UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No.1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
October 1, 2024

SM Energy Company
(Exact name of registrant as specified in its charter)

Delaware	**001-31539**	**41-0518430**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1700 Lincoln Street, Suite 3200 **Denver, Colorado**	**80203**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(303) 861-8140**

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	**SM**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Explanatory Note

This Amendment No. 1 on Form 8-K/A ("Amendment") is being filed by SM Energy Company ("Company"), to amend and supplement its Current Report on Form 8-K filed with the Securities and Exchange Commission on October 2, 2024 ("Original Report"). As previously disclosed in the Original Report, on October 1, 2024, the Company completed its acquisition of an undivided 80% interest in all of the rights, titles and interests in the Uinta Basin oil and gas assets ("Uinta Basin Assets") owned by XCL AssetCo, LLC, a Delaware limited liability company, XCL Marketing, LLC, a Delaware limited liability company, Wasatch Water Logistics, LLC, a Delaware limited liability company, XCL Resources LLC, a Texas limited liability company, and XCL SandCo, LLC, a Delaware limited liability company (collectively, the "XCL Sellers") pursuant to the Purchase and Sale Agreement, dated June 27, 2024, with the XCL Sellers and, solely for the limited purposes described therein, Northern Oil and Gas, Inc., a Delaware corporation.

The Company is filing this Amendment solely to supplement Item 9.01 of the Original Report to file (i) the unaudited consolidated financial statements of the XCL Sellers as of June 30, 2024, and for the six months ended June 30, 2024, and 2023, (ii) the consolidated financial statements of the XCL Sellers as of December 31, 2023, and for the year ended December 31, 2023, and (ii) the unaudited pro forma condensed combined financial information of the Company as of June 30, 2024, for the six months ended June 30, 2024, and for the year ended December 31, 2023. Except for the foregoing, this Amendment does not modify or update any other disclosure contained in the Original Report.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses or funds acquired.

The audited annual consolidated financial statements of XCL Resources Holdings, LLC and subsidiaries, which comprise the balance sheet as of December 31, 2023, the related statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, are filed as Exhibit 99.1 hereto and incorporated by reference herein.

The unaudited interim consolidated financial statements of XCL Resources Holdings, LLC and subsidiaries, which comprise the balance sheet as of June 30, 2024, the related statements of operations, members' equity, and cash flows for the six months ended June 30, 2024 and 2023, and the related notes to the consolidated financial statements, are filed as Exhibit 99.2 hereto and incorporated by reference herein.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial information of the Company, which comprises the balance sheet as of June 30, 2024, the related statements of operations for the six months ended June 30, 2024, and the year ended December 31, 2023, and the related notes thereto, is filed as Exhibit 99.3 hereto and incorporated by reference herein.

(d) Exhibits.

Exhibit Number	Description
23.1*	Consent of Plante & Moran, PLLC
23.2*	Auditor's Acknowledgement of Plante & Moran, PLLC
99.1*	Audited historical financial statements as of December 31, 2023, and for the periodended December 31, 2023 for XCL Resources Holdings, LLC and subsidiaries
99.2*	Reviewed interim historical financial statements (unaudited) as of June 30, 2024 and for the periods ended June 30, 2024 and 2023 for XCL Resources Holdings, LLC and subsidiaries
99.3*	Unaudited pro forma condensed combined financial information for the periods presented, for the Company and the XCL Sellers
99.4	Reserve Report as of December 31, 2023 for the XCL Sellers (filed as Exhibit 99.6 to the registrant's Current Report on Form 8-K filed on July 18, 2024, and incorporated herein by reference)
104	Cover Page Interactive Data File (formatted as Inline XBRL and included as Exhibit 101)

* Filed with this report.

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 hereunto duly authorized.

SM ENERGY COMPANY

Date: December 12, 2024

By: /s/ PATRICK A. LYTLE
Patrick A. Lytle
Vice President - Chief Accounting Officer and Controller
(Principal Accounting Officer)

EXHIBIT 23.1

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

We consent to the incorporation by reference in SM Energy Company's ("SM Energy") Post-Effective Amendment No. 1 to Registration Statement No. 333-106438 on Form S-8, Registration Statement Nos. 333-30055, 333-35352, 333-88780, 333-58273, 333-134221, 333-151779, 333-165740, 333-170351, 333-194305, 333-212359, 333-219719, 333-226660, and 333-257005 on Form S-8, and Registration Statement Nos. 333-257046 and 333-259979 on Form S-3 of our report dated March 18, 2024, except as to Note 11, which is as of October 24, 2024, relating to the consolidated financial statements of XCL Resources Holdings, LLC and subsidiaries appearing in this Current Report on Form 8-K/A of SM Energy.

/s/ Plante & Moran, PLLC

Denver, Colorado

December 12, 2024

EXHIBIT 23.2

Plante & Moran, PLLC
Suite 600
8181 E. Tufts Avenue
Denver, CO 80237
Tel: 303.740.9400
Fax: 303.740.9009
plantemoran.com

AUDITOR'S ACKNOWLEDGMENT

We acknowledge the incorporation by reference in SM Energy Company's ("SM Energy") Post-Effective Amendment No. 1 to Registration Statement No. 333-106438 on Form S-8, Registration Statement Nos. 333-30055, 333-35352, 333-88780, 333-58273, 333-134221, 333-151779, 333-165740, 333-170351, 333-194305, 333-212359, 333-219719, 333-226660, and 333-257005 on Form S-8, and Registration Statement Nos. 333-257046 and 333-259979 on Form S-3 of our report dated October 24, 2024, relating to our review of the interim consolidated financial statements of XCL Resources Holdings, LLC and subsidiaries appearing in this Current Report on Form 8-K/A of SM Energy.

/s/ Plante & Moran, PLLC

Denver, Colorado

December 12, 2024

EXHIBIT 99.1

XCL Resources Holdings, LLC and Subsidiaries

Consolidated Financial Statements
December 31, 2023

Contents

Plante & Moran, PLLC
Suite 600
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Independent Auditor's Report

To the Board of Managers
XCL Resources Holdings, LLC

Opinion

We have audited the consolidated financial statements of XCL Resources Holdings, LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of operations, members' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

To the Board of Managers
XCL Resources Holdings, LLC

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information relating to oil and gas producing activities contained within Note 11 be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the United States Financial Accounting Standards Board who, as described by Accounting Standards Codification 932-235-50, consider it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/ Plante & Moran, PLLC

March 18, 2024, except as to Note 11, which is as of October 24, 2024

Consolidated Balance Sheet

		December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$	36,252,869
Accounts receivable		152,001,562
Oil inventories		7,254,699
Commodity derivative instruments		11,412,863
Prepaid and other current assets		41,968,361
Total current assets		248,890,354
Oil and Gas Properties, successful efforts method		
Proved properties		1,786,642,745
Unproved properties		60,831,162
Accumulated depreciation, depletion, and amortization		(321,666,538)
Total oil and gas properties, net		1,525,807,369
Other Assets, net		161,077,498
Total assets	**$**	**1,935,775,221**
Liabilities and Members' Equity		
Current Liabilites		
Accounts payable	$	53,934,087
Commodity derivative instruments		10,508,605
Accrued liabilities		321,492,594
Total current liabilities		385,935,286
Long-term Liabilities		
Asset retirement obligations		7,576,135
Operating lease liabilities		45,856,626
Commodity derivative instruments		5,719,707
Income tax liability		1,727,115
Credit facility		375,000,000
Total liabilities		821,814,869
Members' Equity		
Contributions		630,566,518
Accumulated earnings		483,393,834
Total members' equity		1,113,960,352
Total liabilities and members' equity	**$**	**1,935,775,221**

See notes to consolidated financial statements.

Consolidated Statement of Operations

	Year Ended December 31, 2023
Revenue	
Oil sales	$ 846,170,283
Natural gas and natural gas liquid sales	16,004,859
Other revenue	9,062,197
Total revenue	871,237,339
Gain on sale of oil and gas properties	3,681,077
Operating costs and expenses	
Lease operating	57,509,241
Production taxes	21,396,455
Transportation, gathering, and handling	131,992,181
Workover	6,488,589
Depreciation, depletion, amortization, and accretion	191,609,210
General and administrative	18,828,920
Acquisition costs (Note 5)	421,051
Exploration and abandonment	1,421,191
Cost of acquired oil inventories	32,179,410
Total operating costs and expenses	461,846,248
Operating income	413,072,168
Other income (expense)	
Interest expense	(36,137,426)
Commodity derivative instrument gain	23,754,532
Other	33,285
Total other income (expense)	(12,349,609)
Income before income taxes	400,722,559
Deferred income tax expense	(1,727,115)
Net income	**$ 398,995,444**

See notes to consolidated financial statements.

Consolidated Statement of Members' Equity

	Year Ended December 31, 2023		
	Members' Contributions	Accumulated Earnings	Total Members' Equity
Balance - December 31, 2022	$ 616,026,867	$ 84,398,390	$ 700,425,257
Contributions - Series A	14,401,809	—	14,401,809
Contributions - Series B	137,842	—	137,842
Net income	—	398,995,444	398,995,444
Balance - December 31, 2023	**$ 630,566,518**	**$ 483,393,834**	**$ 1,113,960,352**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

	Year Ended December 31, 2023
Cash Flows from Operating Activities	
Net income	$ 398,995,444
Adjustments to reconcile net income to cash provided by operating activities	
Depreciation, depletion, amortization, and accretion	191,609,210
Gain on sale of oil and gas properties	(3,681,077)
Change in fair value of commodity derivative instruments	(85,136,292)
Amortization of other assets	2,453,776
Amortization of right-of-use assets	25,522,359
Deferred income tax	1,727,115
Changes in operating assets and liabilities	
Accounts receivable	(72,957,100)
Prepaid and other assets	(7,072,584)
Operating leases	(24,077,440)
Accounts payable and accrued liabilities	59,629,659
Asset retirement obligation settlements	(317,030)
Net cash provided by operating activities	486,696,040
Cash Flows from Investing Activities	
Investments in oil and gas properties	(465,636,987)
Proceeds from sale of oil and gas properties	9,579,929
Purchase of materials and supplies and other assets	(114,312,436)
Net cash used in investing activities	(570,369,494)
Cash Flows from Financing Activities	
Contributions	14,539,651
Proceeds from credit facility	105,000,000
Payments on credit facility	(25,000,000)
Deferred financing costs	(1,730,362)
Net cash provided by financing activities	92,809,289
Net increase (decrease) in Cash and Cash Equivalents	9,135,835
Cash and Cash Equivalents - beginning of period	27,117,034
Cash and Cash Equivalents - end of period	$ 36,252,869
Supplemental Cash Flow Information	
Cash paid for interest	$ 33,085,664
Significant Noncash Transactions	
Oil and gas properties expenditures included within accounts payable and accrued liabilities	$ 94,565,648
Materials and supplies expenditures included within accounts payable and accrued liabilities	23,348,786
Transfers of materials and supplies to oil and gas properties	133,674,866
Asset retirement obligation incurred	2,324,379
Operating lease liabilities arising from obtaining right-of-use assets	156,648,609

Note 1 - Nature of Business

XCL Resources Holdings, LLC (the "Company"), a Delaware limited liability company, was formed on July 3, 2018. Through its wholly-owned subsidiaries, XCL Intermediate, LLC, XCL AssetCo, LLC, XCL RoyaltyCo, LLC, XCL Marketing, LLC, Wasatch Water Logistics, LLC, XCL SandCo LLC, and XCL Resources, LLC, the Company is engaged in the acquisition, exploration, exploitation, and production of its operated, non-operated, and royalty interests in oil and natural gas properties throughout the United States of America and currently owns interests primarily in Utah's Uinta Basin. The Company began substantial operations in 2019 upon the completion of acquisitions of oil and gas assets.

Note 2 - Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States. All intercompany transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Depletion, depreciation, and amortization ("DD&A") and impairment of proved oil and gas properties are determined using estimates of oil and gas reserves. There are numerous uncertainties in estimating the quantity of reserves and in projecting the future rates of production and timing of development expenditures, including future costs to dismantle, dispose, and restore the Company's properties. Oil and gas reserve engineering must be recognized as a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way.

In addition, estimates with regard to the financial statements include the estimated realizability of proved and unproved properties, the estimated cost and timing related to asset retirement obligations, accrued revenues and liabilities, and the fair value of commodity derivative instruments.

Although management believes the estimates with regard to the consolidated financial statements are reasonable, actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instrument purchases with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet dates and during the periods, balances of cash and cash equivalents were primarily held with one financial institution and exceeded the federally insured limit.

Concentrations of Credit Risk

The Company's accounts receivable are generated primarily from the sale of oil, natural gas, and natural gas liquids to purchasers and from the billing of expenditures incurred by the Company to joint interest owners for costs incurred on properties the Company operates.

The Company continually monitors the financial condition of its purchasers and joint interest owners and assesses the recoverability of the receivables to determine their collectability. As the receivables are primarily with other entities within the oil and gas industry, such concentration may impact the Company’s credit risk as these entities may be similarly impacted by economic or other changes within the oil and gas industry.

The Company accrues a reserve for the allowance for credit losses based on management's current estimate of expected credit losses that includes historical credit loss experience of financial assets with similar risk characteristics, adjusted for management's expectation of current conditions and reasonable and supportable forecasts. The risk of nonpayment by the joint interest owners is considered minimal, as the Company generally has the right to withhold revenue to offset amounts receivable. The Company's accounts receivable relates primarily from the sale of oil, condensate, natural gas, and natural gas liquids and are generally collected within one to two months.

To date, the Company has not had any bad debts.

During 2023, four purchasers made up approximately 62% of the Company's oil, natural gas, and natural gas liquid sales. Substantially all of the Company's revenue receivables are made up of amounts from these same four purchasers.

Oil Inventories

The Company's crude oil inventory represents oil maintained in tanks at the Company's leased rail terminal (the "transload facility") and/or crude that is in transit FOB destination on leased railcars to refineries primarily in the Gulf Coast. Oil inventories is costed primarily of depletion, depreciation, and amortization and lease operating expenses associated with the oil maintained in tanks or on railcars and is carried at the lower of cost or net realizable value. The Company accounts for its crude oil inventory using the first-in, first-out method.

Materials and Supplies

Materials and supplies are reported within the prepaid and other current assets line on the balance sheet. The Company's materials and supplies, including tubular goods, completion materials, and production and facility equipment, are carried at the lower of cost or net realizable value. Materials and supplies are generally purchased for use in the Company's oil and gas drilling, completion, and production activities and are transferred to proved oil and gas properties, net to the Company's interests, when the associated asset is placed in service.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for oil and gas activities. Under this method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvages values, using the units-of-production method on a field-by-field basis based upon proved oil and gas reserves. The Company's proved oil and gas reserve information was computed by applying the average first-day-of-the-month oil and gas price during the 12-month period ended December 31, 2023. Depreciation, depletion, and amortization expense for the year ended December 31, 2023 was $190,506,528, net of amounts capitalized as inventory. Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred.

Costs associated with unevaluated exploratory wells are excluded from the depletable basis until the determination of proved reserves, at which time those costs are reclassified to proved oil and gas properties and subject to depletion. If it is determined that the exploratory well costs were not successful in establishing proved reserves, such costs are expensed at the time of such determination.

The Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. The Company estimates the expected future cash flows of its proved oil and gas properties and compares such cash flows to the carrying amount of the proved oil and gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, the Company will adjust its proved oil and gas properties to estimated fair value. The factors used to estimate fair value include estimates of proved reserves, future commodity prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks. There were no proved oil and gas property impairments during the year ended December 31, 2023.

Unproved oil and gas properties are assessed at least annually to determine whether they have been impaired by the drilling of dry holes on or near the related acreage or other circumstances that may indicate a decline in value. When unproved property is determined to be impaired, a loss equal to the portion impaired is recognized. When leases for unproved properties expire, the costs thereof, are removed from the accounts and charged to expense. There were no unproved property impairments during the year ended December 31, 2023.

From time to time, the Company may sell its oil and gas properties. The partial sale of proved properties within an existing field may be accounted for as a normal retirement and no gain or loss on divestiture is recognized as long as this treatment does not significantly affect the units-of-production depletion rate. The partial sale of unproved property is accounted for as a recovery of cost when substantial uncertainty exists as to the ultimate recovery of the cost applicable to the interest retained. A gain on divestiture activity is recognized to the extent that the sales price exceeds the carrying amount of the unproved property. A gain or loss is recognized for all other sales of proved and unproved properties. During the year ended December 31, 2023, the Company divested its oil and gas properties in North Dakota's Williston Basin for approximately $8.9 million, resulting in a gain on sale of approximately $3.2 million. The Company also sold certain other proved properties within Utah's Uinta Basin during the year ended December 31, 2023 for $0.7 million resulting in a gain on sale of approximately $0.5 million.

