March 31, 2023	80,297,548	4,869	3,973,587	1,123,293	5,101,749
Restricted common stock issued	375,615	4	—	—	4
Stock used for tax withholdings	(139,895)	(1)	(10,495)	—	(10,496)
Exercise of stock options	111	—	4	—	4
Common stock repurchased and retired	(312,766)	(3)	(15,478)	(4,917)	(20,398)
Stock-based compensation	—	—	9,895	—	9,895
Dividends declared, \$ 2.12 per share	—	—	—	(173,358)	(173,358)
Net income	—	—	—	139,287	139,287
Balances, June 30, 2023	80,220,613	\$ 4,869	\$ 3,957,513	\$ 1,084,305	\$ 5,046,687

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

CIVITAS RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 391,810	\$ 341,748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	987,930	434,089
Stock-based compensation	23,461	17,275
Derivative (gain) loss, net	102,102	(30,087)
Derivative cash settlement loss, net	(23,907)	(11,885)
Amortization of deferred financing costs and deferred acquisition consideration	25,389	2,305
Loss on property transactions, net	1,430	254
Deferred income tax expense	92,689	89,975
Other, net	(1,965)	292
Changes in operating assets and liabilities, net	(426,819)	32,064
Net cash provided by operating activities	<u>1,172,120</u>	<u>876,030</u>
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(867,596)	—
Acquisitions of crude oil and natural gas properties	(13,984)	(51,247)
Deposits for acquisitions	—	(352,500)
Capital expenditures for drilling and completion activities and other fixed assets	(1,090,697)	(518,949)
Proceeds from property transactions	171,679	5,764
Purchases of carbon credits and renewable energy credits	(1,886)	(5,651)
Other, net	—	(621)
Net cash used in investing activities	<u>(1,802,484)</u>	<u>(923,204)</u>
Cash flows from financing activities:		
Proceeds from credit facility	1,300,000	—
Payments to credit facility	(1,200,000)	—
Proceeds from issuance of senior notes	—	2,666,250
Payment of deferred financing costs and other	(5,157)	(4,215)
Dividends paid	(297,357)	(347,524)
Common stock repurchased and retired	(191,872)	(320,305)
Proceeds from exercise of stock options	6	444
Payment of employee tax withholdings in exchange for the return of common stock	(8,506)	(12,610)
Principal payments on finance lease obligations	(1,577)	—
Net cash provided by (used in) financing activities	<u>(404,463)</u>	<u>1,982,040</u>
Net change in cash, cash equivalents, and restricted cash	(1,034,827)	1,934,866
Cash, cash equivalents, and restricted cash:		
Beginning of period ⁽¹⁾	1,126,815	768,134
End of period ⁽¹⁾	<u>\$ 91,988</u>	<u>\$ 2,703,000</u>

⁽¹⁾ Includes \$ 2.0 million of restricted cash and consists of \$ 1.9 million of interest earned on cash held in escrow that is presented in deposits for acquisitions within the accompanying unaudited condensed consolidated balance sheets ("balance sheets") for the period ended December 31, 2023 and \$ 0.1 million of funds for road maintenance and repairs that is presented in other noncurrent assets within the accompanying balance sheets for all periods presented.

Please refer to *Note 2 - Acquisitions and Divestitures* and *Note 13 - Supplemental Disclosures of Cash Flow Information* for additional information.

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

CIVITAS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

When we use the terms "Civitas," the "Company," "we," "us," or "our," we are referring to Civitas Resources, Inc. and its consolidated subsidiaries unless the context otherwise requires. Civitas is an independent exploration and production company focused on the acquisition, development, and production of crude oil and associated liquids-rich natural gas in the DJ Basin in Colorado and the Permian Basin in Texas and New Mexico.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of Civitas and have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Regulation S-X. Accordingly, pursuant to such rules and regulations, certain notes and other financial information included in audited financial statements have been condensed or omitted. In the opinion of management, all adjustments, consisting of normal recurring adjustments considered necessary for a fair presentation of interim financial information, have been included. All significant intercompany balances and transactions have been eliminated in consolidation.

The December 31, 2023 unaudited condensed consolidated balance sheet data has been derived from the audited consolidated financial statements contained in our [2023 Form 10-K](#), but does not include all disclosures, including notes required by GAAP. As such, this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes included in our [2023 Form 10-K](#). In connection with the preparation of the unaudited condensed consolidated financial statements, we evaluated events subsequent to the balance sheet date of June 30, 2024 through the filing date of this Quarterly Report on Form 10-Q. The results of operations for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the full year or any other future period. Additionally, certain insignificant prior period amounts have been reclassified to conform to current period presentation in the accompanying unaudited condensed consolidated financial statements. Such reclassifications did not have a material impact on prior period consolidated financial statements.

Significant Accounting Policies

The significant accounting policies followed by us are set forth in *Note 1 - Summary of Significant Accounting Policies* in the [2023 Form 10-K](#) and are supplemented by the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Recently Issued and Adopted Accounting Standards

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 was issued to improve the disclosures about a public entity's reportable segments and to provide additional, more detailed information about a reportable segment's expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance is to be applied on a retrospective basis to all prior periods presented in the financial statements. We are within the scope of this ASU and are evaluating the impact of this ASU on our consolidated financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 is intended to enhance income tax disclosures by requiring disclosure of items such as the disaggregation of the income tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024, and early adoption is permitted. ASU 2023-07 should be applied on a prospective basis, and retrospective application is permitted. We are evaluating the impact that ASC 2023-09 will have on the consolidated financial statements and our plan for adoption, including the adoption date and transition method.

In March 2024, the SEC adopted rules intended to enhance and standardize climate-related disclosures in registration statements and annual reports. The new rules will require disclosure of material climate-related risks, including disclosure of boards of directors' oversight and risk management activities, the material impacts of these risks to us and the quantification of material impacts to us as a result of severe weather events and other natural conditions. The rules also require disclosure of

material greenhouse gas emissions and any material climate-related targets and goals. The new rules were to be effective for annual reporting periods beginning in fiscal year 2025, except for the greenhouse gas emissions disclosures which were to be effective for annual reporting periods beginning in fiscal year 2026, though the new rules were voluntarily stayed by the SEC on April 4, 2024 pending completion of the judicial review of consolidated challenges to the new rules by the Court of Appeals for the Eighth Circuit. We are currently evaluating the impact of these new rules.

As of the filing of this Quarterly Report, we have not elected to early adopt ASU 2023-07 or ASU 2023-09. There are no other accounting standards applicable that would have a material effect on our financial statements and disclosures that have been issued but not yet adopted as of June 30, 2024, and through the filing date of this Quarterly Report on Form 10-Q.

NOTE 2 - ACQUISITIONS AND DIVESTITURES

All mergers and acquisitions disclosed below are accounted for under the acquisition method of accounting for business combinations under ASC Topic 805, *Business Combinations*. Accordingly, we conducted assessments of the net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition were expensed as incurred. The fair value measurements of assets acquired, and liabilities assumed were based on inputs that are not observable in the market, and therefore represent Level 3 inputs. The fair values of crude oil and natural gas properties were measured using valuation techniques that converted future cash flows to a single discounted amount. Significant inputs to the valuation of the crude oil and natural gas properties included estimates of reserves, future operating and development costs, future commodity prices, estimated future cash flows, reserve adjustment factors, and a market-based weighted-average cost of capital. These inputs required significant judgments and estimates by management at the time of the valuation.

Vencer Acquisition

On January 2, 2024, we completed the acquisition of certain crude oil and natural gas assets from Vencer Energy, LLC ("Vencer") for adjusted aggregate consideration of approximately \$ 2.0 billion, inclusive of customary post-closing adjustments and \$ 550 million in cash to be paid on or before January 3, 2025 (the "Vencer Acquisition"). In connection with and upon execution of the Vencer purchase and sale agreement, we deposited cash of \$ 161.3 million with an escrow agent. This deposit, along with interest accrued thereon, was credited against the cash payable at closing. The following tables present the consideration transferred and preliminary purchase price allocation of the assets acquired and the liabilities assumed in the Vencer Acquisition:

Consideration (in thousands, except per share amount)

Cash consideration	\$ 996,420
Deferred acquisition consideration ⁽¹⁾⁽³⁾	\$ 532,284
Shares of common stock issued	7,181,527
Closing price per share ⁽²⁾	\$ 68.08
Equity consideration ⁽⁴⁾	\$ 488,918
Total consideration	\$ 2,017,622

⁽¹⁾ Based on discounted fixed and determinable future payments of cash.

⁽²⁾ Based on the closing stock price of Civitas common stock on January 2, 2024.

⁽³⁾ Amounts represent non-cash investing activities until such time payments are made, as applicable. Please refer to Note 5 - *Long-Term Debt* for additional information.

⁽⁴⁾ Amounts represent non-cash financing activities.

Preliminary Purchase Price Allocation (in thousands)

Assets Acquired

Proved properties	\$	1,855,909
Unproved properties		231,627
Other property and equipment		666
Right-of-use assets		4,049
Total assets acquired	\$	2,092,251

Liabilities Assumed

Accounts payable and accrued expenses	\$	2,000
Crude oil and natural gas revenue distribution payable		28,423
Asset retirement obligations		40,157
Lease liability		4,049
Total liabilities assumed		74,629
Net assets acquired	\$	2,017,622

Through June 30, 2024, there have been immaterial adjustments made to the allocation presented in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 2, 2024. The purchase price allocation for the Vencer Acquisition is preliminary, and we continue to assess the fair values of certain of the Vencer assets acquired and liabilities assumed. We expect to finalize the purchase price allocation as soon as practicable, which will not extend beyond the one-year measurement period.

Hibernia Acquisition

On August 2, 2023, we acquired all of the issued and outstanding equity ownership interests of Hibernia Energy III, LLC ("HE3") and Hibernia Energy III-B, LLC ("HE3-B", and together with HE3, "Hibernia") for aggregate consideration of approximately \$ 2.2 billion in cash, inclusive of customary post-closing adjustments (the "Hibernia Acquisition"). The following table presents the preliminary purchase price allocation of the assets acquired and the liabilities assumed in the Hibernia Acquisition:

Preliminary Purchase Price Allocation (in thousands)

Assets Acquired

Cash and cash equivalents	\$	30,671
Accounts receivable - crude oil and natural gas sales		89,766
Accounts receivable - joint interest and other		4,463
Proved properties		2,147,368
Unproved properties		115,802
Other property and equipment		520
Right-of-use assets		30,393
Total assets acquired	\$	2,418,983

Liabilities Assumed

Accounts payable and accrued expenses	\$	110,022
Production taxes payable		10,320
Crude oil and natural gas revenue distribution payable		75,267
Asset retirement obligations		8,299
Lease liability		30,393
Total liabilities assumed		234,301
Net assets acquired	\$	2,184,682

Through June 30, 2024, there have been immaterial adjustments made to the allocation presented in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 7, 2023. The purchase price allocation for the Hibernia Acquisition is preliminary, and we continue to assess the fair values of certain of the Hibernia assets acquired and liabilities assumed. We expect to finalize the purchase price allocation as soon as practicable, which will not extend beyond the one-year measurement period.

Tap Rock Acquisition

On August 2, 2023, we acquired all of the issued and outstanding equity ownership interests of Tap Rock AcquisitionCo, LLC ("Tap Rock AcquisitionCo"), Tap Rock Resources II, LLC ("Tap Rock Resources II"), and Tap Rock NM10 Holdings, LLC ("Tap Rock NM10" and, together with Tap Rock AcquisitionCo and Tap Rock NM10, "Tap Rock") for aggregate consideration of approximately \$ 2.5 billion, inclusive of customary post-closing adjustments (the "Tap Rock Acquisition"). The following tables present the consideration transferred and preliminary purchase price allocation of the assets acquired and the liabilities assumed in the Tap Rock Acquisition:

Consideration (in thousands, except per share amount)

Cash consideration	\$	1,502,880
Shares of common stock issued		13,538,472
Closing price per share ⁽¹⁾	\$	73.14
Equity consideration	\$	990,204
Total consideration	\$	2,493,084

⁽¹⁾ Based on the closing stock price of Civitas common stock on August 2, 2023.

Preliminary Purchase Price Allocation (in thousands)

Assets Acquired

Cash and cash equivalents	\$	6,543
Accounts receivable - crude oil and natural gas sales		106,255
Accounts receivable - joint interest and other		30,415
Prepaid expenses and other		17,930
Proved properties		2,332,011
Unproved properties		300,859
Other property and equipment		12,827
Right-of-use assets		626
Total assets acquired	\$	2,807,466

Liabilities Assumed

Accounts payable and accrued expenses	\$	152,779
Production taxes payable		9,692
Crude oil and natural gas revenue distribution payable		68,094
Ad valorem taxes		1,407
Asset retirement obligations		31,518
Lease liability		626
Deferred revenue		50,266
Total liabilities assumed		314,382
Net assets acquired	\$	2,493,084

Through June 30, 2024, there have been immaterial adjustments made to the allocation presented in the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed with the SEC on November 7, 2023. The purchase price allocation for the Tap Rock Acquisition is preliminary, and we continue to assess the fair values of certain of the Tap Rock assets acquired and liabilities assumed. We expect to finalize the purchase price allocation as soon as practicable, which will not extend beyond the one-year measurement period.

Revenue and earnings of the acquiree

The results of operations for the Vencer Acquisition since the closing date have been included on our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2024. The amount of revenue of Vencer included in our accompanying unaudited condensed consolidated statements of operations ("statements of operations") was approximately \$ 199.8 million and \$ 398.0 million during the three and six months ended June 30, 2024, respectively. We determined that disclosing the amount of Vencer-related net income included in the accompanying statements of operations is impracticable as the operations from the acquisition was integrated into our operations from the date of the acquisition.

Supplemental pro forma financial information

The results of operations for the Vencer, Hibernia, and Tap Rock acquisitions since their respective closing dates have been included in our unaudited condensed consolidated financial statements and therefore do not require pro forma disclosure for the three and six months ended June 30, 2024. The following unaudited pro forma financial information (in thousands, except per share amounts) represents a summary of the consolidated results of operations for the three and six months ended June 30, 2023, assuming the Vencer Acquisition had been completed as of January 1, 2023 and the Hibernia Acquisition and Tap Rock Acquisition had been completed as of January 1, 2022. The pro forma financial information is not necessarily indicative of the results of operations that would have been achieved if the Vencer, Hibernia, and Tap Rock acquisitions had been effective as of those dates, or of future results, and includes certain nonrecurring pro forma adjustments that were directly related to these business combinations.

	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
Total revenue	\$ 1,203,468	\$ 2,437,475
Net income	230,903	564,055
Earnings per common share - basic	\$ 2.28	\$ 5.54
Earnings per common share - diluted	2.27	5.50

Transaction costs

Transaction costs related to the aforementioned acquisitions are accounted for separately from the assets acquired and liabilities assumed and are included in transaction costs in the accompanying statements of operations. Transaction costs also include costs associated with our efforts to divest of certain non-core assets in the DJ Basin. We incurred transaction costs of \$ 7.9 million and \$ 31.1 million during the three months ended June 30, 2024 and 2023, respectively, and \$ 30.6 million and \$ 31.6 million during the six months ended June 30, 2024 and 2023, respectively.