Other Assets

Other assets include deferred financing costs, property and equipment, operating lease right-of-use assets, and non-current commodity derivative instruments.

Property and equipment, which includes leasehold improvements, furniture and fixtures, and equipment, is recorded at cost and depreciated using the straight-line method over the assets' estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred. Depreciation expense for property and equipment totaled $761,215 for the year ended December 31, 2023.

Deferred financing costs represent legal and consulting costs associated with the Credit Facility (Note 6) and are $2,144,858, net of accumulated amortization at December 31, 2023. Such charges are being amortized on a straight-line basis over the term of the Credit Facility.

The Company's right-of-use (ROU) assets are operating leases that represent the Company's right to use an underlying asset for the lease term upon the adoption of ASC 842 (Note 9). These ROU assets are related to the Company's operating leases with various operations, transportation and office lease contracts.

Long-Lived Assets

The Company reviews the recoverability of long-lived assets, including the transload facility, property and equipment, and right-of-use assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future undiscounted cash flows of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Asset Retirement Obligation

Asset retirement obligations (AROs) relate to estimated plugging and abandonment costs of oil and gas properties, including facilities, and the reclamation of the Company's well locations. The Company records the fair value of an ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes an estimated cost by increasing the carrying amount of proved oil and gas properties. Over time, the liability is accreted each period toward an estimated future cost, and the capitalized cost is depleted. The Company uses the income valuation technique to estimate the fair value of AROs using the amounts and timing of expected future dismantlement costs, credit-adjusted risk-free rate, market risk premiums, and time value of money. All of the inputs are estimated at the time the liability is incurred or revised upward.

Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives or if federal or state regulators enact new requirements regarding the abandonment of wells. Adjustments to the liability are made as these estimates change, and, upon settlement of the liability, the Company reports a gain or loss to the extent the actual costs differ from the recorded liability.

Revenue Recognition

The Company's revenue is primarily derived from the sale of its produced oil, natural gas, and natural gas liquids. The Company sells its produced oil, natural gas, and natural gas liquids under a variety of short-term and long-term agreements with numerous customers. The Company's revenue is primarily derived from produced oil, natural gas, and natural gas liquids from oil and gas wells operated by the Company. The Company also receives revenue from its ownership in non-operating and royalty interests. During 2023, sales of oil of approximately $43.2 million were related to oil the Company purchased from third party producers.

Revenue is recognized in the month in which the contractual performance obligations are satisfied, which is generally at the point in time when the customer obtains control of the produced oil, natural gas, and natural gas liquids. The point in time when the customer obtains control may differ depending on the contractual terms of each of the Company's sales agreements and generally occurs when the customer accepts, takes possession, title to, and bears the risk of loss of the produced oil, natural gas, and natural gas liquids.

All of the Company's sales of produced oil, natural gas, and natural gas liquids are made under contracts with customers, which typically include variable consideration based on monthly pricing tied to published indices and volumes delivered. While revenue is recorded at the point in time when control of the produced oil, natural gas, and natural gas liquids transfer to the customer, statements and payment from those customers may not be received for one to two months after the date the produced oil, natural gas, and natural gas liquids are delivered, and as a result, the amount of production delivered to the customer and the price that will be received for the sale of the product is estimated utilizing production reports, contractual pricing, and market indices. Estimated revenue due to the Company is recorded as a revenue receivable within accounts receivable in the accompanying balance sheet until payment is received. Differences between the estimated amounts and the actual amounts received from the sale of the produced oil, natural gas, and natural gas liquids are recorded when known, which is generally when payment is received from the customer. The revenue receivable balance on January 1, 2023 was approximately $65.1 million.

For the Company’s produced oil sales agreement, the Company generally delivers produced oil to customers at defined locations, including tank batteries, common delivery points near the production location, or at other defined delivery locations including terminal facilities in the Gulf Coast. Upon delivery to the customers, the Company is entitled to an agreed-upon index price, net of pricing differentials for each barrel produced (net realized price). The Company recognizes revenue when control transfers to the customers at the tank batteries and common delivery points near the production location, or at other defined delivery locations at the net realized price.

Transportation and gathering costs, including the costs for the leasing and transporting railcars, is recorded as transportation, gathering, and handling on the accompanying consolidated statement of operations to the extent such costs are incurred prior to the transfer of control of produced crude oil to the customers.

Commodity Derivative Instruments

The Company uses derivative instruments to provide a measure of stability to its cash flows and manage its exposure to commodity price risk in an environment of volatile oil and natural gas prices. The Company records all derivative instruments at fair value within the accompanying consolidated balance sheet. The Company does not apply hedge accounting to any of its outstanding derivative instruments, and as a result, all changes in derivative fair value are recognized in earnings.

Realized gains and losses associated with commodity derivatives with underlying commodity volumes are classified as operating activities in the accompanying consolidated statement of cash flows.

Unit-Based Compensation

For any Series B Units which are issued at prices less than their estimated fair value, and for all Series C Units, the Company recognizes unit-based compensation expense over the requisite service period for unit-based awards to holders based on the estimated grant date fair value of the awards. During the year ended December 31, 2023, the Company did not record any unit-based compensation expense related to the Series B Units as all Series B Units issued have been at prices equal to, or in excess of, their estimated fair value and the Company did not record any unit-based compensation expenses related to the Series C Units as the amounts were de minimis.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal, state, and local income tax purposes. Accordingly, members are generally taxed on their allocable share of taxable income or loss as determined under the Company's operating agreement. The Company evaluates uncertain tax positions for measurement and recognition in the financial statements. To recognize a tax position, the Company determines whether it is more-likely-than-not the tax positions will be sustained upon examination. The Company has no uncertain tax positions requiring measurement and recognition in the financial statements for the year ended December 31, 2023. Due to IRS rules, adjustments resulting from an IRS audit of the Company may be assessed at the Company level.

The State of Texas assesses a franchise tax at the Company level. For the year ended December 31, 2023, the Company recorded a provision for deferred taxes of $1.7 million associated with such franchise taxes. These deferred taxes reflect the impact of temporary differences between assets and liabilities recognized under accounting principles generally accepted in the United States and such amounts recognized for tax purposes. The primary differences resulting in the Company’s deferred taxes are a result of differing treatment of intangible drilling costs recorded as part of the Company’s oil and gas properties.

Leases

The Company primarily leases office space, trucking fleets, railcars, and drilling, completion, and production equipment from third parties. The Company determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company’s leases contain renewal options for varying periods, which can be exercised at the Company’s sole discretion. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company's lease classification determination. The Company's leases have remaining lease terms ranging from 1 to 10 years.

The Company recognizes a ROU asset and lease liability to account for its leases. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company's ROU assets and lease liabilities.

Leases typically contain rent escalations over the lease term. The Company recognizes costs for these leases on a straight-line basis over the lease term. Some leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional variable percentage of the tenant's operating costs. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Certain leases require the Company to pay taxes, insurance, maintenance and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all of the Company's asset classes.

The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The depreciable life of the ROU assets and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option. The Company uses its incremental borrowing rate to discount future lease payments based on the information available on the commencement date for each lease as the implicit rate in the lease is not known. The determination of the incremental borrowing rate requires judgment and is determined using the Company's current secured borrowing rate, adjusted for various factors aligned with the lease including total lease payments and lease term.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including the date of the independent auditor's report, which is the date the consolidated financial statements were available to be issued.

Pending Oil and Gas Property Acquisition

In January of 2024, the Company entered into a purchase and sale agreement and made a $12.8 million deposit into an escrow account for a potential acquisition of oil and gas properties. The purchase and sale agreement, which has a purchase price of $85.0 million, subject to certain adjustments, is subject to customary conditions to close. If the purchase and sale agreement is terminated, dependent upon the terminating party and cause of determination, all of the deposit is subject to forfeiture. As of the date these consolidated financial statements were available for issuance, the purchase and sale agreement has not closed.

Credit Facility

On January 5, 2024, the Company entered into an amendment to its Credit Facility (Note 6).

Note 3 - Balance Sheet Disclosures

Accounts Receivable

Accounts receivable consist of the following:

		December 31, 2023
Revenue receivable	$	139,295,253
Joint interest billing receivable		12,706,309
Total accounts receivable	$	152,001,562

Prepaid and other current assets

Prepaid and other current assets consist of the following:

		December 31, 2023
Materials and supplies	$	32,041,846
Prepaid costs		9,255,509
Deposits and other assets		671,006
Total prepaid and other current assets	$	41,968,361

Proved Oil and Gas Properties

Proved oil and gas properties consist of the following:

		December 31, 2023
Leasehold costs	$	562,653,863
Facility, drilling, and completion costs		1,223,988,882
Accumulated depreciation, depletion, and amortization		(321,666,538)
Total proved oil and gas properties, net	$	1,464,976,207

Other Assets, net

Other assets, net consist of the following:

		December 31, 2023
Right-of-use assets	$	155,836,359
Furniture, fixture and equipment, net		642,532
Commodity derivative instruments, non-current		2,453,749
Debt issuance costs, net of amortization		2,144,858
Total other assets, net	$	161,077,498

Accrued Liabilities:

Accrued liabilities consist of the following:

	December 31, 2023
Suspended revenues	$ 50,006,800
Lease liability - operating	113,876,061
Revenue payable	10,552,924
Production taxes payable	19,480,540
Operating expenses	10,159,742
General and administrative	4,797,677
Buyer performance deposit	19,000,000
Capital expenditures	92,832,682
Interest	786,168
Total accrued liabilities	$ 321,492,594

Buyer Performance Deposit

In June 2023, the Company entered into a purchase and sale agreement with a buyer for certain of the Company's royalty and mineral interests in Utah's Uinta Basin. The purchase price for the transaction is $32.0 million and subject to customary adjustments. The purchase and sale agreement requires performance deposits, of which $19.0 million have been paid through December 31, 2023 and have been presented as a buyer performance deposit. The transaction, which is scheduled to close in 2024, is subject to customary conditions to close. If the buyer has not met all conditions to close, including failure to make payment of the remaining performance deposits in full, the Company is not obligated to close or the Company may elect to close and instead sell an undivided interest in the properties that is proportional to the amount of installment payments received and the purchase price, as defined.

Note 4 - Commodity Derivative Instruments

The Company classifies the fair value amounts of commodity derivative assets and liabilities as net current or noncurrent derivative assets or net current or noncurrent derivative liabilities, whichever the case may be, by commodity and counterparty.

The Company had the following open commodity derivative instruments as of December 31, 2023:

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Price per Bbl	Price Index	Contract Period	Fair Value
Oil Swap	3,729,424	$ 69.02	Oil-WTI-NYMEX	1/1/24-12/31/24	$ (9,153,328)
Oil Swap	2,515,800	69.65	Oil-WTI-NYMEX	1/1/25-12/31/25	3,851,665

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Price Floor per Bbl	Weighted Average Price Ceiling per Bbl	Price Index	Contract Period	Fair Value
Oil Collar	3,556,997	$ 68.12	$ 76.63	Oil-WTI-NYMEX	1/1/24-12/31/24	$ 3,725,044
Oil Collar	872,000	54.98	62.57	Oil-WTI-NYMEX	1/1/25-12/31/25	(7,117,624)

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Strike Price per Bbl	Price Index	Contract Period	Fair Value
Purchased Oil Put	2,218,000	$ 75.000	Oil-WTI-NYMEX	1/1/24-6/30/24	$ 6,332,543

As of December 31, 2023, the Company's commodity derivative instruments were subject to enforceable master netting arrangements that provide for offsetting of amounts payable or receivable between the Company and the counterparties. The agreements also provide that, in the event of an early termination or default, the counterparties have the right to offset amounts owed or due under that and any other agreement with the same counterparty.

The following table reconciles the Company's outstanding derivative instruments on a gross contract basis to the net contract basis presentation on the consolidated balance sheets and the related fair value at the consolidated balance sheet date:

		2023		
	Balance Sheet Classification	Gross Assets/ Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Commodity derivative assets:				
	Current assets	$ 42,138,501	$ (30,725,638)	$ 11,412,863
	Noncurrent assets	7,850,463	(5,396,714)	2,453,749
Total derivative assets		$ 49,988,964	$ (36,122,352)	$ 13,866,612
Commodity derivative liabilities:				
	Current liabilities	$ (41,234,243)	$ 30,725,638	$ (10,508,605)
	Noncurrent liabilities	(11,116,421)	5,396,714	(5,719,707)
Total derivatives liabilities		$ (52,350,664)	$ 36,122,352	$ (16,228,312)

Included within 2023 current assets and current liabilities in the table above are $3.9 million and $3.9 million, respectively, of obligations representing deferred premium payments for certain purchased puts.

The table below summarizes the location and amount of commodity derivative instrument gains and losses reported on the consolidated statement of operations for the year ended indicated below:

	2023
Other income (expense):	
Unrealized gain	$ 85,136,292
Realized loss	(61,381,760)
Commodity derivative instruments gain (loss)	$ 23,754,532

Due to the volatility of oil and gas prices, the estimated fair values of the Company's commodity derivative instruments are subject to large fluctuations from period to period.

The counterparties in all of the Company's derivative instruments are lenders in the Company's Credit Facility. Accordingly, the Company is not required to post collateral since the Credit Facility is secured by substantially all of the Company's oil and gas properties.

Note 5 - Members' Equity

The Company issues Series A, B, and C units under the terms of its July 2018 Amended and Restated Limited Liability Company Agreement (the "Agreement").

The total authorized number of each of the classes of series, together with the number of units issued and outstanding are as follows as of December 31, 2023:

	Authorized	Issued and Outstanding
Series A Units (Institutional Investors)	Unlimited	614,345,000
Series B Units (Management Investors)	5,880,000	5,880,000
Series C Units (Management Investors and Employees)	100,000	99,100

Series A and B units were issued for $1 per unit. As of December 31, 2023, aggregate capital commitments total $620,225,000, of which all $620,225,000 had been funded.

The affairs of the Company are overseen by the Board of Managers. The Board of Managers are comprised of four managers designated by the Institutional Investors, three managers designated by the Management Investors, and one manager designated with the approval of at least one Institutional Investor designated manager and one Management Investor designated manager.

Allocations of profits, losses, distributions, and other items are done in accordance with the provisions within the Agreement.

Upon the event of a Management Investor default, as defined, the Company has the option to cause the defaulting unitholder to sell its Series B Units at a defined price and forfeit any Series C Units. Upon termination of employment of any Management Investor, its respective remaining capital commitment shall be reduced to $0.

All Series B Units issued since inception have been at prices equal to, or in excess of, their estimated fair value. As a result, no unit-based compensation expense has been recognized on Series B Units issued to Management Investors.

In the event that the employment of a Series B unitholder is terminated by the Company for cause or by the unitholder without good reason, the Company has the option to repurchase all of that unitholder's Series B Units at the lower of the unitholder's cost basis or defined appraisal value. In the event that the employment of a Series B unitholder is terminated by the Company without cause or by the unitholder for good reason, or as a result of death or disability, the Company has the right, but not the obligation, to repurchase such unitholder's Series B Units at the defined appraisal value.

Series C Units are authorized for issuance to certain Management Investors and employees of the Company. The Series C Units entitle the holder to the right to receive distributions from the Company upon the attainment of the specific payout threshold, as defined in the Agreement. The Series C Units vest 12.5% on each anniversary of the issuance date for the first four years. The remaining 50% will become vested upon the consummation of a qualified exit event, as defined.

Upon termination of employment of a Series C unitholder by the Company for cause or by the unitholder without good reason, all Series C Units, whether vested or unvested, will be forfeited. Upon death or disability by the unitholder, all unvested Series C units will become tentatively vested Series C Units. If an exit event occurs on or prior to the date that is six months following the death or disability of the unitholder, then all unvested Series C units become vested. If an exit event does not occur within six months following the death or disability of the unitholder, then the unvested Series C units are forfeited. Upon termination of the employee by the Company for any reason other than cause, or by the Series C Unitholder for good reason, all unvested Series C Units are forfeited. For any vested Series C Units, the Company has the right, but not the obligation, to repurchase such unitholder's Series C Units at the defined appraisal value.

All Series C Units issued since inception have had de minimis grant-date fair value. As a result, no unit-based compensation expense has been recognized on Series C Units issued to Management Investors and employees.

A summary of the activity associated with the Series C Units during 2023 is as follows:

	For the Year Ended December 31,
	2023
Series C Units at beginning of period	98,500
Granted	600
Forfeited	—
Series C Units at end of period	99,100

Note 6 - Credit Facility

On December 20, 2019, the Company entered into a syndicated revolving credit facility with Wells Fargo Bank, N.A., as administrative agent and lender, (the "Credit Facility"). The Credit Facility provides for a maximum $1.0 billion credit facility with an initial borrowing base of $170.0 million. Interest on amounts outstanding under the Credit Facility accrues at percentages as defined in the Credit Facility, plus a margin depending upon the amount drawn under the borrowing base. On a quarterly basis the Credit Facility also requires commitment fees assessed at annual rates of 0.50% on any unfunded portion of the borrowing base.

As of December 31, 2023, the Company had borrowings of $375.0 million outstanding under the Credit Facility which had a borrowing base of $550.0 million and an elected commitment amount of $500 million. The Credit Facility had a weighted average interest rate of 8.91% for the year ended December 31, 2023 and an interest rate of 8.95% at December 31, 2023. The Credit Facility was scheduled to mature on December 20, 2024. The Seventh Amendment to the Credit Agreement, dated as of January 5, 2024, increased the borrowing base and elected commitment amount to $650.0 million and extended the Maturity Date from December 20, 2024 to December 20, 2027.

The Credit Facility contains customary affirmative and negative covenants, including both financial covenants and commodity hedged minimum and maximum requirement covenants, as defined, and is collateralized by substantially all of the Company's oil and gas properties. As of December 31, 2023, the Company was in compliance with the financial covenants. The commodity hedging arrangements require a maximum hedge covenant of 85% of forecasted production from proved reserves with a maximum tenor of 60 months, subject to a lookback test. The Credit Facility also contains an excess cash threshold provision which requires cash balances, other than cash held for specific excluded purposes, as defined, held by the Company in excess of the greater of $35.0 million or 15% of the borrowing base then in effect to be used to pay down outstanding amounts under the Credit Facility. It also requires that upon entering into a credit event, as defined, including new borrowings under the Credit Facility, no excess cash, defined as the greater of $25.0 million or 10% of the borrowing base then in effect, shall exist.

The Credit Facility also has customary restrictions on distributions, other investments, and new or additional debt, and automatic reductions to the borrowing base upon certain property dispositions or issuance of additional permitted debt. The borrowing base is redetermined semi-annually and optional interim redeterminations are available at the option of the Company and the lenders. Amounts outstanding under the Credit Facility may be prepaid without penalty, and reborrowed, subject to the borrowing base then established.

Letter of Credit

In conjunction with the Third Amendment to the Credit Facility on May 24, 2022, a Series A Unitholder (Note 5), a related party, entered into a guarantee agreement with the administrative agent of the Company’s Credit Facility. The guarantee agreement, which provided collateral in support of the Company’s borrowing base was initially for $75.0 million and was reduced to $60.0 million in the Fourth Amendment of the Credit Facility on December 14, 2022. The guarantee agreement, which contained certain financial covenants of the Series A Unitholder (Note 5), a related party, expired on March 30, 2023 upon the execution of the Fifth Amendment to the Credit Facility which increased the borrowing base to $400.0 million.

Note 7 - Asset Retirement Obligations

During the year ended December 31, 2023, ARO additions were made for acquired wells and additional wells drilled.

A reconciliation of the changes in the Company's ARO liability is as follows:

		2023
Asset retirement obligations - beginning of period	$	5,227,319
Liabilities incurred		2,324,379
Settlements		(317,030)
Accretion		341,467
Asset retirement obligations - end of period	$	7,576,135

Note 8 - Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance established a hierarchy for inputs used in measuring fair value that maximized the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions is what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

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

Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or

Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2023 by level within the fair value hierarchy.

	2023			
	Level 1	Level 2	Level 3	Total
Commodity derivative instruments				
Assets	$ —	$ 13,866,612	$ —	$ 13,866,612
Liabilities	$ —	$ (16,228,312)	$ —	$ (16,228,312)

At December 31, 2023, the Company's commodity derivative instruments consisted of oil swaps, collars, and puts. The fair value of the swaps was determined under the income valuation technique using a discounted cash flows model. The fair value of the collars and puts were determined using an option pricing model. These valuation models require a variety of inputs, including contractual terms, published forward prices, estimated volatilities, and discount rates, as appropriate. The Company's estimates of fair value of derivatives include consideration of the counterparty's credit worthiness, the Company's credit worthiness, and the time value of money. The consideration of these factors results in an estimated exit-price for each derivative asset or liability under a market participant's view. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's derivative instruments are included within the Level 2 fair value hierarchy.

The Company uses the income valuation technique to estimate the fair value of asset retirement obligations using the amounts and timing of expected future dismantlement costs, credit-adjusted risk-free rate, market risk premium adjustments, and time value of money. Accordingly, the fair value is based on unobservable pricing inputs and therefore, is considered a Level 3 value input in the fair value hierarchy. The asset retirement obligations are estimated based on projected cash flows, an estimated long-term inflation rate, and a discount rate based on estimated credit-adjusted, risk-free rate inclusive of market and risk premium conditions.

Note 9 – Leases

The Company has lease arrangements for office space, trucking fleets, railcars, and drilling and completion rigs. These leases expire at various dates through 2031.

	Year 1	2-3 Years	4-5 Years	>5 Years	Total
Rail Cars	$ 9,393,900	$ 6,777,805	$ 2,322,900	$ —	$ 18,494,605
Trucking	28,300,000	16,280,417	—	—	44,580,417
Completion Rig	70,140,000	17,535,000	—	—	87,675,000
Drilling Rig	12,386,250	—	—	—	12,386,250
Compressors and Vapor Recovery Units	1,885,200	1,041,150	—	—	2,926,350
Office space	621,921	1,214,633	1,148,403	1,581,095	4,566,052
Total	$ 122,727,271	$ 42,849,005	$ 3,471,303	$ 1,581,905	$ 170,628,674
Less Imputed Interest:					$ (10,895,987)
Total Lease Liability at December 31, 2023					$ 159,732,687

The Company leases its corporate and field office facilities under non-cancelable operating leases. Remaining commitments for its corporate and field office facilities total approximately $4.6 million through 2031. The corporate office lease contains a one-time early termination provision allowing the Company to terminate the lease in 2027 if certain events occur, as defined, including a sale of all Company assets or equity interests to an unrelated third party as well as an option to extend the lease at the end of the primary term. Both the option to terminate and the option to extend are not included in the lease term as they are not deemed reasonably certain to be exercised.

The Company leases railcars to facilitate transportation of crude oil under non-cancelable agreements. The terms for these agreements extend through 2027 and the remaining minimum commitment totals approximately $18.5 million through 2027. To facilitate the utilization of the railcars, the Company has a transload facility agreement to utilize oil storage tanks and rail terminal near the Company's Uinta Basin oil and gas properties (Note 10).

As of December 31, 2023, the Company had three active drilling rig contracts with third-party contractors related to development of the Company’s Uinta Basin property interests. Two of these contracts are accounted for as short-term leases under ASC 842. Minimum commitments associated with the agreements total approximately $27.6 million in 2024.

In December of 2023, the Company extended its contract with a completion rig for an additional 13 months. Minimum commitments associated with the agreements total approximately $70.1 million and $17.5 million in 2024 and 2025, respectively.

The tables below summarize the Company’s operating lease costs and include ROU assets and lease liabilities, amounts recognized in net income during the year and other lease information.

Lease balances, as of December 31:

		2023
Assets		
Operating lease ROU assets, in Other assets, net	$	155,836,359
Total lease assets	$	155,836,359
Liabilities		
Current operating lease liabilities, in accrued liabilities	$	113,876,061
Long-term operating lease liabilities	$	45,856,626
Total lease liabilities	$	159,732,687
Weighted-average remaining lease term (in years):		
Operating leases		1.7 Years
Weighted-average discount rate:		
Operating leases		8.2%

Lease costs for the year indicated below are as follows:

		2023
Lease Cost		
Operating lease cost	$	96,845,723
Short-term lease cost		41,876,729
Variable lease cost		20,241,693
Total lease cost	$	158,964,145

Included within operating lease cost for the year ended December 31, 2023 are approximately $63.1 million of costs associated the completion rig and one of the Company's drilling rigs, which was capitalized as a part of oil and gas properties net to the Company's interests.

Note 10 - Commitments and Contingencies

Minimum Volume Commitments

Transload Facility

The Company's transload agreement allows it to utilize comingled oil storage tanks and rail terminal at a transload facility near the Company's Uinta Basin oil and gas properties. This agreement, which was amended during 2023, is effective through 2032. Under the current contract, a minimum volume commitment of $1.65 per barrel exists through December 2028. Any monthly deficiency payments due by the Company shall constitute as prepayments for certain services provided by the facility operator as long as such amounts are used during the three months immediately following the month in which the deficiency occurred. The agreement allows the Company to elect to utilize the facility after expiration of the term, subject to additional reservation fees and fees per barrel.

Year	Minimum Volume Commitment (Barrels per day)
2024	10,000
2025	3,750
2026	3,750
2027	3,750
2028	3,750

Rail Transportation Contract

During 2023, the Company entered into a rail transportation services contract with a major railway company through 2028. The minimum commitment associated with this contract for these rail transportation services total 240 crude unit trains during the five-year period. Pricing is determined based on a specific rate per destination, and at a minimum of 84 railcars or a maximum of 88 railcars per crude unit train shipment. A shortfall penalty of $400 per railcar below the minimum commitment not shipped within the term of the agreement will be assessed at the termination of the agreement.

Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of the date of the independent auditor's report, no legal proceedings are pending that management believes could have a materially adverse effect upon the Company's financial condition or results of operations.

Environmental Matters

As an owner or lessee of oil and gas properties, the Company is subject to various federal, state, and local laws and regulations relating to discharge of materials into and protection of the environment. The Company has policies to ensure continuing compliance with environmental laws and regulations and maintains insurance coverage for certain environmental matters. There can be no assurance that current or future local, state, or federal rules and regulations will not require the Company to spend material amounts to comply with such rules and regulations.

Note 11 - Supplemental Oil and Natural Gas Information (Unaudited)

Costs Incurred (unaudited)

The following table sets forth the costs incurred for property acquisition, exploration and development activities:

	2023
Acquisition:	
Proved	$ 10,422,745
Unproved	—
Exploration	1,421,191
Development	672,641,504
Total costs incurred	$ 684,485,440

Oil and Natural Gas Reserves Quantities (unaudited)

The estimates of proved oil and natural gas reserves and discounted future net cash flows for the Company’s oil and gas properties as of December 31, 2023 were prepared using historical data and other information by qualified petroleum engineers engaged by the Company. Users of this information should be aware that the process of estimating quantities of proved oil and natural gas reserves is complex, requiring significant subjective decisions to be made in the evaluation of available geologic, engineering, and economic data for each reservoir. The data for any given reservoir may also change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, production history, and continual reassessment of the viability of production under varying economic conditions. As a result, revisions to existing reserve estimates may occur from time to time.

The estimated proved net recoverable reserves presented below include only those quantities of oil and natural gas that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future periods from known reservoirs under existing economic, operating, and regulatory practices. In accordance with the SEC's guidelines, estimates of proved reserves from which present values are derived were based on the unweighted 12-month average price of the first day of the month price for the period and held constant. Proved developed reserves represent only those reserves estimated to be recovered through existing wells. All of the oil and gas reserves set forth herein are in the United States and are proved reserves.

The estimated rounded quantities of proved oil and natural gas reserves and changes in net proved reserves are summarized below for the year ended December 31, 2023:

	Oil (Bbl)	Gas (Mcf)	Total (BOE) [1]
Balance - December 31, 2022	160,873,408	125,706,048	181,824,417
Production	(10,998,659)	(5,519,544)	(11,918,583)
Revisions to previous estimates [3]	(8,756,346)	8,362,491	(7,362,598)
Extensions	16,347,078	14,709,296	18,798,627
Divestiture of Reserves	(176,585)	(117,091)	(196,100)
Balance - December 31, 2023	157,288,896	143,141,200	181,145,763

Proved developed reserves:			
December 31, 2022	33,463,414	28,319,825	38,183,385
December 31, 2023	56,569,451	53,261,380	65,446,348
Proved undeveloped reserves:			
December 31, 2022	127,409,994	97,386,223	143,641,032
December 31, 2023	100,719,445	89,879,820	115,669,415

Standardized Measure (unaudited)

A standardized measure of future net cash flows and changes therein relating to estimated proved reserves is computed in accordance with authoritative accounting guidance. The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and the SEC. These assumptions do not necessarily reflect expectations of actual revenue to be derived from those reserves nor their present value amount. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these reserve quantity estimates are the basis for the valuation process.

Future cash inflows and production and development costs are determined by applying prices and costs,including transportation, quality, and basis differentials, to the year-end estimated future reserve quantities.The following prices, as adjusted for transportation, quality, and basis differentials, were used in the calculation of the standardized measure:

	2023	2022
Oil (per BBL)	$ 64.13	$ 78.14
Natural gas (per Mcf)	$ 4.58	$ 6.69

Future operating costs are determined based on estimates of expenditures to be incurred in developing and producing the proved reserves in place at the end of the period using year-end costs and assuming continuation of existing economic conditions. The standardized measure presented here does not include the effects of federal income taxes, as the Company is taxed as a partnership and not subject to federal income taxes; however, the Company is subject to the Texas margin tax, which is included. The resulting future net cash flows are reduced to present value amounts by applying a 10 percent annual discount factor.

The standardized measure of discounted future net cash flows relating to the Company's proved oil and natural gas reserves is as follows as of December 31, 2023:

	2023
Future cash inflows	$ 10,742,871,040
Future production costs	(2,714,595,712)
Future development costs	(1,383,939,200)
Future Texas margin taxes	(16,920,022)
Future net cash flows	6,627,416,106
Less 10 percent annual discount for estimated timing of cash flows	(2,580,951,720)
Standardized measure of discounted future net cash flows	$ 4,046,464,386

The changes in the standardized measure of the future net cash flows relating to proved oil and natural gas reserves for the years ended December 31, 2023 are as follows:

	2023
Balance - Beginning of the year	$ 4,429,740,916
Sales of oil and gas produced - Net of production costs	(609,712,365)
Net changes in prices and production costs	(1,217,580,227)
Previously estimated development costs incurred during the period	377,756,877
Net changes in future development costs	76,035,230
Revisions of previous quantity estimates	(129,253,959)
Extensions	437,896,715
Divestiture of reserves	(4,317,740)
Accretion of discount	444,086,937
Net changes in Texas margin taxes	1,052,174
Changes in timing of estimated cash flows and other	240,759,828
Standardized measure of discounted future net cash flows	$ 4,046,464,386

EXHIBIT 99.2

XCL Resources Holdings, LLC and Subsidiaries

Consolidated Financial Statements
For the period ended June 30, 2024

Contents

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Independent Auditor's Review Report

To the Board of Managers
XCL Resources Holdings, LLC and Subsidiaries

Results of Reviews of Interim Financial Information

We have reviewed the accompanying consolidated financial statements of XCL Resources Holdings, LLC and Subsidiaries (the “Company”), which comprise the consolidated balance sheet as of June 30, 2024 and the related consolidated statements of operations, members’ equity, and cash flows for the six-month periods ended June 30, 2024 and 2023, and the related notes to the consolidated financial statements.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and, accordingly, we do not express such an opinion. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our reviews. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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

Report on Consolidated Balance Sheet as of December 31, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 2023 and the related consolidated statements of operations, members’ equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 18, 2024. In our opinion, the accompanying consolidated balance sheet of the Company as of December 31, 2023 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

/s/ Plante & Moran, PLLC

October 24, 2024

Consolidated Balance Sheet (Unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 63,603,977	$ 36,252,869
Accounts receivable	156,101,087	152,001,562
Oil inventories	11,963,794	7,254,699
Commodity derivative instruments	132,993	11,412,863
Prepaid and other current assets	37,972,153	41,968,361
Total current assets	269,774,004	248,890,354
Oil and Gas Properties, successful efforts method		
Proved properties	2,079,644,940	1,786,642,745
Unproved properties	61,893,153	60,831,162
Accumulated depreciation, depletion, and amortization	(473,411,747)	(321,666,538)
Total oil and gas properties, net	1,668,126,346	1,525,807,369
Other Assets, net	131,072,904	161,077,498
Total assets	**$ 2,068,973,254**	**$ 1,935,775,221**
Liabilities and Members' Equity		
Current Liabilites		
Accounts payable	$ 52,154,104	$ 53,934,087
Commodity derivative instruments	45,383,814	10,508,605
Accrued liabilities	230,636,682	321,492,594
Total current liabilities	328,174,600	385,935,286
Long-term Liabilities		
Asset retirement obligations	8,812,482	7,576,135
Operating lease liabilities	18,032,441	45,856,626
Commodity derivative instruments, net of current	9,809,437	5,719,707
Income tax liability	1,942,447	1,727,115
Credit facility	493,000,000	375,000,000
Total liabilities	859,771,407	821,814,869
Members' Equity		
Contributions	630,566,518	630,566,518
Accumulated earnings	578,635,329	483,393,834
Total members' equity	1,209,201,847	1,113,960,352
Total liabilities and members' equity	**$ 2,068,973,254**	**$ 1,935,775,221**

See notes to consolidated financial statements and independents auditor's review report.