NOTE 3 - REVENUE RECOGNITION

Crude oil, natural gas, and NGL sales revenue presented within the accompanying statements of operations is reflective of the revenue generated from contracts with customers. Revenue attributable to each identified revenue stream and operating region is disaggregated below (in thousands):

Sales by Commodity and Operating Region	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Crude oil				
DJ Basin	\$ 489,244	\$ 540,736	\$ 980,291	\$ 1,000,807
Permian Basin	645,476	—	1,230,023	—
Total	1,134,720	540,736	2,210,314	1,000,807
Natural gas				
DJ Basin	40,692	43,985	114,857	146,662
Permian Basin	(31,306)	—	(18,479)	—
Total	9,386	43,985	96,378	146,662
NGL				
DJ Basin	86,100	74,119	168,405	166,212
Permian Basin	81,326	—	164,191	—
Total	167,426	74,119	332,596	166,212
Crude oil, natural gas, and NGL				
DJ Basin	616,036	658,840	1,263,553	1,313,681
Permian Basin	695,496	—	1,375,735	—
Total	\$ 1,311,532	\$ 658,840	\$ 2,639,288	\$ 1,313,681

For the three and six months ended June 30, 2024 and 2023, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was insignificant. As of June 30, 2024 and December 31, 2023, our receivables from contracts with customers were \$ 559.7 million and \$ 506.0 million, respectively.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses contain the following (in thousands):

	June 30, 2024	December 31, 2023
Accounts payable trade	\$ 27,576	\$ 55,750
Accrued drilling and completion costs	274,864	149,520
Accrued crude oil and natural gas operating expense	156,391	149,483
Accrued general and administrative expense	24,888	30,095
Accrued transaction costs	5,056	8,796
Accrued interest expense	136,082	141,401
Other accrued expenses	40,778	30,663
Total accounts payable and accrued expenses	\$ 665,635	\$ 565,708

NOTE 5 - LONG-TERM DEBT

Long-term debt, net of unamortized discounts and deferred financing costs, consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Outstanding principal balances on Senior Notes:		
2026 Senior Notes (5.000 %)	\$ 400,000	\$ 400,000
2028 Senior Notes (8.375 %)	1,350,000	1,350,000
2030 Senior Notes (8.625 %)	1,000,000	1,000,000
2031 Senior Notes (8.750 %)	1,350,000	1,350,000
Outstanding principal balances on Senior Notes, gross	4,100,000	4,100,000
Less: unamortized discount and deferred financing costs	(60,446)	(64,268)
Outstanding principal balances on Senior Notes, net	4,039,554	4,035,732
Outstanding balance on Credit Facility	850,000	750,000
Long-term debt	4,889,554	4,785,732
Deferred acquisition consideration	497,277	—
Total debt	\$ 5,386,831	\$ 4,785,732

Senior Notes

The table below summarizes the face values, interest rates, maturity dates, and semi-annual interest payment dates related to our outstanding senior note obligations as of June 30, 2024 (in thousands):

	Interest Rate	Interest Payment Dates	Principal Amount	Maturity Date
2026 Senior Notes	5.000 %	April 15, October 15	\$ 400,000	November 1, 2026
2028 Senior Notes	8.375 %	January 1, July 1	1,350,000	July 1, 2028
2030 Senior Notes	8.625 %	May 1, November 1	1,000,000	November 1, 2030
2031 Senior Notes	8.750 %	January 1, July 1	1,350,000	July 1, 2031

The 2026 Senior Notes, 2028 Senior Notes, 2030 Senior Notes, 2031 Senior Notes, (collectively, the "Senior Notes") are unsecured senior obligations and rank equal in right of payment with all of the Company's existing and any future unsecured senior debt and are senior in right of payment to any future subordinated debt. The Company may redeem some or all of its Senior Notes prior to their maturity at redemption prices that may include a premium, plus accrued and unpaid interest as described in the indentures governing the Senior Notes. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing subsidiaries and are expected to be guaranteed by certain other future subsidiaries that may be required to guarantee the Senior Notes.

The indentures governing the Senior Notes contain covenants that limit, among other things, our ability and the ability of our subsidiaries to: (i) incur or guarantee additional indebtedness; (ii) create liens securing indebtedness; (iii) pay dividends on or redeem or repurchase stock or subordinated debt; (iv) make specified types of investments and acquisitions; (v) enter into or permit to exist contractual limits on the ability of our subsidiaries to pay dividends to us; (vi) enter into transactions with affiliates; and (vii) sell assets or merge with other companies. These covenants are subject to a number of important limitations and exceptions. We were in compliance with all covenants and all restricted payment provisions related to our Senior Notes through the filing of this Quarterly Report on Form 10-Q. The indentures governing the Senior Notes also contain customary events of default.

For additional details on our Senior Notes, refer to *Note 5 - Long-Term Debt in Item 8. Financial Statements and Supplementary Data* included in our [2023 Form 10-K](#).

Credit Facility

We are party to a reserve-based revolving facility, as the borrower, with JPMorgan Chase Bank, N.A. ("JPMorgan"), as the administrative agent, and a syndicate of financial institutions, as lenders, that has an aggregate maximum commitment amount of \$ 4.0 billion and is set to mature on August 2, 2028 (together with all amendments thereto, the "Credit Facility" or the "Credit Agreement").

On June 12, 2024, we entered into a Sixth Amendment to our Credit Agreement (the "Sixth Amendment"), which, among other things, amended certain terms of the Credit Agreement to: (i) increase the borrowing base by \$ 400.0 million for a new borrowing base of \$ 3.4 billion, (ii) increase the aggregate elected commitments by \$ 350.0 million for a new aggregate elected commitment of \$ 2.2 billion, (iii) lower the interest rate margins applicable to loans under the Credit Agreement, (iv) add provisions to lower the interest rate margins and modify certain covenants in the Credit Agreement, as well as to make the Credit Facility unsecured, upon the achievement of investment grade credit ratings, (v) modify certain definitions in the Credit Agreement in connection with the transactions contemplated by the Sixth Amendment, and (vi) provide for the addition of certain new lenders under the Credit Agreement.

As of June 30, 2024, the borrowing base and aggregate elected commitments under the Credit Agreement were \$ 3.4 billion and \$ 2.2 billion, respectively. The next scheduled borrowing base redetermination date is in November 2024.

Interest and commitment fees associated with the Credit Facility are accrued based on a revolving loan commitment utilization grid set forth in the Credit Agreement. Borrowings under the Credit Facility bear interest at a per annum rate equal to, at our option, either (i) the Alternate Base Rate ("ABR", for ABR revolving credit loans) plus the applicable margin, or (ii) the term-specific Secured Overnight Financing Rate ("SOFR") plus the applicable margin. ABR is established as a rate per annum equal to the greatest of (a) the rate of interest publicly announced by JPMorgan as its prime rate, (b) the applicable rate of interest published by the Federal Reserve Bank of New York plus 0.5 %, or (c) the term-specific SOFR plus 1.0 %, subject to a 1.5 % floor plus the applicable margin of 0.75 % to 1.75 %, based on the utilization of the Credit Facility. Term-specific SOFR is based on one-, three-, or six-month terms as selected by us and is subject to a 0.5 % floor plus the applicable margin of 1.75 % to 2.75 %, based on the utilization of the Credit Facility. Interest on borrowings that bear interest at the SOFR are payable on the last day of the applicable interest period selected by us, and interest on borrowings that bear interest at the ABR are payable quarterly in arrears.

The Credit Facility is guaranteed by all our restricted domestic subsidiaries and is secured by first priority security interests on substantially all assets, including a mortgage on at least 90 % of the total value of the proved properties evaluated in the most recently delivered reserve reports prior to the amendment effective date, including any engineering reports relating to the crude oil and natural gas properties of our restricted domestic subsidiaries, subject to customary exceptions.

The Credit Facility contains customary representations and affirmative covenants. The Credit Facility also contains customary negative covenants, which, among other things, and subject to certain exceptions, including the suspension and/or modification of certain covenants in the event that we receive investment grade credit ratings, include restrictions on (i) liens, (ii) indebtedness, guarantees and other obligations, (iii) restrictions in agreements on liens and distributions, (iv) mergers or consolidations, (v) asset sales, (vi) restricted payments, (vii) investments, (viii) affiliate transactions, (ix) change of business, (x) foreign operations or subsidiaries, (xi) name changes, (xii) use of proceeds, letters of credit, (xiii) gas imbalances, (xiv) hedging transactions, (xv) additional subsidiaries, (xvi) changes in fiscal year or fiscal quarter, (xvii) operating leases, (xviii) prepayments of certain debt and other obligations, (xix) sales or discounts of receivables, (xx) dividend payment thresholds, and (xxi) cash balances.

In addition, we are subject to certain financial covenants under the Credit Facility, as tested on the last day of each fiscal quarter, including, without limitation, (a) a maximum ratio of our consolidated indebtedness to earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash charges ("permitted net leverage ratio") of 3.00 to 1.00, (b) a current ratio, inclusive of the unused commitments then available to be borrowed, to not be less than 1.00 to 1.00, and (c) upon the achievement of investment grade credit ratings, with respect to the net present value of any proved reserves expected to be produced from our oil and gas properties, discounted at 9 % per annum of the future net revenues ("PV-9"), a PV-9 coverage ratio of 1.50 to 1.00. We were in compliance with all covenants under the Credit Facility as of June 30, 2024 and through the filing of this Quarterly Report on Form 10-Q.

The following table presents the outstanding balance, letters of credit outstanding, and available borrowing capacity under the Credit Facility as of the dates indicated (in thousands):

	July 31, 2024	June 30, 2024	December 31, 2023
Outstanding balance	\$ 950,000	\$ 850,000	\$ 750,000
Letters of credit	2,100	2,100	2,100
Available borrowing capacity	1,247,900	1,347,900	1,097,900
Total aggregate elected commitments	\$ 2,200,000	\$ 2,200,000	\$ 1,850,000

As of June 30, 2024 and December 31, 2023, the unamortized deferred financing costs associated with amendments to the Credit Facility were \$ 33.4 million and \$ 34.4 million, respectively. Of the unamortized deferred financing costs, (i) \$ 25.3 million and \$ 26.9 million are presented within other noncurrent assets on the accompanying balance sheets as of June 30, 2024 and December 31, 2023, respectively, and (ii) \$ 8.1 million and \$ 7.5 million are presented within prepaid expenses and other on the accompanying balance sheets as of June 30, 2024 and December 31, 2023, respectively.

Deferred Acquisition Consideration

The Vencer Acquisition included deferred consideration of \$ 550.0 million in cash to be paid on or before January 3, 2025. We discounted this obligation and recorded \$ 532.3 million as deferred acquisition consideration upon closing and are amortizing the discount to interest expense until the payment is made. During the three months ended June 30, 2024, we paid \$ 37.5 million of this deferred consideration, which is recorded as a cash outflow within the Acquisitions of businesses, net of cash acquired in the accompanying unaudited condensed consolidated statements of cash flows ("statements of cash flows"). Subsequent to June 30, 2024 and prior to the filing of this Quarterly Report on Form 10-Q, we paid an additional \$ 37.5 million of deferred consideration. Following these payments made prior to its due date, \$ 475.0 million of deferred consideration remains to be paid on or before January 3, 2025.

Interest Expense

For the three months ended June 30, 2024 and 2023, we incurred interest expense of \$ 114.9 million and \$ 8.8 million, respectively. Interest expense for the three months ended June 30, 2024 includes \$ 9.2 million related to the amortization of deferred acquisition consideration associated with the Vencer Acquisition. For the six months ended June 30, 2024 and 2023, we incurred interest expense of \$ 224.7 million and \$ 16.2 million, respectively. Interest expense for the six months ended June 30, 2024 includes \$ 17.8 million related to the amortization of deferred acquisition consideration associated with the Vencer Acquisition.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Commitments. We routinely enter into, extend, or amend operating agreements in the ordinary course of business. We have long-term transportation, sales, processing, and water delivery commitments. There were no significant commitments entered into during the three months ended June 30, 2024. For details of our existing commitments, refer to *Note 6 - Commitments and Contingencies in Item 8. Financial Statements and Supplementary Data* included in our [2023 Form 10-K](#).

Litigation and Legal Items. We are involved in various legal proceedings. We review the status of these proceedings on an ongoing basis and, from time to time, may settle or otherwise resolve these matters on terms and conditions that management believes are in our best interests. We have provided the necessary estimated accruals in the accompanying balance sheets where deemed appropriate for litigation and legal related items that are ongoing and not yet concluded. Although the results cannot be known with certainty, we currently believe that the ultimate results of such proceedings will not have a material adverse effect on our financial position, results of operations, or liquidity.

NOTE 7 - STOCK-BASED COMPENSATION

Long Term Incentive Plans

On June 4, 2024, in connection with our stockholders' approval at our 2024 annual meeting of stockholders, we adopted the 2024 Long Term Incentive Plan (the "2024 LTIP"), which provides for the issuance of restricted stock units, performance stock units, stock options, and various other forms of awards, and reserved 3,100,000 shares of common stock for issuance under the 2024 LTIP. The 2024 LTIP supersedes and replaces all of our previous long-term incentive plans ("the "Prior Plans"), such that awards may not be granted under the Prior Plans on or following June 4, 2024. Awards granted under the Prior Plans will remain subject to the terms and conditions set forth in the applicable Prior Plan. The Prior Plans and 2024 LTIP are collectively referred to herein as the "LTIP."

We record compensation expense associated with the issuance of awards under the LTIP on a straight-line basis over the vesting period based on the fair value of the awards as of the date of grant within general and administrative expense in the accompanying statements of operations. The following table outlines the compensation expense recorded by type of award (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Restricted and deferred stock units	\$ 7,198	\$ 4,769	\$ 13,798	\$ 9,194
Performance stock units	5,064	5,126	9,663	8,081
Total stock-based compensation	\$ 12,262	\$ 9,895	\$ 23,461	\$ 17,275

As of June 30, 2024, unrecognized compensation expense related to the awards granted under the LTIP will be amortized through the relevant periods as follows (in thousands):

	Unrecognized Compensation Expense	Final Year of Recognition
Restricted and deferred stock units	\$ 50,357	2027
Performance stock units	33,306	2026
Total unrecognized stock-based compensation	\$ 83,663	

Restricted Stock Units and Deferred Stock Units

We grant time-based restricted stock units ("RSUs") to our officers, executives, and employees and time-based deferred stock units ("DSUs") to our non-employee directors under the LTIP. Each RSU and DSU represents a right to receive one share of our common stock after the RSU or DSU vests and is settled as described below. RSUs generally vest ratably either over a one, two, or three-year service period on each anniversary following the grant date. Each RSU is entitled to a dividend equivalent right to receive, upon settlement, a cash payment based on the regular cash dividends that would have been paid on a share of our common stock during the period between the grant date and the date the RSUs are settled. Accrued but unpaid dividend equivalents are recognized in other liabilities and other long-term liabilities on the accompanying balance sheets, until the recipients receive the dividend equivalents upon settlement. DSUs generally vest over a one-year period following the grant date. DSUs are settled in shares of our common stock upon the non-employee director's separation of service from our Board of Directors (our "Board"). Each DSU is entitled to a dividend equivalent right to receive a cash payment based on the regular cash dividends that would have been paid on a share of our common stock. All amounts payable as a result of such dividend equivalent right are paid (1) with respect to vested DSUs, at the same time dividends are paid to our stockholders and (2) with respect to unvested DSUs, when such underlying DSUs vest. Accrued but unpaid dividend equivalents in respect of unvested DSUs are recognized in other liabilities and other long-term liabilities on the accompanying balance sheets, until the recipients receive the dividend equivalents upon vesting. The grant-date fair value of RSUs and DSUs is equal to the closing price of our common stock on the date of the grant.