Consolidated Statement of Operations (Unaudited)

	For the Six Months Ended June 30, 2024	2023
Revenue		
Oil sales	$ 512,814,918	$ 326,041,692
Natural gas and natural gas liquid sales	5,612,007	9,131,922
Other revenue	4,413,199	4,629,269
Total revenue	522,840,124	339,802,883
Operating costs and expenses		
Lease operating	36,964,673	26,487,901
Production taxes	11,792,260	6,264,372
Transportation, gathering, and handling	101,369,454	54,316,270
Workover	3,771,778	1,755,559
Depreciation, depletion, amortization, and accretion	149,212,011	90,366,763
General and administrative	13,393,241	7,447,496
Exploration and abandonment	1,048,730	698,098
Cost of acquired oil inventories	—	3,656,265
Total operating costs and expenses	317,552,147	190,992,724
Operating income	205,287,977	148,810,159
Other income (expense)		
Interest expense	(23,042,764)	(16,202,021)
Commodity derivative instrument gain (loss)	(87,037,686)	34,541,803
Other	266,794	(2,278)
Total other income (expense)	(109,813,656)	18,337,504
Income before income taxes	95,474,321	167,147,663
Income tax benefit (expense)	(232,826)	(1,117,364)
Net income	**$ 95,241,495**	**$ 166,030,299**

See notes to consolidated financial statements and independents auditor’s review report.

Consolidated Statement of Members' Equity (Unaudited)

	Members' Contributions	Accumulated Earnings	Total Members' Equity
Balance - December 31, 2023	$ 630,566,518	$ 483,393,834	$ 1,113,960,352
Contributions - Series A	—	—	—
Contributions - Series B	—	—	—
Net income	—	95,241,495	95,241,495
Balance - June 30, 2024	**$ 630,566,518**	**$ 578,635,329**	**$ 1,209,201,847**

	Members' Contributions	Accumulated Earnings	Total Members' Equity
Balance - December 31, 2022	$ 616,026,867	$ 84,398,390	$ 700,425,257
Contributions - Series A	14,401,809	—	14,401,809
Contributions - Series B	137,842	—	137,842
Net income	—	166,030,299	166,030,299
Balance - June 30, 2023	**$ 630,566,518**	**$ 250,428,689**	**$ 880,995,207**

See notes to consolidated financial statements and independents auditor's review report.

Consolidated Statement of Cash Flows (Unaudited)

	For the Six Months Ended June 30, 2024	2023
Cash Flows from Operating Activities		
Net income	$ 95,241,495	$ 166,030,299
Adjustments to reconcile net income to cash provided by operating activities		
Depreciation, depletion, amortization, and accretion	149,212,011	90,366,763
Change in fair value of commodity derivative instruments	52,698,558	(57,538,650)
Amortization of other assets	2,157,760	872,795
Amortization of right-of-use assets	17,638,219	9,298,331
Deferred income tax	215,332	1,117,364
Changes in operating assets and liabilities		
Accounts receivable	(4,099,525)	(33,345,848)
Prepaid and other assets	7,428,105	2,663,237
Accounts payable and accrued liabilities	(7,934,727)	1,826,781
Operating leases	(18,307,416)	(11,140,571)
Asset retirement obligation settlements	(236,916)	(237,354)
Net cash provided by operating activities	294,012,896	169,913,147
Cash Flows from Investing Activities		
Proceeds from sale of oil and gas assets	4,527,912	—
Investments in oil and gas properties	(291,551,440)	(219,435,959)
Purchase of materials and supplies and other assets	(89,301,127)	(55,825,573)
Net cash used in investing activities	(376,324,655)	(275,261,532)
Cash Flows from Financing Activities		
Contributions	—	14,539,651
Proceeds from credit facility	128,000,000	95,000,000
Payments on credit facility	(10,000,000)	—
Deferred financing costs	(8,337,133)	(979,746)
Net cash provided by financing activities	109,662,867	108,559,905
Net increase in Cash and Cash Equivalents	27,351,108	3,211,520
Cash and Cash Equivalents - beginning of period	36,252,869	27,117,034
Cash and Cash Equivalents - end of period	$ 63,603,977	$ 30,328,554
Supplemental Cash Flow Information		
Cash paid for interest	$ 21,088,452	$ 15,131,947
Significant Noncash Transactions		
Oil and gas properties expenditures included within accounts payable and accrued liabilities	$ (32,269,713)	$ 18,205,554
Materials and supplies expenditures included within accounts payable and accrued liabilities	10,574,788	19,276,823
Transfers of materials and supplies to oil and gas properties	(57,231,404)	(61,047,378)
Asset retirement obligation incurred	1,236,322	716,549
Deposits applied to sale of oil and gas assets	19,000,000	—
Operating lease liabilities arising from obtaining right-of-use assets	8,702,056	40,578,639

See notes to consolidated financial statements and independents auditor’s review report.

Note 1 - Nature of Business

XCL Resources Holdings, LLC (the "Company"), a Delaware limited liability company, was formed on July 3, 2018. Through its wholly-owned subsidiaries, XCL Intermediate, LLC, XCL AssetCo, LLC, XCL RoyaltyCo, LLC, XCL Marketing, LLC, Wasatch Water Logistics, LLC, XCL SandCo LLC, and XCL Resources, LLC, the Company is engaged in the acquisition, exploration, exploitation, and production of its operated, non-operated, and royalty interests in oil and natural gas properties throughout the United States of America and currently owns interests primarily in Utah's Uinta Basin. The Company began substantial operations in 2019 upon the completion of acquisitions of oil and gas assets.

Note 2 - Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the Company and its wholly-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Depletion, depreciation, and amortization ("DD&A") and impairment of proved oil and gas properties are determined using estimates of oil and gas reserves. There are numerous uncertainties in estimating the quantity of reserves and in projecting the future rates of production and timing of development expenditures, including future costs to dismantle, dispose, and restore the Company's properties. Oil and gas reserve engineering must be recognized as a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact way.

In addition, estimates with regard to the financial statements include the estimated realizability of proved and unproved properties, the estimated cost and timing related to asset retirement obligations, accrued revenues and liabilities, and the fair value of commodity derivative instruments.

Although management believes the estimates with regard to the consolidated financial statements are reasonable, actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instrument purchases with an original maturity of three months or less to be cash equivalents. The Company continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet dates and during the periods, balances of cash and cash equivalents were primarily held with one financial institution and exceeded the federally insured limit.

Concentrations of Credit Risk

The Company's accounts receivables are generated primarily from the sale of oil, natural gas, and natural gas liquids to purchasers and from the billing of expenditures incurred by the Company to joint interest owners for costs incurred on properties the Company operates.

The Company continually monitors the financial condition of its purchasers and joint interest owners and assesses the recoverability of the receivables to determine their collectability. As the receivables are primarily with other entities within the oil and gas industry, such concentration may impact the Company's credit risk as these entities may be similarly impacted by economic or other changes within the oil and gas industry.

The Company accrues a reserve for the allowance for credit losses based on management's current estimate of expected credit losses that includes historical credit loss experience of financial assets with similar risk characteristics, adjusted for management's expectation of current conditions and reasonable and supportable forecasts. The risk of nonpayment by the joint interest owners is considered minimal, as the Company generally has the right to withhold revenue to offset amounts receivable. The Company's accounts receivables relate primarily from the sale of oil, condensate, natural gas, and natural gas liquids and are generally collected within one to two months.

To date, the Company has not had any bad debts.

During the six-month periods ended June 30, 2024 and 2023, five purchasers made up approximately 78% and 83% of the Company's oil, natural gas, and natural gas liquid sales, respectively. Substantially all of the Company's revenue receivables as of June 30, 2024 and December 31, 2023 are made up of amounts from these same five purchasers.

Oil Inventories

The Company's crude oil inventory represents oil maintained in tanks at the Company's leased rail terminal (the "transload facility") and/or crude that is in transit FOB destination on leased railcars to refineries primarily in the Gulf Coast, Midwest and Southwest United States of America. Oil inventories is costed primarily of depletion, depreciation, and amortization and lease operating expenses associated with the oil maintained in tanks or on railcars and is carried at the lower of cost or net realizable value. The Company accounts for its crude oil inventory using the first-in, first-out method.

Materials and Supplies

Materials and supplies are reported within the prepaid and other current assets line on the balance sheet. The Company's materials and supplies, including tubular goods, completion materials, and production and facility equipment, are carried at the lower of cost or net realizable value. Materials and supplies are generally purchased for use in the Company's oil and gas drilling, completion, and production activities and are transferred to proved oil and gas properties, net to the Company's interests, when the associated asset is placed in service.

Oil and Gas Properties

The Company follows the successful efforts method of accounting for oil and gas activities. Under this method of accounting, costs associated with the acquisition, drilling, and equipping of successful exploratory wells and costs of successful and unsuccessful development wells are capitalized and depleted, net of estimated salvages values, using the units-of-production method on a field-by-field basis based upon proved oil and gas reserves. The Company's proved oil and gas reserve information was computed by applying the average first-day-of-the-month oil and gas price during the preceding 12-month period. Depreciation, depletion, and amortization expense was $148,048,531 and $89,498,165 for the six-month periods ended June 30, 2024 and 2023, respectively, net of amounts capitalized as inventory. Exploration, geological and geophysical costs, delay rentals, and drilling costs of unsuccessful exploratory wells are charged to expense as incurred.

Costs associated with unevaluated exploratory wells are excluded from the depletable basis until the determination of proved reserves, at which time those costs are reclassified to proved oil and gas properties and subject to depletion. If it is determined that the exploratory well costs were not successful in establishing proved reserves, such costs are expensed at the time of such determination.

The Company reviews its oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of their carrying value. The Company estimates the expected future cash flows of its proved oil and gas properties and compares such cash flows to the carrying amount of the proved oil and gas properties to determine if the amount is recoverable. If the carrying amount exceeds the estimated undiscounted future cash flows, the Company will adjust its proved oil and gas properties to estimated fair value. The factors used to estimate fair value include estimates of proved reserves, future commodity prices adjusted for basis differentials, future production estimates, anticipated capital expenditures, and a discount rate commensurate with the risk associated with realizing the projected cash flows. The discount rate is a rate that management believes is representative of current market conditions and includes estimates for a risk premium and other operational risks. There were no proved oil and gas property impairments during the six-month periods ended June 30, 2024 and 2023.

Unproved oil and gas properties are assessed at least annually to determine whether they have been impaired by the drilling of dry holes on or near the related acreage or other circumstances that may indicate a decline in value. When unproved property is determined to be impaired, a loss equal to the portion impaired is recognized. When leases for unproved properties expire, the costs thereof, are removed from the accounts and charged to expense. There were no unproved property impairments during the six-month periods ended June 30, 2024 and 2023.

From time to time, the Company may sell its oil and gas properties. The partial sale of proved properties within an existing field may be accounted for as a normal retirement and no gain or loss on divestiture is recognized as long as this treatment does not significantly affect the units-of-production depletion rate. The partial sale of unproved property is accounted for as a recovery of cost when substantial uncertainty exists as to the ultimate recovery of the cost applicable to the interest retained. A gain on divestiture activity is recognized to the extent that the sales price exceeds the carrying amount of the unproved property. A gain or loss is recognized for all other sales of proved and unproved properties. There were no sales of proved or unproved oil and gas properties for the six-month period ended June 30, 2023.

In June 2023, the Company entered into a purchase and sale agreement with a buyer for certain of the Company's royalty and mineral interests in Utah's Uinta Basin. The purchase price for the transaction was $32.0 million and subject to customary adjustments. The purchase and sale agreement required performance deposits, of which $19.0 million have been paid through December 31, 2023 and were presented as a buyer performance deposit. The transaction closed in April 2024 for a final adjusted close price of $23.5 million. The Company elected to account for the sale as a normal retirement with no gain or loss recorded on the divestiture.

Other Assets

Other assets include deferred financing costs, property and equipment, operating lease right-of-use assets, and non-current commodity derivative instruments.

Property and equipment, which includes leasehold improvements, furniture and fixtures, and equipment, is recorded at cost and depreciated using the straight-line method over the assets' estimated useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred. Depreciation expense for property and equipment totaled $769,185 and $553,118 for the six-month periods ended June 30, 2024 and 2023, respectively.

Deferred financing costs represent legal and consulting costs associated with the Credit Facility (Note 6) and are $8,324,231 and $2,144,858, net of accumulated amortization as of June 30, 2024 and December 31, 2023, respectively. Such charges are amortized on a straight-line basis over the term of the Credit Facility.

The Company's right-of-use (ROU) assets are operating leases that represent the Company's right to use an underlying asset for the lease term (Note 9). These ROU assets are related to the Company's operating leases with various operations, transportation, and office lease contracts.

Long-Lived Assets

The Company reviews the recoverability of long-lived assets, property and equipment, and right-of-use assets when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future undiscounted cash flows of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Asset Retirement Obligation

Asset retirement obligations (AROs) relate to estimated plugging and abandonment costs of oil and gas properties, including facilities, and the reclamation of the Company's well locations. The Company records the fair value of an ARO in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes an estimated cost by increasing the carrying amount of proved oil and gas properties. Over time, the liability is accreted each period toward an estimated future cost, and the capitalized cost is depleted. The Company uses the income valuation technique to estimate the fair value of AROs using the amounts and timing of expected future dismantlement costs, credit-adjusted risk-free rate, market risk premiums, and time value of money. All of the inputs are estimated at the time the liability is incurred or revised upward.

Revisions to the liability could occur due to changes in estimated abandonment costs or well economic lives or if federal or state regulators enact new requirements regarding the abandonment of wells. Adjustments to the liability are made as these estimates change, and, upon settlement of the liability, the Company reports a gain or loss to the extent the actual costs differ from the recorded liability.

Discontinued Operations and Assets Held for Sale

Utah Uinta Basin Oil and Gas Assets Sale

In June 2024, the Company entered into an acquisition agreement with a public company (the "Purchaser") to sell its Utah Uinta Basin oil and gas assets, which comprised of substantially all of the Company's oil and gas assets, for a cash purchase price of $2.54 billion. Immediately prior to closing, the Purchaser, who will serve as the operator, assigned an undivided 20% interest in and to the acquisition agreement to another public company. The acquisition, which was subject to customary conditions to close, closed on October 1, 2024, with an effective date of May 1, 2024. Subsequent to close, certain cash proceeds were used to pay off outstanding borrowings under the Credit Facility (Note 6), pay distributions to Members, (Note 5), and terminate all remaining open derivative contracts (Note 4).

The Company determined that the transaction met the reporting and disclosure requirements of discontinued operations as upon entering into the agreement in June 2024, the Company determined the transaction met the requirements of assets held for sale and that the divestiture of the assets represented a strategic shift that will have a major effect on the Company's operations and financial results. As these assets make up substantially all of the oil and gas properties and the asset retirement obligations on the consolidated balance sheet, substantially all of the revenue and operating expenses on the consolidated statement of operations, and substantially all of the cash flows from operating and investing activities, these assets, liabilities, and operating results have not been presented as held for sale or discontinued operations.

Revenue Recognition

The Company's revenue is primarily derived from the sale of its produced oil, natural gas, and natural gas liquids. The Company sells its produced oil, natural gas, and natural gas liquids under a variety of short-term and long-term agreements with numerous customers. The Company's revenue is primarily derived from produced oil, natural gas, and natural gas liquids from oil and gas wells operated by the Company. The Company also receives revenue from its ownership in non-operating and royalty interests. For the six-month period ended June 30, 2023, sales of oil of approximately $4.5 million were related to oil the Company purchased from third party producers.

Revenue is recognized in the month in which the contractual performance obligations are satisfied, which is generally at the point in time when the customer obtains control of the produced oil, natural gas, and natural gas liquids. The point in time when the customer obtains control may differ depending on the contractual terms of each of the Company's sales agreements and generally occurs when the customer accepts, takes possession, title to, and bears the risk of loss of the produced oil, natural gas, and natural gas liquids.

All of the Company's sales of produced oil, natural gas, and natural gas liquids are made under contracts with customers, which typically include variable consideration based on monthly pricing tied to published indices and volumes delivered. While revenue is recorded at the point in time when control of the produced oil, natural gas, and natural gas liquids transfer to the customer, statements and payment from those customers may not be received for one to two months after the date the produced oil, natural gas, and natural gas liquids are delivered, and as a result, the amount of production delivered to the customer and the price that will be received for the sale of the product is estimated utilizing production reports, contractual pricing, and market indices. Estimated revenue due to the Company is recorded as a revenue receivable within accounts receivable in the accompanying balance sheet until payment is received. Differences between the estimated amounts and the actual amounts received from the sale of the produced oil, natural gas, and natural gas liquids are recorded when known, which is generally when payment is received from the customer. The revenue receivable balance on January 1, 2023 was approximately $65.6 million.

For the Company’s produced oil sales agreement, the Company generally delivers produced oil to customers at defined locations, including tank batteries, common delivery points near the production location, or at other defined delivery locations including terminal facilities. Upon delivery to the customers, the Company is entitled to an agreed-upon index price, net of pricing differentials for each barrel produced (net realized price). The Company recognizes revenue when control transfers to the customers at the tank batteries and common delivery points near the production location, or at other defined delivery locations at the net realized price.

Transportation and gathering costs, including the costs for the leasing and transporting railcars, is recorded as transportation, gathering, and handling on the accompanying consolidated statement of operations to the extent such costs are incurred prior to the transfer of control of produced crude oil to the customers.

Commodity Derivative Instruments

The Company uses derivative instruments to provide a measure of stability to its cash flows and manage its exposure to commodity price risk in an environment of volatile oil and natural gas prices. The Company records all derivative instruments at fair value within the accompanying consolidated balance sheet. The Company does not apply hedge accounting to any of its outstanding derivative instruments, and as a result, all changes in derivative fair value are recognized in earnings.

Realized gains and losses associated with commodity derivatives are classified as operating activities in the accompanying consolidated statement of cash flows.

Unit-Based Compensation

For any Series B Units which are issued at prices less than their estimated fair value, and for all Series C Units, the Company recognizes unit-based compensation expense over the requisite service period for unit-based awards to holders based on the estimated grant date fair value of the awards. During the six-month periods ended June 30, 2024 and 2023, the Company did not record any unit-based compensation expense related to the Series B Units as all Series B Units issued have been at prices equal to, or in excess of, their estimated fair value and the Company did not record any unit-based compensation expenses related to the Series C Units as the amounts were de minimis.

Income Taxes

The Company is a limited liability company treated as a partnership for U.S. federal, state, and local income tax purposes. Accordingly, members are generally taxed on their allocable share of taxable income or loss as determined under the Company's operating agreement. The Company evaluates uncertain tax positions for measurement and recognition in the financial statements. To recognize a tax position, the Company determines whether it is more-likely-than-not the tax positions will be sustained upon examination. The Company has no uncertain tax positions requiring measurement and recognition in the financial statements as of June 30, 2024 and December 31, 2023. Due to IRS rules, adjustments resulting from an IRS audit of the Company may be assessed at the Company level.

The State of Texas assesses a franchise tax at the Company level. As of June 30, 2024 and December 31, 2023, the Company recorded a deferred tax liability associated with such franchise taxes totaling $1.9 million and $1.7 million, respectively. For the six-month periods ended June 30, 2024 and 2023, the Company recorded an income tax expense of $232,826 and $1.1 million, respectively, associated with such franchise taxes. These deferred taxes reflect the impact of temporary differences between assets and liabilities recognized under accounting principles generally accepted in the United States and such amounts recognized for tax purposes. The primary differences resulting in the Company’s deferred taxes are a result of differing treatment of intangible drilling costs recorded as part of the Company’s oil and gas properties.

Leases

The Company primarily leases office space, trucking fleets, railcars, and drilling, completion, and production equipment from third parties. The Company determines if a contract is a lease at inception. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term begins on the commencement date, which is the date the Company takes possession of the asset and may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Certain of the Company’s leases contain renewal options for varying periods, which can be exercised at the Company’s sole discretion. Leases are classified as operating or finance leases based on factors such as the lease term, lease payments, and the economic life, fair value and estimated residual value of the asset. Where leases include options to purchase the leased asset at the end of the lease term, this is assessed as a part of the Company’s lease classification determination. The Company’s leases have remaining lease terms ranging from 1 to 8 years.

The Company recognizes a ROU asset and lease liability to account for its leases. ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent the Company’s obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized on the commencement date based on the present value of lease payments over the lease term. ROU assets are based on the lease liability and are increased by prepaid lease payments and decreased by lease incentives received. Lease incentives are amortized through the lease asset as reductions of expense over the lease term. For leases where the Company is reasonably certain to exercise a renewal option, such option periods have been included in the determination of the Company’s ROU assets and lease liabilities.

Leases typically contain rent escalations over the lease term. The Company recognizes costs for these leases on a straight-line basis over the lease term. Some leases include rent escalations based on inflation indexes and fair market value adjustments. Certain leases contain contingent rental provisions that include a fixed base rent plus an additional variable percentage of the tenant's operating costs. Operating lease liabilities are calculated using the prevailing index or rate at lease commencement. Subsequent escalations in the index or rate and contingent rental payments are recognized as variable lease expenses. Certain leases require the Company to pay taxes, insurance, maintenance and other operating expenses associated with the leased asset. Such amounts are not included in the measurement of the ROU assets and lease liabilities to the extent they are variable in nature. These variable lease costs are recognized as a variable lease expense when incurred.

As a practical expedient, lease agreements with lease and non-lease components are accounted for as a single lease component for all of the Company's asset classes.

The Company elected the short-term lease recognition exemption for all leases that qualify. Therefore, leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The depreciable life of the ROU assets and leasehold improvements are limited by the expected lease term unless the Company is reasonably certain of a transfer of title or purchase option. The Company uses its incremental borrowing rate to discount future lease payments based on the information available on the commencement date for each lease as the implicit rate in the lease is not known. The determination of the incremental borrowing rate requires judgment and is determined using the Company's current secured borrowing rate, adjusted for various factors aligned with the lease including total lease payments and lease term.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including the date of the independent auditor's review report, which is the date the consolidated financial statements were available to be issued.

Derivative Cancellations

In July 2024, the Company terminated open derivative contracts with contract settlement dates ranging from July 2024 through July 2025. These contracts had a net derivative liability of $46.3 million at June 30, 2024, which represented 5.9 million barrels of hedged volumes. The termination of the open derivative contracts resulted in additional fees of $10.0 million. The Company's hedge book for contracts with July 2025 or later settlement dates remained unchanged. In addition, the Company entered into new put agreements for $12.4 million, representing 5.4 million barrels of hedged volumes, to target a 50% hedge value on their total expected production through July 2025.

In September of 2024, the Company received a waiver from Wells Fargo to terminate the remaining derivatives in conjunction with the close of the Utah Uinta Basin Oil and Gas Assets Sale. This termination resulted in a gain on derivatives of $32.5 million, with $15.9 million of that gain being related to contracts that were entered into during July of 2024.

Trucking Agreement

In July 2024, the Company entered into an 18-month hauling agreement with a trucking company in the Uinta Basin to facilitate transportation of crude oil from the wellsite to purchasers in Salt Lake City or the Company's transload facility. The term of this agreement commences on July 1, 2024, and continues through December 31, 2025. The minimum volume commitment associated with this agreement is 7,500 barrels per day. The agreement is subject to monthly deficiency payments if the minimum volume is not met of $4.33 per barrel throughout the course of the agreement.

Note 3 - Balance Sheet Disclosures

Accounts Receivable

Accounts receivable consist of the following:

	June 30, 2024	December 31, 2023
Revenue receivable	$ 142,429,809	$ 139,295,253
Joint interest billing receivable	13,671,278	12,706,309
Total accounts receivable	$ 156,101,087	$ 152,001,562

Prepaid and other current assets

Prepaid and other current assets consist of the following:

	June 30, 2024	December 31, 2023
Materials and supplies	$ 36,486,160	$ 32,041,846
Prepaid costs	490,995	9,255,509
Deposits and other assets	1,012,492	671,006
Income tax payable	$ (17,494)	$ —
Total prepaid and other current assets	$ 37,972,153	$ 41,968,361

Proved Oil and Gas Properties

Proved oil and gas properties consist of the following:

	June 30, 2024	December 31, 2023
Leasehold costs	$ 543,244,815	$ 562,653,863
Facility, drilling, and completion costs	1,536,400,125	1,223,988,882
Accumulated depreciation, depletion, and amortization	(473,411,747)	(321,666,538)
Total proved oil and gas properties, net	$ 1,606,233,193	$ 1,464,976,207

Other Assets, net

Other assets, net consist of the following:

	June 30, 2024	December 31, 2023
Right-of-use assets	$ 109,414,007	$ 155,836,359
Deposit for pending acquisition	12,752,500	—
Furniture, fixture and equipment, net	582,166	642,532
Commodity derivative instruments, non-current	—	2,453,749
Debt issuance costs, net of amortization	8,324,231	2,144,858
Total other assets, net	$ 131,072,904	$ 161,077,498

Pending Oil and Gas Property Acquisition

In January of 2024, the Company entered into a purchase and sale agreement and made a $12.8 million deposit into an escrow account for a potential acquisition of oil and gas properties. The purchase and sale agreement closed on July 18, 2024 for a net purchase price of $62.4 million.

Accrued Liabilities:

Accrued liabilities consist of the following:

	June 30, 2024	December 31, 2023
Suspended revenues	$ 41,012,516	$ 50,006,800
Lease liability - operating	93,980,180	113,876,061
Revenue payable	3,525,105	10,552,924
Production taxes payable	17,133,495	19,480,540
Operating expenses	6,888,006	10,159,742
General and administrative	5,024,646	4,797,677
Buyer performance deposit	—	19,000,000
Capital expenditures	61,790,746	92,832,682
Interest	1,281,988	786,168
Total accrued liabilities	$ 230,636,682	$ 321,492,594

Note 4 - Commodity Derivative Instruments

The Company classifies the fair value amounts of commodity derivative assets and liabilities as net current or noncurrent derivative assets or net current or noncurrent derivative liabilities, whichever the case may be, by commodity and counterparty.

The Company had the following open commodity derivative instruments as of June 30, 2024:

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Price per Bbl	Price Index	Contract Period	Fair Value
Oil Swap	635,900	$ 70.23	Oil-WTI-NYMEX	Third Quarter 2024	$ (6,408,451)
Oil Swap	661,600	70.51	Oil-WTI-NYMEX	Fourth Quarter 2024	(4,973,946)
Oil Swap	3,708,300	70.408	Oil-WTI-NYMEX	2025	(15,440,840)
Oil Swap	1,425,300	70.49	Oil-WTI-NYMEX	2026	(1,211,216)

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Price Floor per Bbl	Weighted Average Price Ceiling per Bbl	Price Index	Contract Period	Fair Value
Oil Collar	1,571,266	$ 68.26	$ 76.44	Oil-WTI-NYMEX	Third Quarter 2024	$ (8,456,414)
Oil Collar	1,606,731	69.50	75.70	Oil-WTI-NYMEX	Fourth Quarter 2024	(6,125,558)
Oil Collar	872,000	54.98	62.57	Oil-WTI-NYMEX	2025	(11,792,618)

Contract Type	Total Quantity Remaining (Bbl)	Weighted Average Strike Price per Bbl	Price Index	Contract Period	Fair Value
Purchased Oil Put	77,000	$ 75.00	Oil-WTI-NYMEX	Third Quarter 2024	$ (223,876)
Purchased Oil Put	366,000	75.00	Oil-WTI-NYMEX	Fourth Quarter 2024	(427,339)

See independent auditor’s review report.

As of June 30, 2024 and December 31, 2023, the Company's commodity derivative instruments were subject to enforceable master netting arrangements that provide for offsetting of amounts payable or receivable between the Company and the counterparties. The agreements also provide that, in the event of an early termination or default, the counterparties have the right to offset amounts owed or due under that and any other agreement with the same counterparty. See Note 2 for subsequent activity related to commodity derivative instruments.

The following tables reconcile the Company's outstanding derivative instruments on a gross contract basis to the net contract basis presentation on the consolidated balance sheets and the related fair value at the consolidated balance sheet date:

		June 30, 2024		
	Balance Sheet Classification	Gross Assets / Liabilities	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilities
Commodity derivative assets:				
	Current assets	$ 5,427,840	$ (5,294,847)	$ 132,993
	Noncurrent assets	206,655	(206,655)	—
Total derivative assets		$ 5,634,495	$ (5,501,502)	$ 132,993
Commodity derivative liabilities:				
	Current liabilities	$ (50,678,661)	$ 5,294,847	$ (45,383,814)
	Noncurrent liabilities	(10,016,092)	206,655	(9,809,437)
Total derivatives liabilities		$ (60,694,753)	$ 5,501,502	$ (55,193,251)

Included within June 30, 2024 current liabilities in the table above are $1.9 million of obligations representing deferred premium payments for certain purchased puts.

		December 31, 2023		
	Balance Sheet Classification	Gross Assets/ Liabilites	Gross Amounts Offset	Net Recognized Fair Value Assets/ Liabilites
Commodity derivative assets:				
	Current assets	$ 42,138,501	$ (30,725,638)	$ 11,412,863
	Noncurrent assets	7,580,463	(5,396,714)	2,453,749
Total derivative assets		$ 49,988,964	$ (36,122,352)	$ 13,866,612
Commodity derivative liabilites:				
	Current liabilites	$ (41,234,243)	$ 30,725,638	$ (10,508,605)
	Noncurrent liabilites	(11,116,421)	5,396,714	(5,719,707)
Total derivatives liabilites		$ (52,350,664)	$ 36,122,352	$ (16,228,312)

Included within December 31, 2023 current assets and current liabilities in the table above are $3.9 million and $3.9 million, respectively, of obligations representing deferred premium payments for certain purchased puts.

The table below summarizes the location and amount of commodity derivative instrument gains and losses reported on the consolidated statement of operations for the six-month periods indicated below:

	For the Six-Month Period Ended June 30, 2024	For the Six-Month Period Ended June 30, 2023
Other income (expense):		
Unrealized gain (loss)	$ (52,698,558)	$ 57,538,650
Realized loss	(34,339,128)	(22,996,847)
Commodity derivative instruments gain (loss)	$ (87,037,686)	$ 34,541,803

Due to the volatility of oil and gas prices, the estimated fair values of the Company's commodity derivative instruments are subject to large fluctuations from period to period.

The counterparties in all of the Company's derivative instruments are lenders in the Company's Credit Facility. Accordingly, the Company is not required to post collateral since the Credit Facility is secured by substantially all of the Company's oil and gas properties.

Note 5 - Members' Equity

The Company issues Series A, B, and C units under the terms of its July 2018 Amended and Restated Limited Liability Company Agreement (the "Agreement").

The total authorized number of each of the classes of series, together with the number of units issued and outstanding are as follows as of June 30, 2024 and December 31, 2023:

	Authorized	Issued and Outstanding
Series A Units (Institutional Investors)	Unlimited	614,345,000
Series B Units (Management Investors)	5,880,000	5,880,000
Series C Units (Management Investors and Employees)	100,000	99,100

Series A and B units were issued for $1 per unit. As of June 30, 2024 and December 31, 2023, aggregate capital commitments total $620,225,000, of which all $620,225,000 had been funded.

The affairs of the Company are overseen by the Board of Managers. The Board of Managers are comprised of four managers designated by the Institutional Investors, three managers designated by the Management Investors, and one manager designated with the approval of at least one Institutional Investor designated manager and one Management Investor designated manager.

Allocations of profits, losses, distributions, and other items are done in accordance with the provisions within the Agreement.

Upon the event of a Management Investor default, as defined, the Company has the option to cause the defaulting unitholder to sell its Series B Units at a defined price and forfeit any Series C Units. Upon termination of employment of any Management Investor, its respective remaining capital commitment shall be reduced to $0.

All Series B Units issued since inception have been at prices equal to, or in excess of, their estimated fair value. As a result, no unit-based compensation expense has been recognized on Series B Units issued to Management Investors.

In the event that the employment of a Series B unitholder is terminated by the Company for cause or by the unitholder without good reason, the Company has the option to repurchase all of that unitholder's Series B Units at the lower of the unitholder's cost basis or defined appraisal value. In the event that the employment of a Series B unitholder is terminated by the Company without cause or by the unitholder for good reason, or as a result of death or disability, the Company has the right, but not the obligation, to repurchase such unitholder's Series B Units at the defined appraisal value.

Series C Units are authorized for issuance to certain Management Investors and employees of the Company. The Series C Units entitle the holder to the right to receive distributions from the Company upon the attainment of the specific payout threshold, as defined in the Agreement. The Series C Units vest 12.5% on each anniversary of the issuance date for the first four years. The remaining 50% will become vested upon the consummation of a qualified exit event, as defined.