A summary of the status and activity of non-vested RSUs and DSUs for the six months ended June 30, 2024 is presented below:

	RSUs and DSUs	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	855,627	\$ 66.31
Granted	458,106	64.48
Vested	(165,223)	59.46
Forfeited	(43,206)	66.97
Non-vested, end of period	1,105,304	\$ 66.55

The aggregate grant-date fair value of the RSUs and DSUs granted under the LTIP during the six months ended June 30, 2024 was \$ 29.5 million.

Performance Stock Units

We grant market-based performance stock units ("PSUs") to our officers and certain executives under the LTIP. The number of shares of our common stock issued to settle PSUs ranges from zero to 225 % (or, for PSUs granted prior to fiscal year 2023, 200 %) of the number of PSUs granted and is determined based on performance achievement against certain market-based criteria over a three-year performance period. PSUs generally vest on December 31 of the year preceding the third anniversary of the date of grant and settle by March 15 of the following year upon the determination and approval of performance achievement by the Compensation Committee of our Board. Each PSU is entitled to a dividend equivalent right to receive, upon settlement, a cash payment based on the regular cash dividends that would have been paid on a share of our common stock during the period between the grant date and the date the PSUs are settled. Accrued but unpaid dividend equivalents are recognized in other liabilities and other long-term liabilities on the accompanying balance sheets until the recipients receive the dividend equivalents upon settlement.

Performance achievement is determined based on either, or a combination of, (1) our annualized absolute total stockholder return ("TSR") or (2) for certain PSUs granted prior to fiscal year 2023, our absolute TSR relative to that of a defined peer group. Absolute TSR is determined based upon the change in our stock price over the performance period plus dividends paid. For awards with a relative TSR component, our absolute TSR is compared with the absolute TSRs of a group of peer companies over the performance period. The absolute TSR for us and each of the peer companies is determined by dividing (A) (i) the volume-weighted average share price for the last 30 trading days of the performance period, minus (ii) the volume-weighted average share price for the 30 trading days preceding the beginning of the performance period, plus (iii) dividends paid by (B) the volume-weighted average share price for the 30 trading days preceding the beginning of the performance period. The resultant amount is then annualized based on the length of the performance period.

The grant-date fair value of the PSUs was estimated using a Monte Carlo valuation model. The Monte Carlo valuation model is based on random projections of stock price paths and repeated numerous times to achieve a probabilistic assessment. Significant assumptions used in this valuation include our expected volatility as well as the volatilities for each of our peers and an interpolated risk-free interest rate based on U.S. Treasury yields with maturities consistent with the performance period.

A summary of the status and activity of non-vested PSUs for the six months ended June 30, 2024, is presented below:

	PSUs	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	472,593	\$ 92.08
Granted ⁽¹⁾	270,509	74.55
Additional shares based on performance ⁽²⁾	59,504	97.45
Vested ⁽²⁾	(139,218)	91.59
Forfeited	(10,818)	103.15
Non-vested, end of period ⁽¹⁾	<u>652,570</u>	<u>\$ 85.23</u>

⁽¹⁾ The number of awards assumes that the associated performance condition is met at the target amount (multiplier of one). The final number of shares of our common stock issued may vary depending on the performance multiplier, which ranges from zero to 225 % (or, for PSUs granted prior to fiscal year 2023, 200 %), depending on the level of satisfaction of the performance condition.

⁽²⁾ Upon completion of the performance period for the PSUs granted in 2021, a performance achievement of 200 % or 141 %, as applicable, was applied to each of the grants, resulting in a number of shares greater than the target amount of such PSUs vesting and being settled during the six months ended June 30, 2024.

The aggregate grant-date fair value of the PSUs granted under the LTIP during the six months ended June 30, 2024 was \$ 20.2 million.

NOTE 8 - FAIR VALUE MEASUREMENTS

We follow authoritative accounting guidance for measuring the fair value of assets and liabilities in our unaudited condensed consolidated financial statements. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further, this guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The fair value hierarchy is broken down into three levels based on the reliability of the inputs as follows:

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

Level 2: Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable

Level 3: Significant inputs to the valuation model are unobservable

We classify financial and non-financial assets and liabilities based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy.

Derivatives

We use Level 2 inputs to measure the fair value of crude oil and natural gas commodity price derivatives. The fair value of our commodity price derivatives is estimated using industry-standard models that contemplate various inputs including, but not limited to, the contractual price of the underlying position, current market prices, forward commodity price curves, volatility factors, time value of money, and the credit risk of both us and our counterparties. We validate our fair value estimate by corroborating the original source of inputs, monitoring changes in valuation methods and assumptions, and reviewing counterparty mark-to-market statements and other supporting documentation. Refer to Note 9 - *Derivatives* for more information regarding our derivative instruments.

The following table presents our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 and their classification within the fair value hierarchy (in thousands):

	As of June 30, 2024		As of December 31, 2023	
	Level 2	Level 2	Level 2	Level 2
Derivative assets	\$ 14,618		\$ 43,425	
Derivative liabilities	\$ 71,771		\$ 18,096	

Long-Term Debt

The portion of our long-term debt related to our Credit Facility, if any, approximates its fair value as it bears interest at a floating rate that approximates a current market rate. The portion of our long-term debt related to our Senior Notes is recorded at cost, net of any unamortized discount and deferred financing costs. The fair value of our Senior Notes is based on quoted market prices, and as such, is designated as Level 1 within the fair value hierarchy. The following table presents the fair value of our Senior Notes as of the dates indicated (in thousands):

	As of June 30, 2024			As of December 31, 2023	
	Nominal Interest	Fair Value	Percent of Par	Fair Value	Percent of Par
2026 Senior Notes	5.000 %	\$ 389,600	97.4 %	\$ 389,020	97.3 %
2028 Senior Notes	8.375 %	1,416,150	104.9 %	1,412,559	104.6 %
2030 Senior Notes	8.625 %	1,071,000	107.1 %	1,063,050	106.3 %
2031 Senior Notes	8.750 %	1,444,500	107.0 %	1,433,363	106.2 %

Our deferred acquisition consideration was recorded in connection with the Vencer Acquisition using an estimated fair value discount at the time of the transaction based on quoted market prices from our debt as well as other inputs classified as Level 2 within the fair value hierarchy. As of June 30, 2024, the carrying value of the deferred acquisition consideration approximated fair value. Please refer to Note 5 - *Long-Term Debt* for additional information.

Acquisitions and Impairments of Proved and Unproved Properties

We measure acquired assets or businesses at fair value on a nonrecurring basis and review our proved and unproved crude oil and natural gas properties for impairment using inputs that are not observable in the market and are therefore designated as Level 3 within the valuation hierarchy. The most significant fair value determinations for non-financial assets and liabilities are related to crude oil and gas properties acquired. Please refer to *Note 2 - Acquisitions and Divestitures* for additional information. During the three and six months ended June 30, 2024 and 2023, we recorded no impairments of proved or unproved properties. Please refer to *Note 1 – Summary of Significant Accounting Policies in Item 8. Financial Statements and Supplementary Data* included in our [2023 Form 10-K](#) for information on our policies for determining fair value of proved and unproved properties and related impairment expense.

NOTE 9 - DERIVATIVES

We periodically enter into commodity derivative contracts to mitigate a portion of our exposure to potentially adverse market changes in commodity prices for our expected future crude oil and natural gas production and the associated impact on cash flows. Our commodity derivative contracts consist of swaps, collars, basis protection swaps, and puts. As of June 30, 2024, all derivative counterparties were members of the Credit Facility lender group, and all commodity derivative contracts are entered into for other-than-trading purposes. We do not designate our commodity derivative contracts as hedging instruments.

A typical swap arrangement guarantees a fixed price on contracted volumes. If the agreed upon published third-party index price ("index price") is lower than the fixed contract price at the time of settlement, we receive the difference between the index price and the fixed contract price. If the index price is higher than the fixed contract price at the time of settlement, we pay the difference between the index price and the fixed contract price.

A typical collar arrangement establishes a floor and ceiling price on contracted volumes through the use of a short call and a long put ("two-way collar"). When the index price is above the ceiling price at the time of settlement, we pay the difference between the index price and the ceiling price. When the index price is below the floor price at the time of settlement, we receive the difference between the index price and floor price. When the index price is between the floor price and ceiling price, no payment or receipt occurs. A minority of our collar arrangements combine a two-way collar with a short put that holds an exercise price below the floor price ("three-way collar"). In these arrangements, when the index price is below the floor price at the time of settlement, we receive the difference between the index price and the floor price, capped at the difference between the floor price and the exercise price of the short put.

Basis protection swaps are arrangements that guarantee a price differential for natural gas from a specified delivery point. For basis protection swaps, we receive a payment from the counterparty if the price differential is greater than the stated terms of the contract and pays the counterparty if the price differential is less than the stated terms of the contract.

A put arrangement gives us the right to sell the underlying commodity at a strike price over the term of the contract. If the index price is higher than the strike price, no payment or receipt occurs. If the index price is lower than the strike price, we receive the difference between the index price and the strike price.

The following table summarizes the components of the derivative gain (loss), net presented on the accompanying statements of operations for the periods below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Derivative cash settlement loss, net				
Crude oil contracts	\$ (19,163)	\$ (2,164)	\$ (30,267)	\$ (5,613)
Natural gas contracts	6,411	829	6,360	(6,272)
Total derivative cash settlement loss, net	(12,752)	(1,335)	(23,907)	(11,885)
Change in fair value gain (loss)	20,330	6,262	(78,195)	41,972
			(102,102)	
Total derivative gain (loss), net	\$ 7,578	\$ 4,927	\$)	\$ 30,087

As of June 30, 2024, we had entered into the following commodity price derivative contracts:

	Contract Period									
	Q3 2024		Q4 2024		Q1 2025	Q2 2025	Q3 2025			
Crude Oil Derivatives (volumes in Bbl/day and prices in \$/Bbl)										
Swaps										
NYMEX WTI Volumes		24,036		25,997		19,000	19,000	10,000		
Weighted-Average Contract Price	\$	71.15	\$	70.77	\$	72.74	\$	71.89	\$	73.99
Two-Way Collars										
NYMEX WTI Volumes		24,824		23,504		28,000	32,000	18,000		
Weighted-Average Ceiling Price	\$	82.44	\$	80.99	\$	79.87	\$	77.78	\$	77.25
Weighted-Average Floor Price	\$	65.49	\$	65.66	\$	70.00	\$	69.88	\$	68.93
Bought Puts										
NYMEX WTI Volumes		6,216		5,669		—	—	—	—	—
Weighted-Average Contract Price	\$	55.00	\$	55.00	\$	—	\$	—	\$	—
Natural Gas Derivatives (volumes in MMBtu/day and prices in \$/MMBtu)										
Swaps										
NYMEX HH Volumes		161,578		131,701		—	—	—	—	—
Weighted-Average Contract Price	\$	2.68	\$	2.71	\$	—	\$	—	\$	—
Two-Way Collars										
NYMEX HH Volumes		1,668		—		—	—	—	—	—
Weighted-Average Ceiling Price	\$	3.16	\$	—	\$	—	\$	—	\$	—
Weighted-Average Floor Price	\$	2.50	\$	—	\$	—	\$	—	\$	—
Basis Protection Swaps										
CIG Basis Volumes		33,246		—		—	—	—	—	—
Weighted-Average Contract Price	\$	(0.27)	\$	—	\$	—	\$	—	\$	—
WAHA Basis Volumes		130,000		130,000		—	—	—	—	—
Weighted-Average Contract Price	\$	(0.97)	\$	(0.97)	\$	—	\$	—	\$	—
WAHA Index Volumes		70,000		—		—	—	—	—	—
Weighted-Average Contract Price	\$	(0.05)	\$	—	\$	—	\$	—	\$	—

Subsequent to June 30, 2024 and as of July 26, 2024, we had entered into the following commodity price derivative contracts:

	Contract Period									
	Q3 2024		Q4 2024		Q1 2025	Q2 2025	Q3 2025			
Crude Oil Derivatives (volumes in Bbl/day and prices in \$/Bbl)										
Swaps										
NYMEX WTI Volumes		—		—	—	—	—	12,000		
Weighted-Average Contract Price	\$	—	\$	—	\$	—	\$	74.64		
Two-Way Collars										
NYMEX WTI Volumes		—		—	—	—	—	10,000		
Weighted-Average Ceiling Price	\$	—	\$	—	\$	—	\$	78.36		
Weighted-Average Floor Price	\$	—	\$	—	\$	—	\$	70.00		

Derivative Assets and Liabilities Fair Value

Our commodity price derivatives are measured at fair value and are included in the accompanying balance sheets as derivative assets and liabilities. The following table contains a summary of all our derivative positions reported on the accompanying balance sheets as well as a reconciliation between the gross assets and liabilities and the potential effects of master netting arrangements on the fair value of our commodity derivative contracts as of June 30, 2024, and December 31, 2023 (in thousands):

	June 30, 2024	December 31, 2023
Derivative Assets:		
Commodity contracts - current	\$ 14,118	\$ 35,192
Commodity contracts - noncurrent	500	8,233
Total derivative assets	14,618	43,425
Amounts not offset in the accompanying balance sheets	(10,880)	(11,859)
Total derivative assets, net	\$ 3,738	\$ 31,566
Derivative Liabilities:		
Commodity contracts - current	\$ (70,835)	\$ (18,096)
Commodity contracts - long-term	(936)	—
Total derivative liabilities	(71,771)	(18,096)
Amounts not offset in the accompanying balance sheets	10,880	11,859
Total derivative liabilities, net	\$ (60,891)	\$ (6,237)

NOTE 10 - ASSET RETIREMENT OBLIGATIONS

We recognize an estimated liability for future costs associated with the abandonment of our crude oil and natural gas properties, including facilities requiring decommissioning. A liability for the fair value of an asset retirement obligation and corresponding increase to the carrying value of the related long-lived asset are recorded at the time a well is drilled or acquired, or a facility is constructed. The increase in carrying value is included in proved properties in the accompanying balance sheets. We deplete the amount added to proved properties and recognize expense in connection with the accretion of the discounted liability over the remaining estimated economic lives of the respective long-lived assets. Cash paid to settle asset retirement obligations is included in the cash flows from operating activities section of our statements of cash flows.