Upon termination of employment of a Series C unitholder by the Company for cause or by the unitholder without good reason, all Series C Units, whether vested or unvested, will be forfeited. Upon death or disability by the unitholder, all unvested Series C units will become tentatively vested Series C Units. If an exit event occurs on or prior to the date that is six months following the death or disability of the unitholder, then all unvested Series C units become vested. If an exit event does not occur within six months following the death or disability of the unitholder, then the unvested Series C units are forfeited. Upon termination of the employee by the Company for any reason other than cause, or by the Series C Unitholder for good reason, all unvested Series C Units are forfeited. For any vested Series C Units, the Company has the right, but not the obligation, to repurchase such unitholder's Series C Units at the defined appraisal value.

All Series C Units issued since inception have had de minimis grant-date fair value. As a result, no unit-based compensation expense has been recognized on Series C Units issued to Management Investors and employees.

A summary of the activity associated with the Series C Units during the six-month periods ended June 30, 2024 and 2023 is as follows:

	For the Six-Month Period Ended June 30,	
	2024	2023
Series C Units at beginning of period	99,100	98,500
Granted	—	600
Forfeited	—	—
Series C Units at end of period	99,100	99,100

Note 6 - Credit Facility

On December 20, 2019, the Company entered into a syndicated revolving credit facility with Wells Fargo Bank, N.A., as administrative agent and lender, (the "Credit Facility"). The Credit Facility provides for a maximum $1.0 billion credit facility with an initial borrowing base of $170.0 million. Interest on amounts outstanding under the Credit Facility accrues at percentages as defined in the Credit Facility, plus a margin depending upon the amount drawn under the borrowing base. On a quarterly basis the Credit Facility also requires commitment fees assessed at annual rates of 0.50% on any unfunded portion of the borrowing base.

As of December 31, 2023, the Company had borrowings of $375.0 million outstanding under the Credit Facility which had a borrowing base of $550.0 million and an elected commitment amount of $500 million. The Credit Facility had a weighted average interest rate of 8.91% for the year ended December 31, 2023 and an interest rate of 8.95% at December 31, 2023. The Credit Facility was scheduled to mature on December 20, 2024. The Seventh Amendment to the Credit Agreement, dated as of January 5, 2024, increased the borrowing base and elected commitment amount to $650.0 million and extended the Maturity Date from December 20, 2024 to December 20, 2027. The Eighth Amendment to the Credit Agreement, dated as of May 28, 2024, increased the borrowing base and elected commitment amount from $650.0 million to $700.0 million. As of

June 30, 2024, the Company had borrowings of $493.0 million outstanding under the Credit Facility. The Credit Facility had a weighted average interest rate of 9.02% for the six-month period ended June 30, 2024, and an interest rate of 8.93% at June 30, 2024.

The Credit Facility contains customary affirmative and negative covenants, including both financial covenants and commodity hedged minimum and maximum requirement covenants, as defined, and is collateralized by substantially all of the Company's oil and gas properties. As of June 30, 2024, the Company was in compliance with the financial covenants. The commodity hedging arrangements require a maximum hedge covenant of 85% of forecasted production from proved reserves with a maximum tenor of 60 months, subject to a lookback test. The Credit Facility also contains an excess cash threshold provision which requires cash balances, other than cash held for specific excluded purposes, as defined, held by the Company in excess of the greater of $35.0 million or 15% of the borrowing base then in effect to be used to pay down outstanding amounts under the Credit Facility. It also requires that upon entering into a credit event, as defined, including new borrowings under the Credit Facility, no excess cash, defined as the greater of $25.0 million or 10% of the borrowing base then in effect, shall exist.

The Credit Facility also has customary restrictions on distributions, other investments, and new or additional debt, and automatic reductions to the borrowing base upon certain property dispositions or issuance of additional permitted debt. The borrowing base is redetermined semi-annually and optional interim redeterminations are available at the option of the Company and the lenders. Amounts outstanding under the Credit Facility may be prepaid without penalty, and reborrowed, subject to the borrowing base then established.

Letter of Credit

In conjunction with the Third Amendment to the Credit Facility on May 24, 2022, a Series A Unitholder (Note 5), a related party, entered into a guarantee agreement with the administrative agent of the Company's Credit Facility. The guarantee agreement, which provided collateral in support of the Company's borrowing base was initially for $75.0 million and was reduced to $60.0 million in the Fourth Amendment of the Credit Facility on December 14, 2022. The guarantee agreement, which contained certain financial covenants of the Series A Unitholder (Note 5), a related party, expired on March 30, 2023 upon the execution of the Fifth Amendment to the Credit Facility which increased the borrowing base to $400.0 million.

Note 7 - Asset Retirement Obligations

During the six-month period ended June 30, 2024 and year ended December 31, 2023, ARO additions were made for acquired wells and additional wells drilled.

A reconciliation of the changes in the Company's ARO liability is as follows:

	June 30, 2024	December 31, 2023
Asset retirement obligations - beginning of period	$ 7,576,135	$ 5,227,319
Liabilities incurred	1,236,322	2,324,379
Settlements	(236,916)	(317,030)
Accretion	236,941	341,467
Asset retirement obligations - end of period	$ 8,812,482	$ 7,576,135

Note 8 - Fair Value Measurements

Authoritative guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date. The guidance established a hierarchy for inputs used in measuring fair value that maximized the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions is what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

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

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

Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or

Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The following tables present the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2024 and December 31, 2023 by level within the fair value hierarchy.

	June 30, 2024			
	Level 1	Level 2	Level 3	Total
Commodity derivative instruments				
Assets	$ —	$ 132,993	$ —	$ 132,993
Liabilities	$ —	$ (55,193,251)	$ —	$ (55,193,251)

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Commodity derivative instruments				
Assets	$ —	$ 13,866,612	$ —	$ 13,866,612
Liabilities	$ —	$ (16,228,312)	$ —	$ (16,228,312)

As of June 30, 2024 and December 31, 2023, the Company's commodity derivative instruments consisted of oil swaps, collars, and puts. The fair value of the swaps was determined under the income valuation technique using a discounted cash flows model. The fair value of the collars and puts were determined using an option pricing model. These valuation models require a variety of inputs, including contractual terms, published forward prices, estimated volatilities, and discount rates, as appropriate. The Company's estimates of fair value of derivatives include consideration of the counterparty's credit worthiness, the Company's credit worthiness, and the time value of money. The consideration of these factors results in an estimated exit-price for each derivative asset or liability under a market participant's view. All of the significant inputs are observable, either directly or indirectly; therefore, the Company's derivative instruments are included within the Level 2 fair value hierarchy.

The Company uses the income valuation technique to estimate the fair value of asset retirement obligations using the amounts and timing of expected future dismantlement costs, credit-adjusted risk-free rate, market risk premium adjustments, and time value of money. Accordingly, the fair value is based on unobservable pricing inputs and therefore, is considered a Level 3 value input in the fair value hierarchy. The asset retirement obligations are estimated based on projected cash flows, an estimated long-term inflation rate, and a discount rate based on estimated credit-adjusted, risk-free rate inclusive of market and risk premium conditions.

Note 9 – Leases

As of June 30, 2024, the Company has lease arrangements for office space, trucking fleets, railcars, and drilling and completion rigs. These leases expire at various dates through 2031.

	Year 1	2-3 Years	4-5 Years	>5 Years	Total
Rail Cars	$ 9,858,505	$ 10,278,480	$ 2,429,700	$ —	$ 22,566,685
Trucking	27,385,000	2,130,417	—	—	29,515,417
Completion Rig	52,605,000	—	—	—	52,605,000
Drilling Rig	6,243,750	—	—	—	6,243,750
Compressors and Vapor Recovery Units	1,994,400	561,000	—	—	2,555,400
Office space	628,818	1,183,242	1,156,567	1,289,232	4,257,859
Total	$ 98,715,473	$ 14,153,139	$ 3,586,267	$ 1,289,232	$ 117,744,111
Less Imputed Interest:					$ (5,731,490)
Total Lease Liability at June 30, 2024					$ 112,012,621

The Company leases its corporate and field office facilities under non-cancelable operating leases. Remaining commitments for its corporate and field office facilities total approximately $4.3 million through 2031. The corporate office lease contains a one-time early termination provision allowing the Company to terminate the lease in 2027 if certain events occur, as defined, including a sale of all Company assets or equity interests to an unrelated third party as well as an option to extend the lease at the end of the primary term. Both the option to terminate and the option to extend are not included in the lease term as they are not deemed reasonably certain to be exercised.

The Company leases railcars to facilitate transportation of crude oil under non-cancelable agreements. The terms for these agreements extend through 2028 and the remaining minimum commitment totals approximately $22.6 million through 2028. To facilitate the utilization of the railcars, the Company has a transload facility agreement to utilize oil storage tanks and rail terminal near the Company's Uinta Basin oil and gas properties (Note 10).

The Company has agreements with several trucking companies in the Uinta Basin to facilitate transportation of crude oil from the wellsite to purchasers in Salt Lake City or to the Company’s transload facility. The terms for these agreements extend through 2025 and the remaining minimum commitment totals approximately $29.5 million through 2025.

As of June 30, 2024, the Company had four active drilling rig contracts with third-party contractors related to development of the Company’s Uinta Basin property interests. Three of these contracts are accounted for as short-term leases under ASC 842. Minimum commitments associated with the recognized lease at June 30, 2024 total approximately $6.2 million for the remainder of 2024.

In December of 2023, the Company extended its contract with a completion rig for an additional 13 months. Minimum commitments associated with the agreements at June 30, 2024 total approximately $52.6 million through June 30, 2025.

The tables below summarize the Company's operating lease costs and include ROU assets and lease liabilities, amounts recognized in net income during the year and other lease information.

Lease balances, as of:

	June 30, 2024	December 31, 2023
Assets		
Operating lease ROU assets, in Other assets, net	$ 109,414,007	$ 155,836,359
Total lease assets	$ 109,414,007	$ 155,836,359
Liabilities		
Current operating lease liabilities, in accrued liabilities	$ 93,980,180	$ 113,876,061
Long-term operating lease liabilities	$ 18,032,441	$ 45,856,626
Total lease liabilities	$ 112,012,621	$ 159,732,687
Weighted-average remaining lease term (in years):		
Operating leases	1.4 years	1.7 years
Weighted-average discount rate:		
Operating leases	8.2%	8.2%

Lease costs for the six-month periods indicated below are as follows:

	For the Six-Month Period Ended June 30,	
	2024	2023
Lease Cost		
Operating lease cost	$ 60,728,627	$ 39,484,614
Short-term lease cost	28,891,769	21,269,156
Variable lease cost	9,398,797	11,376,239
Total lease cost	$ 99,019,193	$ 72,130,009

Included within operating lease cost are approximately $41.0 million of costs associated the completion rig and one of the Company's drilling rigs for the six-month period ended June 30, 2024 and $29.0 million of costs associated with the completion rig for the six-month period ended June 30, 2023, which were capitalized as a part of oil and gas properties net to the Company's interests.

Note 10 - Commitments and Contingencies

Minimum Volume Commitments

Transload Facility

The Company's transload agreement allows it to utilize comingled oil storage tanks and rail terminal at a transload facility near the Company's Uinta Basin oil and gas properties. This agreement, which was amended during 2023, is effective through 2032. Under the current contract, a minimum volume commitment of $1.65 per barrel exists through December 2028. Any monthly deficiency payments due by the Company shall constitute as prepayments for certain services provided by the facility operator as long as such amounts are used during the three months immediately following the month in which the deficiency occurred. The agreement allows the Company to elect to utilize the facility after expiration of the term, subject to additional reservation fees and fees per barrel. No deficiency fees were paid during the six-month periods ended June 30, 2024 and 2023, and the Company incurred transload fees of $10.6 million and $5.5 million during those periods, respectively.

Year	Minimum Volume Commitment (Barrels per day)
2024	10,000
2025	3,750
2026	3,750
2027	3,750
2028	3,750

Crude Oil Minimum Volume Commitment

In April 2024, the Company entered into a joint crude oil buy/sell and crude oil terminal agreements with an oil and gas marketing company ("the Counterparty"). The buy/sell agreement calls for the Company to sell at least 220,000 barrels of crude each month to the Counterparty's crude oil terminal in Oklahoma for a term beginning in July of 2024 and continuing through May of 2028. The buy/sell agreement is subject to monthly deficiency payments if the minimum volume is not met that range from $4.44 a barrel to $3.16 a barrel throughout the course of the agreement.

Year	Minimum Volume Commitment (Barrels per day)
2024	1,320,000
2025	2,640,000
2026	2,640,000
2027	2,640,000
2028	1,100,000

Rail Transportation Contract

During 2023, the Company entered into a rail transportation services contract with a major railway company through 2028. The minimum commitment associated with this contract for these rail transportation services total 240 crude unit trains during the five-year period. Pricing is determined based on a specific rate per destination, and at a minimum of 84 railcars or a maximum of 88 railcars per crude unit train shipment. A shortfall penalty of $400 per railcar below the minimum commitment not shipped within the term of the agreement will be assessed at the termination of the agreement.

Wyoming Terminal Services Agreement

In March of 2024, the Company entered into a terminal services agreement with a crude oil terminal in Wyoming. The agreement calls for the Company to deliver its first 15,000 barrels a day, subject to production minimums, for the term effective January 2025 through December 2027. The Company is subject to a deficiency fee of $3.00 per barrel, dependent on total production, for any deliveries below 10,000 barrels per day in year 1, 5,000 barrels per day in year 2 and 3,000 barrels per day in year 3.

Sand Mine Operating Agreement

In June 2024, the Company entered into an operating services agreement with a third party who will provide operating services to the Company's owned sand mine. The initial term of the operating services agreement is seven years, with annual renewal provisions subject to either parties' termination upon notice. The Company is to reimburse the third party for all operating costs incurred and to pay a fee of $10 per ton of sand delivered to the Company. If the third-party mines sand in excess of amounts requested by the Company, the third party may market the sand on its own and any sales of such are subject to a $10 per ton payment to the Company and reimbursement of operating costs attributable to such excess sand.

Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. The Company accrues for such items when a liability is both probable and the amount can be reasonably estimated. As of the date of the independent auditor's review report, no legal proceedings are pending that management believes could have a materially adverse effect upon the Company's financial condition or results of operations.

Environmental Matters

As an owner or lessee of oil and gas properties, the Company is subject to various federal, state, and local laws and regulations relating to discharge of materials into and protection of the environment. The Company has policies to ensure continuing compliance with environmental laws and regulations and maintains insurance coverage for certain environmental matters. There can be no assurance that current or future local, state, or federal rules and regulations will not require the Company to spend material amounts to comply with such rules and regulations.

EXHIBIT 99.3

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On June 27, 2024, SM Energy Company, a Delaware corporation ("SM Energy," “Company,” "our," or "we") entered into a Purchase and Sale Agreement (“XCL Acquisition Agreement”) with XCL AssetCo, LLC, a Delaware limited liability company, XCL Marketing, LLC, a Delaware limited liability company, Wasatch Water Logistics, LLC, a Delaware limited liability company, XCL Resources LLC, a Texas limited liability company, and XCL SandCo, LLC, a Delaware limited liability company (collectively, “XCL Sellers” or "XCL Resources"), and, solely for purposes of ratifying certain representations and warranties, interim covenants and interpretative provisions, Northern Oil and Gas, Inc., a Delaware corporation (“NOG”). Pursuant to the XCL Acquisition Agreement, the Company agreed to purchase all of the rights, titles and interests in the Uinta Basin oil and gas assets owned by the XCL Sellers ("XCL Assets"). Concurrently with the execution of the XCL Acquisition Agreement, the Company entered into an Acquisition and Cooperation Agreement (“Cooperation Agreement”) with NOG, pursuant to which the Company and NOG agreed to cooperate in connection with the XCL Acquisition Agreement and NOG agreed to acquire an undivided 20 percent interest in the XCL Assets. Upon execution of the XCL Acquisition Agreement, on June 27, 2024, the Company deposited with an escrow agent a cash deposit of $102.0 million (“Cash Deposit”). Pursuant to the terms of the XCL Acquisition Agreement, the Company had the option to acquire certain additional assets adjacent to the XCL Assets (“Altamont Option Assets”) from the XCL Sellers for a purchase price equal to the XCL Sellers’ cost to acquire the Altamont Option Assets plus the XCL Sellers’ related out of pocket expenses. On August 5, 2024, the Company exercised the option to acquire the Altamont Option Assets.

On October 1, 2024 ("Closing Date"), immediately prior to the closing of the transactions contemplated by the XCL Acquisition Agreement, and as permitted by the XCL Acquisition Agreement and Cooperation Agreement, the Company assigned an undivided 20 percent interest in the XCL Acquisition Agreement to NOG and caused the XCL Sellers to directly assign an undivided 20 percent interest in the XCL Assets and the Altamont Option Assets (together, the "Uinta Basin Assets") to NOG. Accordingly, on the Closing Date, the Company completed the acquisition of an undivided 80 percent interest in the Uinta Basin Assets, with an effective date of May 1, 2024. This transaction is described throughout this report as the "Uinta Basin Acquisition."

On the Closing Date, the unadjusted purchase price, net to the Company's 80 percent undivided interest in the Uinta Basin Assets, was approximately $2.1 billion, and the Company paid approximately $1.9 billion in cash, after preliminary purchase price adjustments, to the XCL Sellers. Additionally, a majority of the Cash Deposit was disbursed to the XCL Sellers on the Closing Date. The remaining portion of the Cash Deposit will remain in escrow pending the completion of post-closing purchase price adjustments, which are expected to occur in the first quarter of 2025 ("Post-Closing Adjustments"). Funding for the Uinta Basin Acquisition was comprised of cash on hand, the release of the majority of the Cash Deposit from escrow, and borrowings under the Company's revolving credit facility. Cash on hand resulted from net cash provided by operating activities, net proceeds from the Company's July 25, 2024 issuance of $750.0 million aggregate principal amount of 6.75% Senior Notes due 2029 ("2029 Senior Notes"), and $750.0 million aggregate principal amount of 7.00% Senior Notes due 2032 ("2032 Senior Notes," and together with the issuance of the 2029 Senior Notes and 2032 Senior Notes, the "Senior Notes Issuance"), partially offset by the use of such net proceeds to redeem the $349.1 million outstanding principal amount of 5.625% Senior Notes due 2025 ("2025 Senior Notes," and the redemption thereof, the "Redemption". The Senior Notes Issuance, the Redemption, the First Amendment and Second Amendment discussed below, are collectively defined as the "Financing Transactions").

On July 2, 2024, the Company and its lenders entered into the First Amendment to the Seventh Amended and Restated Credit Agreement, as amended ("Credit Agreement") to amend certain provisions of the Credit Agreement ("First Amendment") to facilitate financing for the Uinta Basin Acquisition. On October 1, 2024, the Company and its lenders entered into the Second Amendment to the Credit Agreement ("Second Amendment") in conjunction with the closing of the Uinta Basin Acquisition to, among other things: (i) increase the aggregate revolving lender commitments available under the Credit Agreement from $1.25 billion to $2.0 billion; (ii) extend the maturity date of the Credit Agreement; and (iii) modify certain other provisions reflective of the increased aggregate revolving lender commitments, increased Company size and scale, and extended maturity date. Please refer to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, filed with the SEC on November 1, 2024, for additional discussion of the First Amendment, the Second Amendment, and how interest and commitment fees associated with the revolving credit facility are accrued based on a total revolving commitments utilization grid set forth in the Second Amendment ("Utilization Grid").

The following unaudited pro forma condensed combined financial information ("pro forma financial information") is based on SM Energy and XCL Resources' historical financial statements adjusted to reflect the Uinta Basin Acquisition and the Financing Transactions on SM Energy's historical financial position and operating results. The pro forma financial information should be read in conjunction with:

- SM Energy’s consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission ("SEC") on February 22, 2024 ("2023 Form 10-K");
- SM Energy’s condensed consolidated financial statements and notes included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, filed with the SEC on August 8, 2024;

- SM Energy's condensed consolidated financial statements and notes included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, filed with the SEC on November 1, 2024;
- XCL Resources Holdings, LLC and Subsidiaries consolidated financial statements and notes for the year ended December 31, 2023, filed as Exhibit 99.1 to SM Energy's Current Report on Form 8-K filed with the SEC on December 12, 2024, of which this Exhibit 99.3 is a part ("December 12, 2024 Form 8-K/A"); and
- XCL Resources Holdings, LLC and Subsidiaries unaudited interim consolidated financial statements and notes for the six months ended June 30, 2024, filed as Exhibit 99.2 to SM Energy's December 12, 2024 Form 8-K/A.

The unaudited pro forma condensed combined balance sheet ("pro forma balance sheet") as of June 30, 2024, is based on the historical financial statements of SM Energy and XCL Resources Holdings, LLC and subsidiaries as of June 30, 2024, after giving effect to the Uinta Basin Acquisition and the Financing Transactions as if such activity had been completed on June 30, 2024. The unaudited pro forma condensed combined statements of operations ("pro forma statements of operations") for the six months ended June 30, 2024, and the year ended December 31, 2023, are based on the historical financial statements of SM Energy and XCL Resources Holdings, LLC and subsidiaries for such periods after giving effect to the Uinta Basin Acquisition and the Financing Transactions as if such activity had been completed on January 1, 2023 ("pro forma financial statements").

The pro forma adjustments are based on available information and certain assumptions that we believe are reasonable and factually supportable as of the date of this filing. The pro forma financial information is presented for illustrative purposes only, and does not purport to represent what the actual financial condition or results of operations of SM Energy would have been had the Uinta Basin Acquisition and the Financing Transactions occurred on the dates noted above, nor does it project the financial position or results of operations of SM Energy following such activity. Future results may differ significantly from the pro forma amounts presented. Assumptions underlying the pro forma adjustments are described in the accompanying notes, which should be read in conjunction with the pro forma financial statements. In the opinion of our management, all adjustments necessary to present fairly the pro forma financial information have been made.

The pro forma financial information does not reflect the benefits of potential cost savings or the costs that may be necessary to achieve such savings, opportunities to increase revenue generation, capital allocation or capital efficiency decisions, or other factors that may result from the Uinta Basin Acquisition and, accordingly, does not attempt to predict or suggest future results. Additionally, we have incurred, and may continue to incur, certain non-recurring direct transaction costs in connection with the Uinta Basin Acquisition, the substantial majority of which consist of fees paid to financial, legal, and accounting advisors. Any such direct transaction costs could affect the future results of SM Energy in the period in which such direct transaction costs are incurred; however, these direct transaction costs are not expected to be incurred in any period beyond twelve months from the closing date of the Uinta Basin Acquisition. As discussed in the accompanying notes, these direct transaction costs have been capitalized as a component of the cost of the assets acquired and are included as adjustments to these pro forma financial statements.

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2024
(in thousands, except share data)

	Historical		Adjustments [1]			
	SM Energy	**XCL Resources**	**Conforming Reclass**	**Financing Adjustments**	**Transaction Adjustments**	**Pro Forma Combined**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 487,869	$ 63,604	$ —	$ 1,447,769 (g)	$ (1,999,242) (l)	$ —
Accounts receivable	239,095	156,101	—	—	(156,101) (m)	239,095
Oil inventories	—	11,964	(11,964) (a)	—	—	—
Derivative assets	27,208	133	—	—	(133) (m)	27,208
Prepaid expenses and other	20,056	37,972	(36,486) (b)	—	(1,486) (m)	23,528
			11,964 (a)		(11,964) (n)	
					3,472 (o)	
Total current assets	774,228	269,774	(36,486)	1,447,769	(2,165,454)	289,831
Property and equipment (successful efforts method):						
Proved oil and gas properties	12,164,196	2,079,645	(145,170) (c)	—	1,506,669 (o)	13,670,865
					(1,934,475) (p)	
Accumulated depletion, depreciation, and amortization	(7,171,277)	(473,412)	—	—	473,412 (p)	(7,171,277)
Unproved oil and gas properties	286,312	61,893	—	—	416,225 (o)	702,537
					(61,893) (p)	
Wells in progress	336,900	—	145,170 (c)	—	167,335 (o)	504,235
					(145,170) (p)	
Other property and equipment, net of accumulated depreciation	45,402	—	36,486 (b)	—	13,045 (o)	58,447
			583 (d)		(37,069) (p)	
Total property and equipment, net	5,661,533	1,668,126	37,069	—	398,079	7,764,807
Noncurrent assets:						
Acquisition deposit held in escrow	102,000	—	—	—	(102,000) (l)	—
Derivative assets	7,878	—	—	—	—	7,878
Other noncurrent assets	111,372	131,073	(583) (d)	12,862 (h)	(21,076) (m)	182,175
					(109,414) (q)	
					57,941 (r)	
Total noncurrent assets	221,250	131,073	(583)	12,862	(174,549)	190,053
Total assets	**$ 6,657,011**	**$ 2,068,973**	**$ —**	**$ 1,460,631**	**$ (1,941,924)**	**$ 8,244,691**
LIABILITIES AND EQUITY						
Current liabilities:						
Accounts payable and accrued expenses	$ 563,764	$ 52,154	$ 136,657 (e)	$ —	$ (188,811) (m)	$ 563,764
Accrued liabilities	—	230,637	(230,637) (e)	—	—	—
Derivative liabilities	20,552	45,384	—	—	(45,384) (m)	20,552
Other current liabilities	17,469	—	93,980 (e)	—	(93,980) (q)	119,977
					47,564 (r)	
					54,944 (o)	
Total current liabilities	601,785	328,175	—	—	(225,667)	704,293
Noncurrent liabilities:						
Revolving credit facility	—	—	—	341,739 (i)	—	341,739
Credit facility	—	493,000	—	—	(493,000) (m)	—
Senior Notes, net	1,576,896	—	—	1,128,472 (j)	—	2,705,368
Asset retirement obligations	124,499	8,812	—	—	14,164 (o)	138,663
					(8,812) (p)	
Net deferred tax liabilities	440,815	1,942	—	—	(1,942) (s)	440,815
Derivative liabilities	3,305	9,809	—	—	(9,809) (m)	3,305
Operating lease liabilities	—	18,032	(18,032) (f)	—	—	—
Other noncurrent liabilities	65,771	—	18,032 (f)	—	(18,032) (q)	76,148
					10,377 (r)	

	Historical		Adjustments (1)			
	SM Energy	XCL Resources	Conforming Reclass	Financing Adjustments	Transaction Adjustments	Pro Forma Combined
Total noncurrent liabilities	2,211,286	531,595	—	1,470,211	(507,054)	3,706,038
Equity:						
Common stock	1,141	—	—	—	—	1,141
Additional paid-in capital	1,492,859	—	—	—	—	1,492,859
Contributions	—	630,567	—	—	(630,567) (t)	—
Retained earnings	2,352,532	578,635	—	(9,580) (k)	(578,635) (t)	2,342,952
Accumulated other comprehensive loss	(2,592)	—	—	—	—	(2,592)
Total equity	3,843,940	1,209,202	—	(9,580)	(1,209,202)	3,834,360
Total liabilities and equity	**$ 6,657,011**	**$ 2,068,973**	**$ —**	**$ 1,460,631**	**$ (1,941,924)**	**$ 8,244,691**

Note: Amounts may not calculate due to rounding.

(1) See *Note 3 - Adjustments to Unaudited Pro Forma Financial Information* for information about adjustments.

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Six Months Ended June 30, 2024
(in thousands, except per share data)

	Historical		Adjustments [(1)]				
	SM Energy	**XCL Resources**	**Conforming Reclass**	**Financing Adjustments**	**Transaction Adjustments**	**NOG Adjustments [(2)]**	**Pro Forma Combined**
Operating revenues and other income:							
Oil, gas, and NGL production revenue	$ 1,193,047	$ —	$ 518,425 (a)	$ —	$ (1,649) (j)	$ (103,355)	$ 1,606,468
Oil sales	—	512,815	(512,815) (a)	—	—	—	—
Natural gas and natural gas liquid sales	—	5,612	(5,612) (a)	—	—	—	—
Other operating income	1,378	4,413	2 (a)	—	—	—	5,793
Total operating revenues and other income	1,194,425	522,840	—	—	(1,649)	(103,355)	1,612,261
Operating expenses:							
Oil, gas, and NGL production expense	273,997	—	153,898 (b)	—	(66) (j)	(30,766)	397,063
Lease operating	—	36,965	(36,965) (b)	—	—	—	—
Production taxes	—	11,792	(11,792) (b)	—	—	—	—
Transportation, gathering, and handling	—	101,369	(101,369) (b)	—	—	—	—
Workover	—	3,772	(3,772) (b)	—	—	—	—
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	345,839	149,212	—	—	(149,212) (k)	—	455,500
					109,661 (l)		
Exploration	35,675	—	1,049 (c)	—	—	—	36,724
Exploration and abandonment	—	1,049	(1,049) (c)	—	—	—	—
General and administrative	61,290	13,393	—	—	—	—	74,683
Net derivative loss	16,027	—	87,038 (d)	—	—	—	103,065
Other operating (income) expense, net	3,822	—	(267) (e)	—	—	53	3,608
Total operating expenses	736,650	317,552	86,771	—	(39,617)	(30,713)	1,070,643
Income from operations	**457,775**	**205,288**	**(86,771)**	**—**	**37,968**	**(72,642)**	**541,618**
Interest expense	(43,680)	(23,043)	—	(52,947) (g)	23,043 (j)	—	(96,627)
Interest income	13,103	—	—	—	(13,103) (m)	—	—
Commodity derivative instrument loss	—	(87,038)	87,038 (d)	—	—	—	—
Other non-operating income (expense), net	(47)	267	(267) (e)	—	—	—	(47)
Income before income taxes	**427,151**	**95,474**	**—**	**(52,947)**	**47,908**	**(72,642)**	**444,944**
Income tax benefit (expense)	(85,659)	(233)	—	13,025 (i)	(17,169) (n)	—	(90,036)
Net income	**$ 341,492**	**$ 95,241**	**$ —**	**$ (39,922)**	**$ 30,739**	**$ (72,642)**	**$ 354,908**
Basic weighted-average common shares outstanding	115,138						115,138
Diluted weighted-average common shares outstanding	116,092						116,092
Basic net income per common share	$ 2.97						$ 3.08
Diluted net income per common share	$ 2.94						$ 3.06

Note: Amounts may not calculate due to rounding.
(1) See *Note 3 - Adjustments to Unaudited Pro Forma Financial Information* for information about conforming reclass adjustments, transaction adjustments, and financing adjustments.
(2) Adjustments necessary to remove the historical revenues, gains, expenses, and losses associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

SM ENERGY COMPANY AND SUBSIDIARIES
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2023
(in thousands, except per share data)

	Historical		Adjustments [1]				
	SM Energy	**XCL Resources**	**Conforming Reclass**	**Financing Adjustments**	**Transaction Adjustments**	**NOG Adjustments [2]**	**Pro Forma Combined**
Operating revenues and other income:							
Oil, gas, and NGL production revenue	$ 2,363,889	$ —	$ 818,975 (a)	$ —	$ (9,214) (j)	$ (161,952)	$ 3,011,698
Oil sales	—	846,170	(846,170) (a)	—	—	—	—
Natural gas and natural gas liquid sales	—	16,005	(16,005) (a)	—	—	—	—
Other operating income	9,997	9,062	43,200 (a)	—	—	—	62,259
Gain on sale of oil and gas properties	—	3,681	—	—	(3,681) (j)	—	—
Total operating revenues and other income	2,373,886	874,918	—	—	(12,895)	(161,952)	3,073,957
Operating expenses:							
Oil, gas, and NGL production expense	563,543	—	217,387 (b)	—	(819) (j)	(43,314)	736,797
Lease operating	—	57,509	(57,509) (b)	—	—	—	—
Production taxes	—	21,397	(21,397) (b)	—	—	—	—
Transportation, gathering, and handling	—	131,992	(131,992) (b)	—	—	—	—
Workover	—	6,489	(6,489) (b)	—	—	—	—
Depletion, depreciation, amortization, and asset retirement obligation liability accretion	690,481	191,609	—	—	(191,609) (k)	—	860,292
					169,811 (l)		
Exploration	59,480	—	1,421 (c)	—	—	—	60,901
Exploration and abandonment	—	1,421	(1,421) (c)	—	—	—	—
General and administrative	121,063	18,829	—	—	—	—	139,892
Net derivative gain	(68,154)	—	(23,755) (d)	—	—	—	(91,909)
Acquisition costs	—	421	—	—	—	—	421
Cost of acquired oil inventories	—	32,179	—	—	—	—	32,179
Other operating (income) expense, net	20,567	—	(33) (e)	—	—	—	20,534
Total operating expenses	1,386,980	461,846	(23,788)	—	(22,617)	(43,314)	1,759,107
Income from operations	**986,906**	**413,072**	**23,788**	**—**	**9,722**	**(118,638)**	**1,314,850**
Interest expense	(91,630)	(36,137)	—	(116,619) (g)	36,137 (j)	—	(208,249)
Interest income	19,854	—	—	—	(19,854) (m)	—	—
Net loss on extinguishment of debt	—	—	—	(4,803) (h)	—	—	(4,803)
Commodity derivative instrument gain	—	23,755	(23,755) (d)	—	—	—	—
Other non-operating income (expense), net	(928)	33	(33) (e)	—	—	—	(928)
Income before income taxes	**914,202**	**400,723**	**—**	**(121,422)**	**26,005**	**(118,638)**	**1,100,870**
Income tax expense	(96,322)	—	(1,727) (f)	29,870 (i)	(74,063) (n)	—	(142,242)
Deferred income tax expense	—	(1,727)	1,727 (f)	—	—	—	—
Net income	**$ 817,880**	**$ 398,995**	**$ —**	**$ (91,552)**	**$ (48,058)**	**$ (118,638)**	**$ 958,628**
Basic weighted-average common shares outstanding	118,678						118,678
Diluted weighted-average common shares outstanding	119,240						119,240
Basic net income per common share	$ 6.89						$ 8.08
Diluted net income per common share	$ 6.86						$ 8.04

Note: Amounts may not calculate due to rounding.
[1] See *Note 3 - Adjustments to Unaudited Pro Forma Financial Information* for information about conforming reclass adjustments, transaction adjustments, and financing adjustments.
[2] Adjustments necessary to remove the historical revenues, gains, expenses, and losses associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 - Basis of Presentation

The pro forma financial statements were prepared based on the historical consolidated financial statements of SM Energy and XCL Resources. The pro forma financial information presented herein has been prepared to reflect the transaction accounting adjustments to SM Energy's historical condensed consolidated financial information in order to account for the Uinta Basin Acquisition as an asset acquisition and include the assumption of liabilities as set forth in the XCL Acquisition Agreement, and to reflect the related Financing Transactions.