Our estimated asset retirement obligation liability is based on historical experience plugging and abandoning wells, estimated economic lives, estimated plugging and abandonment cost, and regulatory requirements. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred or revised.

A roll-forward of our asset retirement obligation is as follows (in thousands):

	Amount
Balance as of December 31, 2023	\$ 336,832
Additional liabilities incurred with development activities and other	4,092
Additional liabilities incurred with acquisitions	40,157
Liabilities settled	(15,915)
Accretion expense	11,812
Obligations discharged with divestitures	(27,976)
Balance as of June 30, 2024	\$ 349,002
Current portion ⁽¹⁾	\$ 31,116
Long-term portion	\$ 317,886

⁽¹⁾ The current portion of the asset retirement obligation is included in other liabilities on the accompanying balance sheets.

NOTE 11 - EARNINGS PER SHARE

Earnings per basic and diluted share are calculated under the treasury stock method. Basic net income per common share is calculated by dividing net income by the basic weighted-average common shares outstanding for the respective period. Diluted net income per common share is calculated by dividing net income by the diluted weighted-average common shares outstanding, which includes the effect of potentially dilutive securities. Potentially dilutive securities consist of unvested RSUs, DSUs, PSUs as well as outstanding in-the-money stock options and warrants. When we recognize a loss from continuing operations, all potentially dilutive shares are anti-dilutive and are consequently excluded from the calculation of diluted earnings per share.

As discussed in *Note 7 - Stock-Based Compensation*, PSUs represent the right to receive a number of shares of the Company's common stock ranging from zero to 225 % (or, for PSUs granted prior to fiscal year 2023, 200 %) of PSUs granted based on the performance achievement over the applicable performance period. The number of potentially dilutive shares related to PSUs is based on the number of shares, if any, that would be issuable at the end of the respective reporting period, assuming that date was the end of the performance period applicable to such awards.

We have also issued warrants, which represent the right to purchase our common stock at a specified exercise price. The number of potentially dilutive shares related to the warrants is based on the number of shares, if any, that would be exercisable at the end of the respective reporting period, assuming that date was the end of such warrants' term. Warrants are only dilutive when the average price of the common stock during the period exceeds the exercise price. The exercise price of our warrants was in excess of our stock price during the three and six months ended June 30, 2024 and 2023 ; therefore, they were excluded from the earnings per share calculation.

The following table sets forth the calculations of basic and diluted net earnings per common share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 215,989	\$ 139,287	\$ 391,810	\$ 341,748
Basic earnings per common share	\$ 2.17	\$ 1.73	\$ 3.92	\$ 4.22
Diluted earnings per common share	\$ 2.15	\$ 1.72	\$ 3.88	\$ 4.18
Weighted-average shares outstanding - basic	99,426	80,393	100,062	81,052
Add: dilutive effect of stock awards	819	751	803	772
Weighted-average shares outstanding - diluted	100,245	81,144	100,865	81,824

There were 5,507 and 3,846 shares that were anti-dilutive for the three months ended June 30, 2024 and 2023, respectively. There were 206,285 and 111,251 shares that were anti-dilutive for the six months ended June 30, 2024 and 2023, respectively.

NOTE 12 - INCOME TAXES

Deferred tax assets and liabilities are measured by applying the provisions of enacted tax laws to determine the amount of taxes payable or refundable currently or in future years related to cumulative temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying balance sheets. The tax effect of the net change in the cumulative temporary differences during each period in the deferred tax assets and liabilities determines the periodic provision for deferred taxes.

We assess the recoverability of our deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will be realized. In making such a determination, we consider all available evidence (both positive and negative), including future reversals of temporary differences, tax-planning strategies, projected future taxable income, and results of operations. As a result of merger activity in 2021, we recorded a valuation allowance of \$ 25.4 million, which continued to be recorded as of June 30, 2024 and December 31, 2023, against certain acquired net operating losses and other tax attributes due to the limitation on realizability caused by the change of ownership provisions of Section 382 of the Internal Revenue Code. We will continue to monitor facts and circumstances in the reassessment of the likelihood that the deferred tax assets will be realized.

The net deferred tax liability as of June 30, 2024 and December 31, 2023 was \$ 657.5 million and \$ 564.8 million, respectively. Additionally, income tax payable of \$ 3.9 million is included in other liabilities on the accompanying balance sheets as of June 30, 2024, and prepaid income taxes of \$ 9.6 million is included in prepaid expenses and other on the accompanying balance sheets as of December 31, 2023.

During the three months ended June 30, 2024 and 2023, we recorded income tax expense of \$ 67.0 million and \$ 44.4 million, respectively. During the six months ended June 30, 2024 and 2023, we recorded income tax expense of \$ 102.0 million and \$ 109.5 million, respectively. Income tax expense differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income before income taxes due to the effect of state income taxes, excess tax benefits and deficiencies on stock-based compensation awards, tax limitations on compensation of covered individuals, and other permanent differences. During the six months ended June 30, 2024, income tax expense was additionally impacted by deferred tax benefits from state apportionment changes as a result of the Vencer Acquisition and tax credits.

We had no unrecognized tax benefits as of June 30, 2024 and December 31, 2023. We do not believe that there are any new items or changes in facts or judgments that would impact our tax position taken thus far in 2024.

In 2022, the Inflation Reduction Act ("IRA") was signed into law. Among other provisions, the IRA imposes a 15% corporate alternative minimum tax ("Corporate AMT") for tax years beginning after December 31, 2022, imposes a 1% excise tax on corporate stock repurchases after December 31, 2022, and provides tax incentives to promote various energy efficient initiatives. We are evaluating the potential impact of the Corporate AMT on our current income tax expense and income taxes payable; however, we currently do not believe this will materially affect our income taxes paid for the 2024 tax year.

NOTE 13 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental cash flow disclosures are presented below (in thousands):

	Six Months Ended June 30,	
	2024	2023
Supplemental cash flow information:		
Cash refunded for income taxes, net	\$ 4,175	\$ 7,861
Cash paid for interest	(204,127)	(12,627)
Supplemental non-cash investing activities:		
Changes in working capital related to capital expenditures	(125,344)	56,345

NOTE 14 - STOCKHOLDERS' EQUITY

Share Repurchases

In January 2023, we closed a privately negotiated share purchase agreement with CPPIB Crestone Peak Resources Canada Inc. for the purchase of approximately 4.9 million shares of our common stock for a total purchase price of \$ 300.0 million. The shares repurchased were immediately retired.

In February 2023, our Board provided authorization for a stock repurchase program (the "stock repurchase program") pursuant to which we may, from time to time and through December 31, 2024, acquire shares of our common stock in the open market, in privately negotiated transactions, or through block trades, derivative transactions, or purchases made in accordance with the Rule 10b5-1 of the Exchange Act in an amount not to exceed \$ 1.0 billion, exclusive of any fees, commissions, or other expenses related to such repurchases. In June 2023, commensurate with the announcement of the Hibernia and Tap Rock acquisitions, our Board reduced the amount of stock authorized for repurchase under the stock repurchase program from \$ 1.0 billion to \$ 500.0 million.

The table below summarizes stock repurchases pursuant to the stock repurchase program during the six months ended June 30, 2024:

	Six Months Ended June 30, 2024			Total Purchase Price (in thousands) ⁽¹⁾
	Number of Shares (in thousands)	Weighted-Average Price		
Privately-negotiated transactions				
NGP Tap Rock Holdings, LLC and certain of its affiliates	876.2	\$ 64.54	\$	56,549
Vencer	1,041.7	71.99		75,000
Other transactions	877.4	68.73		60,305
Total stock repurchases	2,795.3	\$ 68.63	\$	191,854

⁽¹⁾ Excludes commissions paid and excise taxes accrued related to stock repurchases.

These purchases were funded from our cash on hand and the shares were immediately retired. As of June 30, 2024, \$ 288.0 million remained available under the program for repurchase of our outstanding common stock.

We record share repurchases at cost, which includes incremental direct transaction costs, as a reduction to stockholder's equity. As part of the incremental direct transaction costs and subject to netting against the fair value of stock issuances, we record a 1% excise tax with the corresponding liability recorded within accounts payable and accrued expenses on the accompanying balance sheets. Any excess of cost over the par value is charged to additional paid-in-capital on a pro-rata basis, with any remaining cost charged to retained earnings.

Dividends

The following table summarizes the dividends declared in the six months ended June 30, 2024 and 2023:

	Base		Variable		Total		Total	
		(per share)		(per share)		(per share)		(in thousands)
2024								
First quarter	\$	0.50	\$	0.95	\$	1.45	\$	148,327
Second quarter	\$	0.50	\$	1.00	\$	1.50	\$	150,797
2023								
First quarter	\$	0.50	\$	1.65	\$	2.15	\$	176,878
Second quarter	\$	0.50	\$	1.62	\$	2.12	\$	173,358

Capital Return Program

Beginning in the third quarter of 2024, variable cash dividends will be equal to 50 % of Adjusted Free Cash Flow for the preceding twelve-month period and pro forma for all acquisition and divestiture activity, after the base cash dividend less any share repurchases made during the quarter for which the dividend is declared, assuming pro forma compliance with certain leverage targets under our debt agreements. Share repurchase activity will be determined by management and our Board.

As part of enhancing our capital return framework, in July 2024 our Board authorized a new stock repurchase program authorizing repurchases of up to \$ 500 million of our outstanding shares of common stock, replacing our prior stock repurchase program that has been terminated.

The stock repurchase program does not have a termination date, does not require any specific number of shares to be acquired, and can be modified or discontinued by our Board at any time. Additionally, the decision to pay any future dividends is solely within the discretion of, and subject to approval by, our Board. Our Board's determination with respect to any such dividends, including the record date, the payment date, and the actual amount of the dividend, will depend upon our profitability and financial condition, contractual restrictions, restrictions imposed by applicable law, and other factors that our Board deems relevant at the time of such determination.

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 should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our [2023 Form 10-K](#), as well as with our unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. Further, we encourage you to review the *Information Regarding Forward-Looking Statements*.

Executive Summary

We are an independent exploration and production company focused on the acquisition, development, and production of crude oil and liquids-rich natural gas from our premier assets in the DJ Basin in Colorado and the Permian Basin in Texas and New Mexico. Our proven business model to maximize stockholder returns is focused on four key strategic pillars: generating significant free cash flow, maintaining a premier balance sheet, returning capital to our stockholders, and demonstrating ESG leadership.

Financial and Operating Results

Our financial and operational results for the three months ended June 30, 2024:

- Total sales volumes increased 2% when compared to the first quarter of 2024; average sales volumes per day increased to 343 MBoe/d compared to 336 MBoe/d during the first quarter of 2024;
- Cash dividends declared of \$150.8 million, or \$1.50 per share;
- Repurchased a total of approximately 1.8 million shares of our common stock totaling \$124.9 million at a weighted average price of \$70.70;
- Net income of \$216.0 million, or \$2.15 per diluted share;
- Cash flows provided by operating activities were \$359.6 million compared to \$812.6 million during the first quarter of 2024. Adjusted Free Cash Flow ⁽¹⁾ was \$235.4 million compared to \$145.6 million in the first quarter of 2024; and
- Capital expenditures in drilling, completions, facilities, land, midstream assets, and other were \$566.5 million.

Our financial and operational results for the six months ended June 30, 2024:

- Total sales volumes increased 105% for the first half of 2024 when compared to the first half of 2023; average sales volumes per day increased to 339 MBoe/d compared to 167 MBoe/d during the first half of 2023, in each case, primarily as a result of the Hibernia, Tap Rock, and Vencer acquisitions;
- Cash dividends declared of \$299.1 million, or \$2.95 per share;
- Repurchased a total of approximately 2.8 million shares of our common stock totaling \$191.9 million at a weighted average price of \$68.64;
- Net income of \$391.8 million or \$3.88 per diluted share;
- Cash flows provided by operating activities were \$1.2 billion compared to \$876.0 million during the first half of 2023. Adjusted Free Cash Flow ⁽¹⁾ was \$381.0 million compared to \$375.7 million in the first half of 2023; and
- Capital expenditures in drilling, completions, facilities, land, midstream assets, and other were \$1.2 billion .

(1) Adjusted Free Cash Flow is a non-GAAP financial measure. Please refer to the "Non-GAAP Financial Measures - Reconciliation of Adjusted Free Cash Flow to Cash Provided by Operating Activities" and "Liquidity and Capital Resources" below for additional discussion.

2024 Transaction

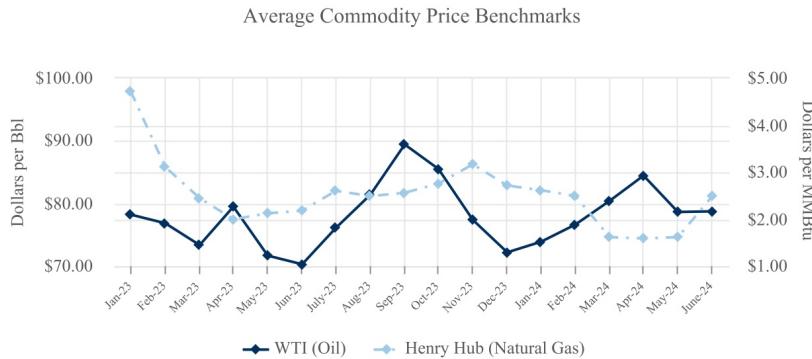
On January 2, 2024, we closed the Vencer Acquisition. The Vencer Acquisition included approximately 44,000 net acres in the Midland Basin and certain related crude oil and natural gas assets with average production of approximately 49 MBoe/d in exchange for aggregate consideration of approximately \$1.0 billion in cash, 7.2 million shares of our common stock paid at the closing of the Vencer Acquisition, and \$550.0 million in cash to be paid on or before January 3, 2025, inclusive of, customary post-closing adjustments. In May and July 2024, we made two early payments totaling \$75.0 million towards the deferred consideration, leaving a remaining balance of \$475.0 million. The initial cash portion of the acquisition was funded by cash on hand and the issuance of our 2030 Senior Notes for an aggregate principal amount of \$1.0 billion. Please refer to *Note 2 - Acquisitions and Divestitures* under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional discussion.

Commodity Prices and Certain Other Market Conditions

The crude oil and natural gas industry is cyclical and commodity prices are inherently volatile. Commodity prices in 2024 continue to be impacted by various macro-economic factors influencing the balance of supply and demand. From January through April 2024, pricing rebounded when compared to declining pricing in the fourth quarter of 2023. The rebound was a result of concerns over lower oil supply driven by uncertainties around political conditions in or affecting other crude oil and natural gas producing countries, including the Israel-Palestine conflict. Additionally, in 2024, OPEC+ continued production cuts to seek to stabilize the oil market. Despite OPEC+'s efforts of reducing production, non-OPEC+ countries continued to increase overall output in the second quarter of 2024, including the U.S., albeit at a slower pace. This has led to slightly declining monthly average oil prices to end the second quarter of 2024.

U.S. inflation rates during the first half of 2024 remained stable when compared to the last half of 2023, yet remain slightly higher than historical averages. Inflationary pressures can create economic slowdown and/or lead to a recession. A slowdown or recession can cause a decrease in short-term or longer-term demand for commodities, resulting in oversupply and potential for lower commodity prices. Lower prices and inflationary costs could impact our drilling program. The foregoing destabilizing factors have caused dramatic fluctuations in global financial markets and uncertainty about world-wide crude oil and natural gas supply and demand, which in turn has increased the volatility of crude oil and natural gas prices.

The below graph depicts monthly average NYMEX WTI crude oil and NYMEX HH natural gas price over the six months ended June 30, 2024 and 2023.



⁽¹⁾ The average NYMEX WTI crude oil price for the three months ended June 30, 2024 and March 31, 2024 was \$80.57 and \$76.96, respectively. The average NYMEX WTI crude oil price for the six months ended June 30, 2024 and 2023 was \$78.77 and \$74.95, respectively.

⁽²⁾ The average NYMEX natural gas HH price for the three months ended three months ended June 30, 2024 and March 31, 2024 was \$1.89 and \$2.24, respectively. The average NYMEX natural gas HH price for the six months ended June 30, 2024 and 2023 was \$2.07 and \$2.76, respectively.

In light of uncertainty associated with crude oil and natural gas demand, future monetary policy relating to inflationary pressures, and governmental policies aimed at transitioning toward lower carbon energy, we cannot predict any future volatility in or levels of commodity prices or demand for crude oil and natural gas.

We receive a premium or discount to the benchmark WTI price for our crude oil production. The differential between the benchmark price and the price we receive can reflect adjustments for quality, location, and transportation. Our DJ Basin crude oil price includes a higher-grade quality differential and a transportation differential for delivery to Cushing, Oklahoma. Our Permian Basin crude oil price includes a basis differential between Cushing, Oklahoma and Midland, Texas referred to as the Mid-Cush differential. For 2024, this differential was a premium to WTI. However, basis differentials can be volatile and can change at various times given their high correlation with market dynamics, supply and demand, and overall production.

Our natural gas production is typically sold at a discount to the benchmark NYMEX Henry Hub price. Our DJ Basin natural gas production is sold based on prices established for Colorado Interstate Gas ("CIG") and our Permian Basin natural gas production is based on the Waha Hub in West Texas. Pricing we receive for our natural gas in both basins is correlated with the capacity of in-field gathering systems, compression, and processing facilities, as well as transportation pipelines out of the basins, of which are majority owned and operated by third parties. During 2024, the Waha Hub has experienced several months of negative pricing due to oversupply, seasonal maintenance, and limited pipeline capacity. We periodically enter into natural gas basis protection swaps to mitigate a portion of our exposure to adverse market changes.

Results of Operations

The following table summarizes our product revenues, sales volumes, and average sales prices for the periods indicated:

	Three Months Ended			Six Months Ended			
	June 30, 2024	March 31, 2024	Percent Change	June 30, 2024	June 30, 2023	Percent Change	
Revenues (in thousands):							
Crude oil sales	\$ 1,134,720	\$ 1,075,594	5 %	\$ 2,210,314	\$ 1,000,807	121 %	
Natural gas sales	9,386	86,992	(89) %	96,378	146,662	(34) %	
NGL sales	167,426	165,170	1 %	332,596	166,212	100 %	
Product revenue	\$ 1,311,532	\$ 1,327,756	(1) %	\$ 2,639,288	\$ 1,313,681	101 %	
Sales Volumes:							
Crude oil (MBbls)	14,136	14,210	(1) %	28,346	14,139	100 %	
Natural gas (MMcf)	54,415	54,314	— %	108,729	53,255	104 %	
NGL (MBbls)	7,996	7,268	10 %	15,263	7,122	114 %	
Total sales volumes (MBoe)	31,201	30,530	2 %	61,731	30,137	105 %	
Average Sales Prices (before derivatives):							
Crude oil (per Bbl)	\$ 80.27	\$ 75.69	6 %	\$ 77.98	\$ 70.78	10 %	
Natural gas (per Mcf)	\$ 0.17	\$ 1.60	(89) %	\$ 0.89	\$ 2.75	(68) %	
NGL (per Bbl)	\$ 20.94	\$ 22.73	(8) %	\$ 21.79	\$ 23.34	(7) %	
Total (per Boe)	\$ 42.03	\$ 43.49	(3) %	\$ 42.75	\$ 43.59	(2) %	
Average Sales Prices (after derivatives)⁽¹⁾:							
Crude oil (per Bbl)	\$ 78.92	\$ 74.91	5 %	\$ 76.91	\$ 70.39	9 %	
Natural gas (per Mcf)	\$ 0.29	\$ 1.60	(82) %	\$ 0.94	\$ 2.64	(64) %	
NGL (per Bbl)	\$ 20.94	\$ 22.73	(8) %	\$ 21.79	\$ 23.34	(7) %	
Total (per Boe)	\$ 41.63	\$ 43.12	(3) %	\$ 42.37	\$ 43.20	(2) %	

⁽¹⁾ Average sale prices, after derivatives is a non-GAAP financial measure. For a reconciliation of average sales price, before derivatives to average sales price, after derivatives, see *Non-GAAP Financial Measures* below.

The following table presents crude oil, natural gas, and NGL sales volumes by operating region for the periods presented:

	Three Months Ended			Six Months Ended		
	June 30, 2024	March 31, 2024	Percent Change	June 30, 2024	June 30, 2023	Percent Change
Crude oil (MBbls)						
DJ Basin	6,174	6,655	(7) %	12,828	14,139	(9) %
Permian Basin	7,962	7,555	5 %	15,518	—	100 %
Total	14,136	14,210	(1) %	28,346	14,139	100 %
Natural gas (MMcf)						
DJ Basin	28,693	31,280	(8) %	59,974	53,255	13 %
Permian Basin	25,722	23,034	12 %	48,755	—	100 %
Total	54,415	54,314	— %	108,729	53,255	104 %
NGL (MBbls)						
DJ Basin	3,335	3,501	(5) %	6,836	7,122	(4) %
Permian Basin	4,661	3,767	24 %	8,427	—	100 %
Total	7,996	7,268	10 %	15,263	7,122	114 %
Total sales volumes (MBoe)						
DJ Basin	14,291	15,369	(7) %	29,660	30,137	(2) %
Permian Basin	16,910	15,161	12 %	32,071	—	100 %
Total	31,201	30,530	2 %	61,731	30,137	105 %
Average sales volumes per day (MBoe/d)						
DJ Basin	157	169	(7) %	163	167	(2) %
Permian Basin	186	167	12 %	176	—	100 %
Total	343	336	2 %	339	167	103 %

Product revenues remained relatively flat at \$1.3 billion for the three months ended June 30, 2024 compared to the three months ended March 31, 2024.

Product revenues increased by 101% to \$2.6 billion for the six months ended June 30, 2024 compared to \$1.3 billion for the six months ended June 30, 2023. The increase was primarily due to a 105% increase in sales volumes driven by the Hibernia, Tap Rock, and the Vencer acquisitions. The increase was partially offset by a 2% decrease in crude oil equivalent pricing, excluding the impact of derivatives.

The following tables set forth information regarding crude oil, natural gas, and NGL sales prices, excluding the impact of commodity derivatives and production costs for the periods presented.

Average Sales Price	Three Months Ended		Six Months Ended		Percent Change
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023	
Crude Oil (Per Bbl)					
DJ Basin	\$ 79.24	\$ 73.78	7 %	\$ 76.42	\$ 70.78 8 %
Permian Basin	\$ 81.07	\$ 77.37	5 %	\$ 79.26	\$ — 100 %
Total	\$ 80.27	\$ 75.69	6 %	\$ 77.98	\$ 70.78 10 %
Natural Gas (Per Mcf)					
DJ Basin	\$ 1.42	\$ 2.37	(40) %	\$ 1.92	\$ 2.75 (30) %
Permian Basin	\$ (1.22)	\$ 0.56	(318) %	\$ (0.38)	\$ — (100) %
Total	\$ 0.17	\$ 1.60	(89) %	\$ 0.89	\$ 2.75 (68) %
NGL (Per Bbl)					
DJ Basin	\$ 25.82	\$ 23.51	10 %	\$ 24.64	\$ 23.34 6 %
Permian Basin	\$ 17.45	\$ 22.00	(21) %	\$ 19.48	\$ — 100 %
Total	\$ 20.94	\$ 22.73	(8) %	\$ 21.79	\$ 23.34 (7) %
Production Cost (Per Boe)⁽¹⁾					
DJ Basin	\$ 3.96	\$ 4.02	(1) %	\$ 3.99	\$ 4.00 — %
Permian Basin	\$ 4.85	\$ 5.49	(12) %	\$ 5.15	\$ — 100 %
Total	\$ 4.44	\$ 4.75	(7) %	\$ 4.59	\$ 4.00 15 %

⁽¹⁾ Represents lease operating expense and midstream operating expense per Boe using total sales volumes and excludes ad valorem and severance taxes.

The following table summarizes our operating expenses for the periods indicated (in thousands, except per Boe amounts):

	Three Months Ended			Six Months Ended			
	June 30, 2024	March 31, 2024	Percent Change	June 30, 2024	June 30, 2023	Percent Change	
Operating Expenses:							
Lease operating expense	\$ 126,606	\$ 131,465	(4) %	\$ 258,071	\$ 97,068	166 %	
Midstream operating expense	11,939	13,561	(12) %	25,500	23,380	9 %	
Gathering, transportation, and processing	94,469	88,901	6 %	183,370	132,225	39 %	
Severance and ad valorem taxes	101,913	101,906	— %	203,819	104,805	94 %	
Exploration	1,340	11,534	(88) %	12,874	1,117	**	
Depreciation, depletion, and amortization	521,090	466,840	12 %	987,930	434,089	128 %	
Transaction costs	7,877	22,720	(65) %	30,597	31,627	(3) %	
General and administrative expense	59,135	57,878	2 %	117,013	70,399	66 %	
Other operating expense	1,458	7,566	(81) %	9,024	1,337	575 %	
Total operating expenses	\$ 925,827	\$ 902,371	3 %	\$ 1,828,198	\$ 896,047	104 %	
Selected Costs (\$ per Boe):							
Lease operating expense	\$ 4.06	\$ 4.31	(6) %	\$ 4.18	\$ 3.22	30 %	
Midstream operating expense ⁽¹⁾	0.38	0.44	(14) %	0.41	0.78	(47) %	
Gathering, transportation, and processing	3.03	2.91	4 %	2.97	4.39	(32) %	
Severance and ad valorem taxes	3.27	3.34	(2) %	3.30	3.48	(5) %	
Depreciation, depletion, and amortization	16.70	15.29	9 %	16.00	14.40	11 %	
Transaction costs	0.25	0.74	(66) %	0.50	1.05	(52) %	
General and administrative expense	1.90	1.90	— %	1.90	2.34	(19) %	
Total selected operating expenses (per Boe)	\$ 29.59	\$ 28.93	2 %	\$ 29.26	\$ 29.66	(1) %	

^{**} Percent not meaningful

⁽¹⁾ Our midstream assets relate entirely to our DJ Basin operations. If we were to exclude the production of our Permian Basin assets from this calculation, it would result in \$0.04 per Boe, or a 5% change between the three months ended June 30, 2024 and March 31, 2024 and \$0.08 per Boe, or a 10% change between the six months ended June 30, 2024 and June 30, 2023.

Lease operating expense. Our lease operating expense decreased 4%, to \$126.6 million for the three months ended June 30, 2024, from \$131.5 million for the three months ended March 31, 2024, and decreased 6% on an equivalent basis per Boe. The decrease in lease operating expense, in total and on an equivalent basis per Boe was primarily a result of the divestiture of certain non-core assets in the DJ Basin.

Our lease operating expense increased 166%, to \$258.1 million for the six months ended June 30, 2024, from \$97.1 million for the six months ended June 30, 2023, and increased 30% on an equivalent basis per Boe. The increase in lease operating expense was primarily the result of the Tap Rock, Hibernia, and Vencer acquisitions. The increase in lease operating expense per Boe was a result of the increased cost of operatorship in the Permian Basin as a result of the Tap Rock, Hibernia, and Vencer acquisitions.

Gathering, transportation, and processing. Gathering, transportation, and processing expense increased 6%, to \$94.5 million for the three months ended June 30, 2024, from \$88.9 million for the three months ended March 31, 2024, and increased 4% on an equivalent basis per Boe. The increase quarter over quarter in gathering, transportation, and processing expense was mainly due to an increase in gas and NGL processed in the Permian Basin for certain midstream contracts where costs are incurred prior to the transfer of control.

Gathering, transportation, and processing expense increased 39%, to \$183.4 million for the six months ended June 30, 2024, from \$132.2 million for the six months ended June 30, 2023, and decreased 32% on an equivalent basis per Boe. All gathering, transportation, and processing contracts contain annual price escalations, which have contributed to the aggregate increase. For a significant portion of the midstream contracts assumed in the Hibernia, Tap Rock, and Vencer acquisitions, gathering, transportation, and processing costs are incurred subsequent to the transfer of control; thereby, these costs are recorded net within crude oil, natural gas, and NGL sales. As a result, gathering, transportation, and processing expense per Boe decreased period over period.

Severance and ad valorem taxes. Severance taxes represent taxes imposed by the states in which we operate based on the value of the crude oil, natural gas, and NGL we produce. Ad valorem taxes represent taxes imposed by specific jurisdictions in which we operate based on the assessed value of our properties in that region. For our operations in Texas, the assessed value of our properties is determined using a discounted cash flow methodology. For our operations in Colorado and New Mexico, assessed value is determined by the value of the crude oil, natural gas, and NGL sold less various costs incurred for transportation and processing.

Our severance and ad valorem taxes remained flat at \$101.9 million for the three months ended June 30, 2024 and for the three months ended March 31, 2024, and decreased 2% on an equivalent basis per Boe. Crude oil, natural gas, and NGL sales decreased by 1% for the three months ended June 30, 2024 when compared to the three months ended March 31, 2024, resulting in a minimal change in severance and ad valorem taxes on an absolute basis. The slight decrease in severance ad valorem taxes per Boe was primarily due to the divestiture of certain non-core assets in the DJ Basin, as the DJ Basin levies a higher severance and ad valorem tax rate than the Permian Basin.

Our severance and ad valorem taxes increased 94%, to \$203.8 million for the six months ended June 30, 2024, from \$104.8 million for the six months ended June 30, 2023, and decreased 5% on an equivalent basis per Boe. Crude oil, natural gas, and NGL sales increased by 101% for the six months ended June 30, 2024 when compared to the six months ended June 30, 2023, resulting in higher severance and ad valorem taxes on an absolute basis. The decrease in severance and ad valorem taxes per Boe was primarily due to an increase in crude oil, natural gas, and NGL sales generated through the Hibernia and Vencer acquisitions in the state of Texas, which generally levies lower severance and ad valorem tax rates relative to the states of Colorado and New Mexico.

Depreciation, depletion, and amortization. Our depreciation, depletion, and amortization expense ("DD&A") increased 12%, to \$521.1 million for the three months ended June 30, 2024, from \$466.8 million for the three months ended March 31, 2024, and increased 9% on an equivalent basis per Boe. DD&A related to crude oil and natural gas properties is directly related to proved reserves, depletable property base, and sales volumes. During the three months ended June 30, 2024, we invested approximately \$566.5 million in the development of crude oil and natural gas properties and other, largely for wells turned-in-line since the first quarter, driving an increase in DD&A expense and DD&A expense per Boe. Additionally, we had a 2% increase in sales volumes between periods.

Our DD&A increased 128%, to \$987.9 million for the six months ended June 30, 2024, from \$434.1 million for the six months ended June 30, 2023, and increased 11% on an equivalent basis per Boe. Subsequent to June 30, 2023, we invested approximately \$8.5 billion in the development and acquisition of crude oil and natural gas properties. The increase in total DD&A expense was primarily due to a 105% increase in sales volumes between periods driven by the Hibernia, Tap Rock, and Vencer acquisitions. The increase in DD&A expense per Boe was due to an increase in the depletion rate driven by a greater increase in the depletable property base in proportion to proved reserves.

Transaction costs. During the three months ended June 30, 2024, we incurred \$7.9 million in legal, advisor, and other costs associated with our efforts to divest of certain non-core assets in the DJ Basin, as well as integration efforts associated with the Vencer Acquisition. During the three months ended March 31, 2024, we incurred \$22.7 million in legal, advisor, and other costs mainly associated with the Vencer Acquisition.

During the six months ended June 30, 2024, we incurred \$30.6 million in legal, advisor, and other costs associated with the Vencer Acquisition and subsequent integration, in addition to our efforts to divest of certain non-core assets in the DJ Basin. During the six months ended June 30, 2023, we incurred \$31.6 million in short-term financing fees as well as legal, advisor, and other costs associated with the Hibernia and Tap Rock acquisitions.

Please refer to *Note 2 - Acquisitions and Divestitures* under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional discussion over our acquisitions.

General and administrative expense. Our general and administrative expense remained relatively flat at \$59.1 million for the three months ended June 30, 2024, as compared to \$57.9 million for the three months ended March 31, 2024, and remained flat on an equivalent basis per Boe.

Our general and administrative expense increased 66%, to \$117.0 million for the six months ended June 30, 2024, from \$70.4 million for the six months ended June 30, 2023, and decreased 19% on an equivalent basis per Boe. The increase in general and administrative expense was primarily due to the addition of operations in the Permian Basin, significantly driven by an increase in headcount. General and administrative expense per Boe decreased due to a 105% increase in sales volumes.

Derivative gain (loss). Our derivative gain for the three months ended June 30, 2024 was \$7.6 million, as compared to a loss of \$109.7 million for the three months ended March 31, 2024. Our derivative gain for the three months ended June 30, 2024 was due to fair market value adjustments resulting from lower market prices relative to our open positions, partially offset by cash settlement losses. Our derivative loss for the three months ended March 31, 2024 was due to fair market value adjustments resulting from higher market prices relative to our open positions as well as cash settlement losses.

Our derivative loss for the six months ended June 30, 2024 was \$102.1 million, and our derivative gain for the six months ended June 30, 2023 was \$30.1 million. Our derivative loss for the six months ended June 30, 2024 was due to fair market value adjustments resulting from higher market prices relative to our open positions and cash settlement losses. Our derivative gain for the six months ended June 30, 2023 was due to fair market value adjustments resulting from lower market prices relative to our open positions, partially offset by cash settlement losses.

Please refer to *Note 9 - Derivatives* under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional discussion.

Interest expense. Our interest expense for the three months ended June 30, 2024 and March 31, 2024 was \$114.9 million and \$109.8 million, respectively. Average debt outstanding for the three months ended June 30, 2024 and March 31, 2024 was \$4.9 billion and \$4.6 billion, respectively.

Our interest expense for the six months ended June 30, 2024 and 2023 was \$224.7 million and \$16.2 million, respectively. The increase in interest expense was attributable to the debt issued in conjunction with the financing of the Hibernia, Tap Rock, and Vencer acquisitions. Average debt outstanding for the six months ended June 30, 2024 and 2023 was \$4.7 billion and \$429.8 million, respectively. The components of interest expense for the periods presented are as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023
Senior Notes	\$ 84,360	\$ 84,359	\$ 168,719	\$ 11,284
Credit Facility	15,654	11,216	26,070	—
Commitment and letter of credit fees under the Credit Facility	1,335	1,613	2,948	2,613
Amortization of deferred financing costs and deferred acquisition consideration	13,044	12,345	25,389	2,305
Finance lease and other	504	253	757	—
Total interest expense	\$ 114,897	\$ 109,786	\$ 224,683	\$ 16,202

Income tax expense. Our income tax expense for the three months ended June 30, 2024 and March 31, 2024 was \$67.0 million and \$35.0 million, resulting in an effective tax rate of 23.7% and 16.6% on pre-tax income, respectively. Our effective tax rate differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income before income taxes due to the effect of state income taxes, excess tax benefits and deficiencies on stock-based compensation awards, tax limitations on compensation of covered individuals, tax credits, and other permanent differences. During the first quarter of 2024, income tax expense was additionally impacted by deferred tax benefits from the state apportionment changes as a result of the Vencer Acquisition.

Our income tax expense for the six months ended June 30, 2024 and 2023 was \$102.0 million and \$109.5 million, resulting in an effective tax rate of 20.7% and 24.3% on pre-tax income, respectively. Our effective tax rate differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income before income taxes due to the effect of state income taxes, excess tax benefits and deficiencies on stock-based compensation awards, tax limitations on compensation of covered individuals, tax credits, and other permanent differences. During the six months ended June 30, 2024, income tax expense was additionally impacted by deferred tax benefits from the state apportionment changes as a result of the Vencer Acquisition.

Please refer to *Note 12 - Income Taxes* under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional discussion.

Liquidity and Capital Resources

Our primary sources of liquidity include cash flows from operating activities, available borrowing capacity under the Credit Facility, potential proceeds from equity and/or debt capital markets transactions, potential proceeds from sales of assets, and other sources. We may use our available liquidity for operating activities, working capital requirements, capital expenditures, acquisitions, debt reduction, the return of capital to stockholders, and for general corporate purposes.

Our primary source of cash flows from operating activities is the sale of crude oil, natural gas, and NGL. As such, our cash flows are subject to significant volatility due to changes in commodity prices, as well as variations in our sales volumes. The prices for these commodities are driven by a number of factors beyond our control, including global and regional product supply and demand, the impact of inflation and monetary policy, weather, product distribution, transportation, processing, and refining capacity, regulatory constraints, and other supply chain dynamics, among other factors.

As of June 30, 2024, our liquidity was \$1.4 billion, consisting of cash on hand of \$91.9 million and \$1.3 billion of available borrowing capacity on our Credit Facility. Borrowing capacity under the Credit Facility is primarily based on the value assigned to the proved reserves attributable to our crude oil and natural gas interests. As of the date of filing of this Quarterly Report on Form 10-Q, the available borrowing capacity on our Credit Facility is \$1.2 billion. Our Credit Facility is set to mature in August 2028, with the next scheduled borrowing base redetermination date to occur in November 2024.

The Credit Facility contains customary representations and various affirmative and negative covenants as well as certain financial covenants, including (a) a permitted net leverage ratio of 3.00 to 1.00, (b) a current ratio, inclusive of the unused commitments then available to be borrowed, to not be less than 1.00 to 1.00, and (c) upon the achievement of investment grade credit ratings, a PV-9 coverage ratio of 1.50 to 1.00. We were in compliance with all covenants under the Credit Facility as of June 30, 2024, and through the filing of this Quarterly Report on Form 10-Q. Please refer to *Note 5 - Long-Term Debt* in Part I, Item 1 for additional information.

Our material short-term cash requirements include: operating activities, working capital requirements, capital expenditures, dividends, and payments of contractual obligations. Our material long-term cash requirements from various contractual and other obligations include: debt obligations and related interest payments, firm transportation and minimum volume agreements, taxes, asset retirement obligations, and leases. Please refer to Part I, Item 1 for additional information. Our future capital requirements, both near-term and long-term, will depend on many factors, including, but not limited to, commodity prices, market conditions, our available liquidity and financing, acquisitions and divestitures of crude oil and natural gas properties, the availability of drilling rigs and completion crews, the cost of completion services, success of drilling programs, land and industry partner issues, weather delays, the acquisition of leases with drilling commitments, and other factors. We regularly consider which resources, including debt and equity financing, are available to meet our future financial obligations, planned capital expenditures, and liquidity requirements.

Funding for these requirements may be provided by any combination of the sources of liquidity outlined above. We expect our 2024 capital program to be funded by cash flows from operations. Although we cannot provide any assurance, based on our projected cash flows from operations, our cash on hand, and available borrowing capacity on our Credit Facility, we believe that we will have sufficient capital available to fund these requirements through the 12-month period following the filing of this Quarterly Report on Form 10-Q, and based on current expectations, the long-term.

The following table summarizes our cash flows and other financial measures for the periods indicated (in thousands):

	Six Months Ended	
	June 30, 2024	June 30, 2023
Net cash provided by operating activities	\$ 1,172,120	\$ 876,030
Net cash used in investing activities	(1,802,484)	(923,204)
Net cash provided by (used in) financing activities	(404,463)	1,982,040
Cash, cash equivalents, and restricted cash	91,988	2,703,000
Acquisitions of businesses, net of cash acquired	(867,596)	—
Acquisitions of crude oil and natural gas properties	(13,984)	(51,247)
Capital expenditures for drilling and completion activities and other fixed assets	(1,090,697)	(518,949)

Operating Activities

Our net cash flows from operating activities are primarily impacted by commodity prices, sales volumes, net settlements from our commodity derivative positions, operating costs, and general and administrative expenses. Net cash provided by operating activities increased by \$296.1 million to \$1.2 billion during the six months ended June 30, 2024, compared to \$876.0 million during the six months ended June 30, 2023. The increase between periods was primarily due to higher net operating cash flows from the Hibernia, Tap Rock, and Vencer acquisitions. This increase was partially offset by changes in operating assets and liabilities of \$458.9 million due to timing of receivable collections and vendor payments and a \$191.5 million increase in the cash paid for interest. See “*Results of Operations*” above for more information on other factors driving these changes.

Investing Activities

Net cash used in investing activities of \$1.8 billion for the six months ended June 30, 2024 was primarily the result of the capital expenditures for drilling and completion activities and other fixed assets of \$1.1 billion in the DJ Basin and Permian Basin, the Vencer Acquisition of \$867.6 million in the Permian Basin, and the acquisitions of crude oil and natural gas properties of \$14.0 million, partially offset by proceeds from property transactions of \$171.7 million in the DJ Basin.

Net cash used in investing activities of \$923.2 million for the six months ended June 30, 2023 was primarily the result of capital expenditures for drilling and completion activities and other fixed assets of \$518.9 million, deposits for acquisitions of \$352.5 million, and the acquisitions of crude oil and natural gas properties of \$51.2 million.

Financing Activities

Net cash used in financing activities of \$404.5 million for the six months ended June 30, 2024 was primarily the result of (i) dividends paid of \$297.4 million; (ii) the repurchase and retirement of common stock of \$191.9 million; and (iii) the payment of employee tax withholdings in exchange for the return of common stock of \$8.5 million, partially offset by net draws on the Credit Facility of \$100.0 million.

Net cash provided by financing activities of \$2.0 billion for the six months ended June 30, 2023 was primarily due to the issuance of an aggregate principal amount of \$2.7 billion from our 2028 Senior Notes and our 2031 Senior Notes, partially offset by dividends paid of \$347.5 million, the repurchase and retirement of common stock of \$320.3 million, and payments of employee tax withholdings in exchange for the return of common stock of \$12.6 million.

Material Commitments

There have been no significant changes from our [2023 Form 10-K](#) in our obligations and commitments, other than what is disclosed within *Note 6 - Commitments and Contingencies* under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

Reconciliation of Net Income to Adjusted EBITDAX

Adjusted EBITDAX is a supplemental non-GAAP financial measure that represents earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash and non-recurring charges. Adjusted EBITDAX excludes certain items that we believe affect the comparability of operating results and can exclude items that are generally non-recurring in nature or whose timing and/or amount cannot be reasonably estimated. We present Adjusted EBITDAX because we believe it provides useful additional information to investors and analysts, as a performance measure, for analysis of our ability to internally generate funds for exploration, development, acquisitions, and to service debt. We are also subject to financial covenants under our revolving credit facility based on adjusted EBITDAX ratios. In addition, Adjusted EBITDAX is widely used by professional research analysts and others in the valuation, comparison, and investment recommendations of companies in the crude oil and natural gas exploration and production industry. Adjusted EBITDAX should not be considered in isolation or as a substitute for net income, net cash provided by operating activities, or other profitability or liquidity measures prepared under GAAP. Because Adjusted EBITDAX excludes some, but not all items that affect net income and may vary among companies, the Adjusted EBITDAX amounts presented may not be comparable to similar metrics of other companies.

The following table presents a reconciliation of the GAAP financial measure of net income to the non-GAAP financial measure of Adjusted EBITDAX (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023
Net income	\$ 215,989	\$ 175,821	\$ 391,810	\$ 341,748
Exploration	1,340	11,534	12,874	1,117
Depreciation, depletion, and amortization	521,090	466,840	987,930	434,089
Unused commitments ⁽¹⁾	608	(1,226)	(618)	754
Transaction costs	7,877	22,720	30,597	31,627
Stock-based compensation ⁽²⁾	12,262	11,199	23,461	17,275
Derivative (gain) loss, net	(7,578)	109,680	102,102	(30,087)
Derivative cash settlements loss	(12,752)	(11,155)	(23,907)	(11,885)
Interest expense	114,897	109,786	224,683	16,202
Interest income ⁽³⁾	(2,650)	(3,425)	(6,074)	(12,807)
Loss on property transactions, net	—	1,430	1,430	254
Income tax expense	66,993	35,019	102,012	109,452
Adjusted EBITDAX	\$ 918,076	\$ 928,223	\$ 1,846,300	\$ 897,739

⁽¹⁾ Included as a portion of other operating expense in the accompanying statements of operations.

⁽²⁾ Included as a portion of general and administrative expense in the accompanying statements of operations.

⁽³⁾ Included as a portion of other income in the accompanying statements of operations.

Reconciliation of Cash Provided by Operating Activities to Adjusted Free Cash Flow

Adjusted Free Cash Flow is a supplemental non-GAAP financial measure that is calculated as net cash provided by operating activities before changes in operating assets and liabilities and less exploration and development of crude oil and natural gas properties, changes in working capital related to capital expenditures, and purchases of carbon credits. We believe that Adjusted Free Cash Flow provides additional information that may be useful to investors and analysts in evaluating our ability to generate cash from our existing crude oil and natural gas assets to fund future exploration and development activities and to return cash to stockholders. Adjusted Free Cash Flow is a supplemental measure of liquidity and should not be viewed as a substitute for cash flows from operations because it excludes certain required cash expenditures.

The following table presents a reconciliation of the GAAP financial measure of net cash provided by operating activities to the non-GAAP financial measure of Adjusted Free Cash Flow (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023
Net cash provided by operating activities	\$ 359,568	\$ 812,552	\$ 1,172,120	\$ 876,030
Add back: Changes in operating assets and liabilities, net	444,252	(17,433)	426,819	(32,064)
Cash flow from operations before changes in operating assets and liabilities	803,820	795,119	1,598,939	843,966
Less: Cash paid for capital expenditures for drilling and completion activities and other fixed assets	(519,120)	(571,577)	(1,090,697)	(518,949)
Less: Changes in working capital related to capital expenditures	(47,389)	(77,955)	(125,344)	56,345
Capital expenditures	(566,509)	(649,532)	(1,216,041)	(462,604)
Less: Purchases of carbon credits and renewable energy credits	(1,886)	—	(1,886)	(5,651)
Adjusted Free Cash Flow	\$ 235,425	\$ 145,587	\$ 381,012	\$ 375,711

Reconciliation of average sales price, after derivatives

Average sales price, after derivatives is a non-GAAP financial measure that incorporates the net effect of derivative cash receipts from or payments on commodity derivatives that are presented in our statements of cash flows, netted into the average sales price, before derivatives, the most directly comparable GAAP financial measure. We believe that the presentation of average sales price, after derivatives is a useful means to reflect the actual cash performance of our commodity derivatives for the respective periods and is useful to management and our stockholders in determining the effectiveness of our price risk management program.

The following table provides a reconciliation of the GAAP financial measure of average sales price, before derivatives to the non-GAAP financial measure of average sales prices, after derivatives for the periods presented:

	Three Months Ended		Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2024	June 30, 2023
Average crude oil sales price (per Bbl)	\$ 80.27	\$ 75.69	\$ 77.98	\$ 70.78
Effects of derivatives, net (per Bbl) ⁽¹⁾	(1.35)	(0.78)	(1.07)	(0.39)
Average crude oil sales price (after derivatives) (per Bbl)	\$ 78.92	\$ 74.91	\$ 76.91	\$ 70.39
Average natural gas sales price (per Mcf)	\$ 0.17	\$ 1.60	\$ 0.89	\$ 2.75
Effects of derivatives, net (per Mcf) ⁽¹⁾	0.12	—	0.05	(0.11)
Average natural gas sales price (after derivatives) (per Mcf)	\$ 0.29	\$ 1.60	\$ 0.94	\$ 2.64
Average NGL sales price (per Bbl)	\$ 20.94	\$ 22.73	\$ 21.79	\$ 23.34
Effects of derivatives, net (per Bbl) ⁽¹⁾	—	—	—	—
Average NGL sales price (after derivatives) (per Bbl)	\$ 20.94	\$ 22.73	\$ 21.79	\$ 23.34

⁽¹⁾ Derivatives economically hedge the price we receive for crude oil, natural gas, and NGL. For the three months ended June 30, 2024, the derivative cash settlement loss for crude oil was \$19.2 million, and the derivative cash settlement gain for natural gas was \$6.4 million. For the three months ended March 31, 2024, the derivative cash settlement loss for crude oil and natural gas was \$11.1 million and zero, respectively. For the six months ended June 30, 2024, the derivative cash settlement loss for crude oil was \$30.3 million, and the derivative cash settlement gain for natural gas was \$6.4 million. For the six months ended June 30, 2023, the derivative cash settlement loss for crude oil and natural gas was \$5.6 million and \$6.3 million, respectively. We did not hedge the price we receive for NGL during the periods presented. Please refer to Note 9 - Derivatives under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional disclosures.

New Accounting Pronouncements

Please refer to *Note 1 - Summary of Significant Accounting Policies* under Part I, Item 1 of this Quarterly Report on Form 10-Q and *Note 1 - Summary of Significant Accounting Policies* in the [2023 Form 10-K](#) for any recently issued or adopted accounting standards.

Critical Accounting Estimates

Information regarding our critical accounting estimates is contained in Part II, Item 7 of our [2023 Form 10-K](#). During the three months ended June 30, 2024, there were no significant changes in the application of critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Crude Oil and Natural Gas Price Risk

Our financial condition, results of operations, and capital resources are highly dependent upon the prevailing market prices of crude oil and natural gas. These commodity prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. Factors influencing crude oil and natural gas prices include the level of global demand for crude oil and natural gas, the global supply of crude oil and natural gas, the establishment of and compliance with production quotas by crude oil exporting countries, weather conditions which impact the supply and demand for crude oil and natural gas, the price and availability of alternative fuels, local and global politics, and overall economic conditions. It is impossible to predict future crude oil and natural gas prices with any degree of certainty. Sustained weakness in crude oil and natural gas prices may adversely affect our financial condition and results of operations and may also reduce the amount of crude oil and natural gas reserves that we can produce economically. Any reduction in our crude oil and natural gas reserves, including reductions due to price fluctuations, can have an adverse effect on our ability to obtain capital for our exploration and development activities. Similarly, any improvements in crude oil and natural gas prices can have a favorable impact on our financial condition, results of operations, and capital resources.

Commodity Price Derivative Contracts

Our primary commodity risk management objective is to protect our balance sheet. We periodically enter into derivative contracts for crude oil, natural gas, and NGL using NYMEX futures or over-the-counter derivative financial instruments. The types of derivative instruments that we use include swaps, collars, basis protection swaps, and puts. Upon settlement of the contract(s), if the relevant market commodity price exceeds our contracted swap price, or the collar's ceiling strike price, we are required to pay our counterparty the difference for the volume of production associated with the contract. Generally, this payment is made up to 15 business days prior to the receipt of cash payments from our customers. This could have an adverse impact on our cash flows for the period between derivative settlements and payments for revenue earned. While we may reduce the potential negative impact of lower commodity prices, we may also be prevented from realizing the benefits of favorable price changes in the physical market. Please refer to *Note 9 - Derivatives* under Part I, Item 1 of this Quarterly Report on Form 10-Q for summary derivative activity tables.

Interest Rates

As of June 30, 2024 and July 31, 2024, we had \$850.0 million and \$950.0 million, respectively, outstanding on our Credit Facility. Borrowings under our Credit Facility bear interest at a fluctuating rate that is tied to an Alternate Base Rate or Secured Overnight Financing Rate, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flows. As of June 30, 2024, and through the filing date of this Quarterly Report on Form 10-Q, we were in compliance with all financial and non-financial covenants under the Credit Facility.

Counterparty and Customer Credit Risk

In connection with our derivative activities, we have exposure to financial institutions in the form of derivative transactions. As of June 30, 2024 and July 26, 2024, our derivative contracts have been executed with 15 counterparties, all of which are members of the Credit Facility lender group and have investment grade credit ratings. However, if our counterparties fail to perform their obligations under the contracts, we could suffer financial loss.

We are also subject to credit risk due to the concentration of our crude oil and natural gas receivables with certain significant customers. The inability or failure of our significant customers to meet their obligations to us or their insolvency or liquidation may adversely affect our financial results. We review the credit rating, payment history, and financial resources of our customers, but we do not require our customers to post collateral.

Marketability of Our Production

The marketability of our production depends in part upon the availability, proximity, and capacity of third-party refineries, access to regional trucking, pipeline and rail infrastructure, natural gas gathering systems, and processing facilities. We deliver crude oil and natural gas produced through trucking services, pipelines, and rail facilities that we do not own. The lack of availability or capacity on these systems and facilities could reduce the price offered for our production or result in the shut-in of producing wells or the delay or discontinuance of development plans for properties.

A portion of our production may also be interrupted, or shut in, from time to time for numerous other reasons, including as a result of accidents, weather, field labor issues or strikes, or we might voluntarily curtail production in response to market conditions. If a substantial amount of our production is interrupted at the same time, it could adversely affect our cash flow.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized, and reported, within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers and internal audit function, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. To assist management, we have established an internal audit function to verify and monitor our internal controls and procedures. Our internal control system is supported by written policies and procedures, contains self-monitoring mechanisms, and is audited by the internal audit function. Appropriate actions are taken by management to correct deficiencies as they are identified.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings.**

Information regarding our legal proceedings can be found in *Note 6 - Commitments and Contingencies* under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Enforcement. Disclosure of certain environmental matters is required when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that we believe could exceed \$0.3 million. We have received Notices of Alleged Violations ("NOAV") from the ECMC alleging violations of various Colorado statutes and ECMC regulations governing oil and gas operations. We have further received notices from the Colorado Air Pollution Control Division. We continue to engage in discussions regarding resolution of the alleged violations and we anticipate the assessed penalties to be approximately \$0.6 million.

Item 1A. Risk Factors.

Our business faces many risks. Any of the risk factors discussed in this Quarterly Report on Form 10-Q or our other SEC filings could have a material impact on our business, financial position, or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operation. For a discussion of our potential risks and uncertainties, see the risk factors identified in Part I, Item 1A in our [2023 Form 10-K](#), together with other information in this Quarterly Report on Form 10-Q and other reports and materials we may subsequently file with the SEC. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities.

The following table provides information about our purchases of our common stock during the three months ended June 30, 2024:

	Total Number of Shares Purchased ⁽²⁾	Average Price Paid per Share ⁽³⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Maximum Dollar Value that May Yet be Purchased as Part of Publicly Announced Plans or Programs (in thousands) ⁽¹⁾
April 1, 2024 - April 30, 2024	9,477	\$ 74.87	—	\$ 412,878
May 1, 2024 - May 31, 2024	1,050,119	71.99	1,041,667	337,878
June 1, 2024 - June 30, 2024	725,783	68.84	725,141	287,956
Total	1,785,379	\$ 70.73	1,766,808	\$ 287,956

⁽¹⁾ In February 2023, our Board provided authorization for the stock repurchase program pursuant to which we may, from time to time and through December 31, 2024, acquire shares of our common stock in the open market, in privately negotiated transactions, or through block trades, derivative transactions, or purchases made in accordance with the Rule 10b5-1 of the Exchange Act in an amount not to exceed \$1.0 billion, exclusive of any fees, commissions, or other expenses related to such repurchases. In June 2023, commensurate with the announcement of the Hibernia and Tap Rock acquisitions, our Board reduced the amount of stock authorized for repurchase by us under the stock repurchase program from \$1.0 billion to \$500.0 million. Finally, in July 2024 our Board authorized a new stock repurchase program authorizing repurchases of up to \$500 million of our outstanding shares of common stock, replacing our prior stock repurchase program that has been terminated. The stock repurchase program does not have a termination date, does not require any specific number of shares to be acquired, and can be modified or discontinued by our Board at any time.

⁽²⁾ Purchases outside of the stock repurchase program represent shares withheld from officers, former officers, executives, and employees for the payment of personal income tax withholding obligations upon the vesting of restricted stock awards. The withheld shares are not considered common stock repurchased under the stock repurchase program.

⁽³⁾ Excludes commissions paid and excise taxes accrued related to stock repurchases.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
2.1*	Purchase and Sale Agreement, dated as of October 3, 2023, by and among Vencer Energy, LLC, as seller, and Civitas Resources, Inc., as buyer (incorporated by reference to Exhibit 2.1 to Civitas Resources, Inc.'s Current Report on Form 8-K, File No. 001-35371, filed on October 4, 2023)
3.1	Fourth Amended and Restated Certificate of Incorporation of Civitas Resources, Inc.
3.2	Seventh Amended and Restated Bylaws of Civitas Resources, Inc. (incorporated by reference to Exhibit 3.1 to Civitas Resources, Inc.'s Current Report on Form 8-K, File No. 001-35371, filed on June 5, 2023)
10.1	Sixth Amendment to Amended and Restated Credit Agreement, dated June 12, 2024, among Civitas Resources, Inc., the guarantors party thereto, the lenders party thereto, and JPMorgan Chase Bank, N.A., as the administrative agent (incorporated by reference to Exhibit 10.1 to Civitas Resources, Inc.'s Current Report on Form 8-K, File No. 001-35371, filed on June 14, 2024)
10.2**	Civitas Resources, Inc. 2024 Long Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Civitas Resources, Inc.'s Registration Statement on Form S-8, File No. 333-280082, filed on June 10, 2024)
10.3**†	Form of Director Restricted Stock Unit Award Agreement under the Civitas Resources, Inc. 2024 Long Term Incentive Plan
31.1†	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)
31.2†	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)
32.1†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase
101.DEF†	XBRL Taxonomy Extension Definition Linkbase
101.LAB†	XBRL Taxonomy Extension Label Linkbase
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Certain of the schedules and exhibits to the agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.

** Management Contract or Compensatory Plan or Arrangement

† Filed or furnished herewith

SIGNATURES

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

CIVITAS RESOURCES, INC.

Date: August 1, 2024

By: /s/ Chris Doyle
Chris Doyle
President and Chief Executive Officer (principal executive officer)

By: /s/ Marianella Foschi
Marianella Foschi
Chief Financial Officer and Treasurer (principal financial officer)

By: /s/ Kayla D. Baird
Kayla D. Baird
Senior Vice President and Chief Accounting Officer (principal accounting officer)

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (together with the Grant Notice (as defined below), this **'Agreement'**) is entered into as of the Grant Date (as defined below), by and between Participant (as defined below) and Civitas Resources, Inc., a Delaware corporation (the **'Company'**).

WHEREAS, the Company maintains the Civitas Resources, Inc. 2024 Long Term Incentive Plan (as amended, amended and restated, supplemented or otherwise modified from time to time, the **"Plan"**) and the Director Compensation Program (as defined below), each of which is incorporated into and forms a part of this Agreement, and, in accordance with the Director Compensation Program, Participant is entitled to receive an Award of Restricted Stock Units (**"RSUs"** and such award, the **"Award"**) under the Plan and as set forth in this Agreement.

NOW, THEREFORE, IT IS AGREED, by and between the Company and Participant, as follows:

1. **Definitions.** The following terms used in this Agreement shall have the meanings set forth in this [Section 1](#):
 - a) **"Designated Beneficiary"** means the beneficiary or beneficiaries designated by Participant in a writing filed with the Company.
 - b) **"Director Compensation Program"** means the Civitas Resources, Inc. Amended & Restated Independent Director Compensation Program, as the same may be amended, amended and restated, supplemented or otherwise modified from time to time.
 - c) **"Disability"** means that Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.
 - d) **"Grant Date"** means the date on which this Award was granted, as set forth in the Grant Notice.
 - e) **"Grant Notice"** means the accompanying Grant Notice issued by the Company to Participant on or about the Grant Date.
 - f) **"Participant"** means the member of the Board specified in the Grant Notice.

Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan is similarly used in this Agreement.

2. **Award.** In accordance with the Director Compensation Program and in consideration of Participant's service on the Board and for other good and valuable

consideration, the receipt and sufficiency of which is hereby acknowledged, effective as of the Grant Date, the Company hereby grants to Participant the number of RSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement, the Plan and the Director Compensation Program. In the event of any inconsistency between the Plan or the Director Compensation Program and this Agreement, the terms of the Plan or the Director Compensation Program, as applicable, shall control. To the extent vested, each RSU represents the right to receive one Share, subject to the terms and conditions set forth in the Grant Notice, this Agreement, the Plan and the Director Compensation Program. Unless and until the RSUs have become vested in the manner set forth in this Agreement, Participant will have no right to receive any Shares or other payments in respect of the RSUs. Prior to settlement of this Award, the RSUs and this Award represent an unsecured obligation of the Company, payable only from the general assets of the Company.

3. **Vesting.** Except as set forth in Sections 5 and 6, the RSUs shall vest in accordance with the vesting schedule set forth in the Grant Notice. Upon Participant's termination of service on the Board prior to the vesting of all of the RSUs (but after giving effect to any accelerated vesting pursuant to Section 5 or 6), any unvested RSUs (and all rights arising from such RSUs and from being a holder thereof, including any Dividend Equivalent Right) will terminate automatically without any further action by the Company and will be forfeited without further notice and for no consideration.

4. **Settlement.** Settlement of vested RSUs shall occur only upon Participant's "separation from service" from the Company within the meaning of Section 409A(a)(2)(A)(i) of the Code and Treasury Regulation § 1.409A-1(h) (the "**Settlement Date**"). On the Settlement Date, the Company shall settle the vested RSUs in Shares, by delivering one Share for each such vested RSU, rounded down in the event of a fraction. For the avoidance of doubt, all Shares received for the vested RSUs shall be deferred and not settled until the Settlement Date. The Company, in its sole discretion, may elect to deliver the Shares in either certificate form or in electronic, book-entry form, with such legends or restrictions thereon as the Committee may determine to be necessary or advisable in order to comply with Applicable Law. Participant shall complete and sign any documents and take any additional action that the Company may request to enable it to deliver the Shares to Participant. The value of Shares shall not bear any interest owing to the passage of time. Neither this Section 4 nor any action taken pursuant to or in accordance with this Agreement shall be construed to create a trust or a funded or secured obligation of any kind.

5. **Termination of Service.**

- a) **Termination without Cause; Disability; Death.** If Participant's service on the Board terminates due to (i) removal from the Board without cause (as determined by the Board in good faith) or (ii) death or Disability, all unvested RSUs shall vest in full upon such termination.
- b) **Resignation.** If Participant's service on the Board terminates due to Participant's resignation from the Board (except as set forth in Section 6), all unvested RSUs shall be forfeited upon such termination.

c) **Termination for Cause.** If Participant's service on the Board terminates due to removal from the Board for cause (as determined by the Board in good faith), all RSUs (whether vested or unvested) shall be forfeited upon such termination.

6. **Change in Control.** In the event of a Change in Control, all unvested RSUs shall vest in full upon such Change in Control. If Participant resigns from the Board in connection with a Change in Control at the request or direction of a Person (or its Affiliate) that is party to the agreement pursuant to which such Change in Control is consummated, all unvested RSUs shall vest in full upon such Change in Control pursuant to this Section 6 (i.e., such RSUs shall not be forfeited pursuant to Section 5(b)).

7. **Taxes.**

- a) Any applicable federal, state, local and foreign taxes arising with respect to the RSUs (including the Dividend Equivalent Right set forth in Section 9) are the sole responsibility of Participant.
- b) The Company makes no representation or undertaking regarding the treatment of any taxes in connection with the awarding, vesting or settlement of the RSUs or the subsequent sale of Shares. The Company does not commit and is under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.
- c) Participant acknowledges that there may be adverse tax consequences upon the receipt, vesting or settlement of this Award or disposition of the underlying Shares and that Participant has been advised, and hereby is advised, to consult a tax advisor. Participant represents that Participant is in no manner relying on the Board, the Committee, the Company or an Affiliate or any of their respective managers, directors, officers, employees or authorized representatives (including attorneys, accountants, consultants, bankers, lenders, prospective lenders and financial representatives) for tax advice or an assessment of such tax consequences.

8. **No Stockholder Rights.** Participant shall have no voting, dividend, or other stockholder rights in respect of the RSUs granted hereunder or with respect to any Shares that may become deliverable hereunder unless and until such Shares have been issued and delivered to Participant (including through electronic delivery to a brokerage account) and Participant has become the holder of record of such Shares. No adjustments shall be made for dividends in cash or other property, distributions or other rights for which the record date is prior to the date of such issuance, delivery and recordation, except as specifically provided for in the Plan or this Agreement. Except as otherwise provided in the Plan or this Agreement, after such issuance, delivery and recordation, Participant shall have all of the rights of a stockholder with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

9. **Dividend Equivalent Right.** Participant shall be entitled to a Dividend Equivalent Right entitling Participant, with respect to each RSU, to receive a cash payment based on the regular cash dividends that would have been paid on a Share during the period between the Grant Date and the Settlement Date. All amounts payable as a result of such Dividend Equivalent Right (i) with respect to vested RSUs shall be paid to Participant in cash at the same time dividends are paid to the Company's stockholders and (ii) with respect to unvested RSUs shall be subject to the same terms and conditions, including with respect to vesting, forfeitability and transferability, as the underlying RSU and shall be accumulated and paid to Participant in cash if and when (and in no event later than 60 days following the date) such underlying RSU vests. For clarity, if any of the unvested RSUs are forfeited by Participant pursuant to the terms of this Agreement, then Participant shall also forfeit any amount accrued as a result of the Dividend Equivalent Right with respect to such forfeited RSUs. No interest will accrue on the amount payable as a result of the Dividend Equivalent Right between the declaration and payment of the applicable dividends and the payment of such amount.

10. **Non-Transferability.** The RSUs and the Shares underlying the RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or to a Designated Beneficiary in accordance with Section 12, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. Neither the RSUs nor any interest or right therein shall be liable for the debts, contracts or engagements of Participant or Participant's successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means, whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

11. **Compliance with Applicable Law.** Notwithstanding any provision of this Agreement to the contrary, the issuance of Shares hereunder will be subject to compliance with all applicable requirements of Applicable Law with respect to such securities. No Shares will be issued hereunder if such issuance would constitute a violation of any Applicable Law. In addition, Shares will not be issued hereunder unless (a) a registration statement under the Securities Act is in effect at the time of such issuance with respect to the Shares to be issued or (b) in the opinion of legal counsel to the Company, the Shares to be issued are permitted to be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary for the lawful issuance and sale of any Shares hereunder will relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority has not been obtained. As a condition to any issuance of Shares hereunder, the Company may require Participant to satisfy any requirements that may be necessary or appropriate to evidence compliance with any Applicable Law and to make any representation or warranty with respect to such compliance as may be requested by the Company.

12. **Heirs, Successors and Assigns; Designated Beneficiary.** The Company may assign any of its rights under this Agreement without Participant's consent. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns. If any rights of Participant or benefits distributable to Participant under this Agreement have not been exercised or distributed, respectively, at the time of Participant's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. If a deceased Participant fails to designate a beneficiary, or if the Designated Beneficiary does not survive Participant, any rights that would have been exercisable by Participant and any benefits distributable to Participant shall be exercised by or distributed to the legal representative of the estate of Participant. If a deceased Participant designates a beneficiary and the Designated Beneficiary survives Participant but dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

13. **Administration.** The authority to manage and control the operation and administration of this Agreement shall be vested in the Board or the Committee, and the Board or the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan, including with respect to delegation. Any interpretation of this Agreement and any decision made by the Board or the Committee, or its respective delegate, with respect to this Agreement is final and binding on all persons.

14. **Plan and Director Compensation Program Govern.** Notwithstanding anything in this Agreement to the contrary, the terms of this Agreement shall be subject to the terms of the Plan and the Director Compensation Program, a copy of each of which may be obtained by Participant from the office of the General Counsel of the Company, and this Agreement is subject to all interpretations, amendments, rules and regulations promulgated by the Board or the Committee from time to time pursuant to the Plan.

15. **Not A Service Contract; No Right to Continued Service or Awards.** The Award will not confer on Participant any right with respect to continuance of service with the Company or any Subsidiary or Affiliate, or any other entity, nor will it interfere in any way with any right the Company or any Subsidiary or Affiliate, or any other entity, would otherwise have to terminate or modify the terms of Participant's service at any time. The grant of the RSUs is a one-time benefit that was made in accordance with the Director Compensation Program and does not create any contractual or other right to receive a grant of Awards or benefits in lieu of Awards in the future. Any future Awards will be granted in accordance with the Director Compensation Program.

16. **Notices.** Any written notices provided for in this Agreement or the Plan shall be in writing and shall be deemed sufficiently given if either hand delivered or if sent by fax or overnight courier, or by postage paid first class mail. Notices sent by mail shall be deemed

received three business days after mailing but in no event later than the date of actual receipt. Notices shall be directed, if to Participant, at Participant's address indicated by the Company's records, or if to the Company, at the Company's principal executive office, Attention: General Counsel.

17. **Agreement to Furnish Information.** Participant agrees to furnish to the Company all information requested by the Company to enable it to comply with any reporting or other requirement imposed upon the Company by or under any Applicable Law.

18. **Entire Agreement; Amendment.** This Agreement (which, for clarity, includes the Grant Notice, the Plan and the Director Compensation Program), constitutes the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to the RSUs granted hereby. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend this Agreement from time to time in any manner that is not inconsistent with the Plan or the Director Compensation Program; *provided* that except as otherwise provided in the Plan or this Agreement, any such amendment that materially impairs the rights of Participant shall be effective only if it is in writing and signed by both Participant and an authorized officer of the Company.

19. **Severability and Waiver.** If a court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable, then the invalidity or unenforceability of such provision shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect. Waiver by any party of any breach of this Agreement or failure to exercise any right hereunder shall not be deemed to be a waiver of any other breach or right. The failure of any party to take action by reason of such breach or to exercise any such right shall not deprive the party of the right to take action at any time while or after such breach or condition giving rise to such right continues.

20. **Company Recoupment of Awards.** Participant's rights with respect to this Award shall in all events be subject to (a) any right that the Company may have under the Company's Clawback Policy, Recoupment Policy or similar policies (each as amended from time to time) or other agreement or arrangement with Participant, and (b) any right or obligation that the Company may have regarding the clawback of "incentive-based compensation" under Section 10D of the Exchange Act and any applicable rules and regulations promulgated thereunder from time to time by the Securities and Exchange Commission or any other Applicable Law. Participant's acceptance of this Award will constitute Participant's acknowledgment of and consent to the Company's application, implementation and enforcement of the Company's Clawback Policy, Recoupment Policy or similar policies (each as amended from time to time), as applicable (whether through clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance therewith), that may apply to Participant and this Award, whether adopted before or after the Effective Date or Grant Date, and any Applicable Law relating to clawback, cancellation, recoupment, rescission, payback or

reduction of compensation or other similar action, and Participant's agreement that the Company may take any actions that may be necessary to effectuate any such policy or Applicable Law, without further consideration or action.

21. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED THEREIN, EXCLUSIVE OF THE CONFLICT OF LAWS PROVISIONS OF DELAWARE LAW.

22. **Conformity to Securities Laws.** Participant acknowledges that this Agreement is intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the RSUs shall be administered, granted and settled only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and the Director Compensation Program, this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

23. **Headings; References; Interpretation.** The words "hereof," "herein" and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All references herein to Sections shall, unless the context requires a different construction, be deemed to be references to the Sections of this Agreement. The word "or" as used herein is not exclusive and is deemed to have the meaning "and/or." All references to "including" shall be construed as meaning "including without limitation." Unless the context requires otherwise, all references herein to a law, agreement, instrument or other document shall be deemed to refer to such law, agreement, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. Whenever the context may require, the singular form of nouns and pronouns shall include the plural and vice versa. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

24. **Section 409A of the Code.** The Plan, the Director Compensation Program, this Agreement and Awards are intended to comply with or be exempt from the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan, the Director Compensation Program or this Agreement that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with or be exempt from Section 409A of the Code and, to the extent such provision cannot be

amended to comply therewith or be exempt therefrom, such provision shall be null and void. Notwithstanding any contrary provision in the Plan, the Director Compensation Program or this Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan, the Director Compensation Program or this Agreement to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six months following such separation from service (or, if earlier, until the date of death of the specified employee) and shall instead be paid (in a manner set forth in this Agreement) upon expiration of such delay period. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), Participant's right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment, and if the Award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), Participant's payments pursuant to the Dividend Equivalent Right shall be treated separately from the right to other amounts under the Award. Notwithstanding the foregoing, the Company and its Affiliates make no representations that the RSUs provided under this Agreement are exempt from or compliant with Section 409A of the Code and in no event shall the Company or any Affiliate be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Participant on account of non-compliance with Section 409A of the Code.

25. **Electronic Acceptance.** In lieu of receiving documents in paper format, Participant agrees, to the fullest extent permitted by Applicable Law, to accept electronic delivery of any documents that the Company may be required to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports and all other forms of communications) in connection with this and any other Award made or offered by the Company. Participant hereby consents to any and all procedures the Company has established or may establish for an electronic signature system for delivery and acceptance of any such documents that the Company may be required to deliver, and agrees that Participant's electronic signature is the same as, and shall have the same force and effect as, Participant's manual signature. By logging into and accepting this Agreement through Participant's account with the Company's designated broker E*TRADE Securities LLC, or such other broker as the Company may select, that is hereby irrevocably appointed as Participant's agent (the "**Agent**"), Participant (a) understands, represents, acknowledges and agrees to be bound by this Agreement as if Participant had manually signed this Agreement and (b) represents and warrants that Participant has carefully reviewed this Agreement, the Plan and the Director Compensation Program. In the event that Participant does not accept this Agreement through the Agent's online grant acceptance system within 90 days of the Grant Date, the Company shall have the option, but not the obligation, to cancel and revoke the Award represented by this Agreement, and the Award shall be forfeited by Participant without any further consideration.

a) [Remainder of Page Intentionally Blank]

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a- 14(a)

I, Chris Doyle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2024 of Civitas Resources, 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: August 1, 2024

/s/ Chris Doyle

Chris Doyle

*President and Chief Executive Officer
(principal executive officer)*

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a- 14(a)

I, Marianella Foschi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2024 of Civitas Resources, 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: August 1, 2024

/s/ Marianella Foschi

Marianella Foschi

Chief Financial Officer and Treasurer (principal financial officer)

**Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Civitas Resources, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chris Doyle, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: August 1, 2024

/s/ Chris Doyle

Chris Doyle

*President and Chief Executive Officer
(principal executive officer)*

Certification of the Principle Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Civitas Resources, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marianella Foschi, Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: August 1, 2024

/s/ Marianella Foschi

Marianella Foschi

Chief Financial Officer and Treasurer (principal financial officer)