In accordance with applicable guidance for asset acquisitions, the Uinta Basin Assets will be recorded based on the fair value of the total consideration paid by SM Energy, after preliminary purchase price adjustments, on the Closing Date. Additionally, costs directly related to the Uinta Basin Acquisition will be capitalized as a component of the cost of the Uinta Basin Assets. We have used currently available information to determine the estimated allocation of the preliminary adjusted purchase price for the Uinta Basin Assets. The estimated allocation of the preliminary adjusted purchase price is based on proved and unproved reserves values, reviews of XCL Resources' historical audited and unaudited financial statements, discussions with XCL Resources' management and other due diligence procedures.

As a result of the foregoing, the transaction accounting adjustments are preliminary and subject to change as additional information becomes available and additional analysis is performed. The preliminary transaction accounting adjustments have been made solely for the purpose of providing the pro forma financial information presented herein.

Certain of XCL Resources' historical amounts have been reclassified to conform to the financial statement presentation of SM Energy. Additionally, adjustments have been made to XCL Resources' historical financial information to remove certain assets and liabilities retained by XCL Resources and to remove certain historical financial information associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

If the Uinta Basin Acquisition had occurred on the dates discussed above, the Company's operating results might have been materially different from those presented in the pro forma financial statements. The pro forma financial statements should not be relied upon as an indication of operating results that the Company would have achieved if the Uinta Basin Acquisition had taken place on the specified date. In addition, future results may vary significantly from the results reflected in the pro forma statements of operations and such pro forma statements of operations should not be relied upon as an indication of the Company's future results. In management's opinion, all adjustments that are necessary to fairly present the pro forma financial statements have been made.

Note 2 - Consideration and Preliminary Adjusted Purchase Price Allocation

The Uinta Basin Acquisition has an effective date of May 1, 2024 and a preliminary adjusted purchase price, net to the Company, and including direct transaction costs of $2.1 billion (which is subject to Post-Closing Adjustments). The allocation of the adjusted purchase price is based upon management's estimates and assumptions using currently available information. Because the pro forma financial information has been prepared based on preliminary estimates, the final adjusted purchase price allocation and the resulting effect on the Company's financial position and results of operations are subject to modification as additional information becomes available and additional analyses are performed, and may differ significantly from the pro forma amounts included herein. The Company expects to finalize the purchase price allocation after the Post-Closing Adjustments have been made.

The preliminary adjusted purchase price allocation is subject to change due to several factors, including, but not limited to the following:

- changes in the recorded amount of the identifiable assets acquired and liabilities assumed as of the Closing Date;
- the tax bases of the identifiable assets and liabilities as of the Closing Date;
- the Post-Closing Adjustments; and
- certain of the factors described in the section entitled "Risk Factors" included in our 2023 Form 10-K, as updated by subsequent reports the Company has filed with the SEC.

The following table presents the preliminary adjusted purchase price allocation to the underlying assets and liabilities acquired as follows:

	Amount (in thousands)
Adjusted purchase price cash consideration	$ 2,037,638
Assets acquired:	
Oil in inventory [1]	$ 3,472
Proved oil and gas properties	1,506,669
Unproved oil and gas properties	416,225
Wells in progress	167,335
Other property and equipment	13,045
Operating lease right of use assets [2]	57,941
Net assets acquired	2,164,687
Liabilities assumed	
Revenues and royalties payable [3]	(54,944)
Asset retirement obligation liability	(14,164)
Operating lease liabilities [4]	(57,941)
Net liabilities assumed	(127,049)
	$ 2,037,638

Note: All amounts presented above are subject to potential adjustments that could be material to these pro forma financial statements.

(1) Amount is recorded as a transaction adjustment to the prepaid expenses and other line item on the pro forma balance sheet.

(2) Amount is recorded as a transaction adjustment to the other noncurrent assets line item on the pro forma balance sheet.

(3) Represents a reduction to the cash consideration paid by the Company in exchange for revenue suspense transferred by XCL Resources to SM Energy on the Closing Date. This amount is recorded as a transaction adjustment to the other current liabilities line item on the pro forma balance sheet.

(4) Amount is recorded as transaction adjustments to the other current liabilities and other noncurrent liabilities line items on the pro forma balance sheet.

Note 3 - Adjustments to Unaudited Pro Forma Financial Information

The pro forma financial statements have been compiled in a manner consistent with the accounting policies adopted by the Company. Actual results may differ materially from the assumptions and estimates contained herein.

The pro forma adjustments are based on currently available information and certain estimates and assumptions that the Company believes provide a reasonable basis for presenting the effects of the Uinta Basin Acquisition. General descriptions of the pro forma adjustments are provided below. These adjustments reflect the assumption that the Company funded the Uinta Basin Acquisition with cash on hand and held in escrow which resulted from net cash provided by operating activities, net proceeds from the Senior Notes Issuance, net of the partial use of such net proceeds for the Redemption, and borrowings under the Company's revolving credit facility.

Unaudited Pro Forma Condensed Combined Balance Sheet

The following adjustments were made in the preparation of the pro forma balance sheet as of June 30, 2024:

Conforming Reclass Adjustments

Conforming reclass adjustments were made to conform XCL Resources' presentation of the following historical amounts to the presentation by SM Energy:

(a) Oil inventories;
(b) materials and equipment included in XCL Resources' prepaid expenses and other line item;
(c) wells in progress included in XCL Resources' proved oil and gas properties line item;
(d) furniture, fixtures, and equipment, net of accumulated depreciation included in XCL Resources' other noncurrent assets line item;
(e) current operating lease liabilities and accrued expenses included in XCL Resources' accrued liabilities line item; and
(f) operating lease liabilities.

Financing Adjustments

(g) Reflects changes in cash and cash equivalents resulting from the following:
   1. Proceeds received from the Senior Notes Issuance, net of deferred financing costs that reduced proceeds received, and net of such proceeds used for the Redemption.
   2. Revolving credit facility borrowings.
   3. Fees of $9.0 million paid to obtain firm commitments for up to $1.2 billion of senior unsecured 364-day bridge loans ("Bridge Facility") and a back stop to proposed amendments to the Credit Agreement for the purpose of financing a portion of the XCL purchase price and/or otherwise paying related fees, costs and expenses associated with the Uinta Basin Acquisition, if determined necessary. The Company did not draw on the Bridge Facility, and after the Senior Notes Issuance, the Company terminated the Bridge Facility and recorded the $9.0 million in fees previously paid as interest expense; therefore, these fees are reflected as an adjustment to retained earnings.
   4. Fees related to the First Amendment and Second Amendment to the Credit Agreement. These fees were recorded as deferred financing costs and are reflected as an adjustment to other noncurrent assets.

(h) Adjustment to record deferred financing costs incurred related to the First Amendment and Second Amendment to the Credit Agreement. These costs will be amortized over the term of the Credit Agreement on a straight-line basis.
(i) Reflects incremental borrowings on SM Energy's revolving credit facility to fund the Uinta Basin Acquisition.
(j) Reflects the Senior Notes Issuance, net of deferred financing costs, and net of the Redemption.
(k) Reflects $9.0 million in fees paid to obtain the Bridge Facility and a back stop to proposed amendments to SM Energy's Credit Agreement as discussed above, and accelerated expense recognition of $0.6 million of remaining unamortized deferred financing costs related to the Redemption.

Transaction Adjustments

(l) Adjustment to remove SM Energy's historical cash on hand, cash on hand resulting from the Financing Transactions, and the Cash Deposit, each of which were included in total cash consideration paid for the Uinta Basin Acquisition; and to remove XCL Resources' historical cash balance.
(m) Adjustment to remove XCL Resources' historical book value related to assets not acquired and liabilities not assumed by SM Energy as part of the Uinta Basin Acquisition.
(n) Adjustment to remove XCL Resources historical book value related to oil inventories.
(o) Reflects the allocation of the preliminary adjusted purchase price for the Uinta Basin Assets as of the effective date of the Uinta Basin Acquisition. A final purchase price allocation will be performed after Post-Closing Adjustments have been made.
(p) Adjustment to remove XCL Resources' historical book value related to proved oil and gas properties and the associated accumulated depletion, depreciation, and amortization; unproved oil and gas properties; wells in progress; other property and equipment, net of accumulated depreciation; and asset retirement obligations.
(q) Adjustment to remove XCL Resources' historical book value related to right-of-use assets and liabilities included in the other noncurrent assets, other current liabilities, and other noncurrent liabilities line items.
(r) Adjustment to record right-of-use assets and liabilities related to operating leases transferred to SM Energy as part of the Uinta Basin Acquisition.
(s) Adjustment to remove XCL Resources' historical net deferred tax liabilities. No material impact to SM Energy's deferred tax assets or liabilities is expected as a result of the Uinta Basin Acquisition.
(t) Adjustment to remove XCL Resources' historical equity balances.

Unaudited Pro Forma Condensed Combined Statements of Operations

The following adjustments were made in the preparation of the pro forma statements of operations for the six months ended June 30, 2024, and the year ended December 31, 2023, as applicable:

Conforming Reclass Adjustments

Conforming reclass adjustments were made to conform XCL Resources' presentation of the following historical amounts to the presentation by SM Energy:

(a) Oil sales, including sales related to third-party oil purchases, and natural gas and natural gas liquid sales;
(b) lease operating, production taxes, transportation, gathering, and handling, and workover;
(c) exploration and abandonment;
(d) commodity derivative instrument gain (loss);
(e) other non-operating income, net; and
(f) deferred income tax expense.

Financing Adjustments

(g) Adjustment to SM Energy's historical interest expense to reflect the impact of the Financing Transactions that were completed in order to finance the Uinta Basin Acquisition as if they had occurred on January 1, 2023. A one-eighth percent change in the variable portion of the interest rate related to the Company's revolving credit facility would have changed interest expense by $0.3 million, for the six months ended June 30, 2024, and by $0.5 million for the year ended December 31, 2023. Certain adjustment were made using management's assumptions and estimates, and are summarized as follows:

	For the Six Months Ended June 30,	For the Year Ended December 31,
	2024	2023
	(thousands)	
Interest expense on new senior notes[1]	$ 51,563	$ 103,125
Amortization of deferred financing costs on new senior notes[1]	1,868	3,736
Interest expense on redeemed senior notes[2]	(9,819)	(19,638)
Amortization of deferred financing costs on redeemed senior notes[2]	(316)	(632)
Bridge loan commitment fees [3]	—	9,000
Revolving credit facility interest expense and commitment fees[4]	16,104	32,207
Amortization of deferred financing costs on credit facility[4]	1,188	2,376
Capitalized interest [5]	(7,641)	(13,555)
Total adjustment to interest expense	$ 52,947	$ 116,619

(1) On July 25, 2024, SM Energy issued the 2029 Senior Notes and the 2032 Senior Notes. The Company received combined net proceeds of $1.5 billion after deducting fees of $23.0 million, which are being amortized as deferred financing costs over the life of the 2029 Senior Notes and 2032 Senior Notes.

(2) On August 26, 2024, SM Energy redeemed the $349.1 million remaining outstanding principal amount of the 2025 Senior Notes, using proceeds from the Senior Notes Issuance.

(3) SM Energy paid $9.0 million in fees to secure the Bridge Facility, as discussed above. SM Energy did not draw on the Bridge Facility, and after the Senior Notes Issuance, SM Energy terminated the Bridge Facility and recorded the $9.0 million in fees previously paid as interest expense.

(4) Revolving credit facility borrowings necessary to fund a portion of the Uinta Basin Acquisition were assumed to have remained outstanding for the full respective periods presented and do not reflect the effect of incremental cash flow associated with the Uinta Basin Assets. Estimates of the timing and amount of any additional credit facility borrowings or repayments cannot be reasonably estimated as they could be impacted by multiple factors including SM Energy’s return of capital program, and capital expenditures program. Borrowings on the revolving credit facility were assumed to be secured overnight financing rate ("SOFR") loans, which accrue interest at SOFR plus the applicable margin from the Utilization Grid. The average SOFR rate was approximately 4.6 percent as of the date of this report and was used to estimate pro forma interest expense related to the revolving credit facility. Additionally, SM Energy incurred fees related to the execution of First Amendment and Second Amendment to the Credit Agreement, and these fees were recorded as deferred financing costs.

(5) Reflects an increase in capitalized interest resulting from an increase in SM Energy's weighted-average interest rate, and an increase in the combined wells in progress balance.

(h) Adjustment to reflect the accelerated expense recognition of $1.5 million of remaining unamortized deferred financing costs and $3.3 million of premium that would have been paid upon the early redemption of the 2025 Senior Notes.

(i) Adjustment to apply SM Energy's blended federal statutory tax rate and estimated state statutory rate, net of federal benefit, of approximately 24.6 percent to adjustments to pre-tax net income resulting from the Financing Transactions.

Transaction Adjustments

(j) Adjustment to XCL Resources' historical income, expense, gain, or loss related to assets or liabilities not acquired as part of the Uinta Basin Acquisition.
(k) Adjustment to remove XCL Resources' historical depreciation, depletion, amortization, and accretion expense.
(l) Adjustment to reflect depletion, depreciation, amortization, and asset retirement obligation liability accretion expense estimated based on SM Energy's cost basis of property and equipment acquired.
(m) Adjustment to remove SM Energy's historical interest income giving effect to the use of cash on hand included in consideration paid for the Uinta Basin Acquisition.
(n) Adjustment to remove XCL Resources' historical income tax expense and to apply SM Energy's blended federal statutory tax rate and estimated state statutory rate, net of federal benefit, of 24.6 percent to transaction adjustments to pre-tax net income, including adjustments to remove the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

Supplemental Unaudited Pro Forma Combined Additional Information

Pro Forma Oil and Gas Reserves

The following tables present information with respect to historical and pro forma combined net proved developed and undeveloped oil and gas reserves information as of December 31, 2023, for SM Energy and XCL Resources along with a summary of changes in quantities of net remaining proved reserves during the year ended December 31, 2023. The reserve estimates presented below were made in accordance with GAAP requirements for disclosures about oil and gas producing activities and SEC rules for oil and gas reporting of reserve estimation and disclosure. All of SM Energy's and XCL Resources' estimated net proved reserves are located in the United States.

The pro forma reserve information presented below gives effect to the Uinta Basin Acquisition as if it had been completed on January 1, 2023. The pro forma reserve information is not necessarily indicative of the results that might have occurred had the Uinta Basin Acquisition been completed on January 1, 2023, and is not intended to be a projection of future results. The NOG adjustments column in each table presents adjustments necessary to remove the historical amounts associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

	Oil (MMBbl)			
	Historical			
	SM Energy	XCL Resources	NOG Adjustments	Pro Forma Combined
Total net proved reserves:				
As of December 31, 2022	205.8	160.9	(32.1)	334.6
Revisions of previous estimates	38.7	(8.8)	1.8	31.7
Discoveries and extensions	8.9	16.3	(3.3)	21.9
Sales of reserves	(3.2)	(0.2)	—	(3.4)
Purchases of minerals in place	3.6	—	—	3.6
Production	(23.8)	(11.0)	2.2	(32.6)
As of December 31, 2023	230.1	157.3	(31.5)	355.9
Net proved developed reserves as of:				
December 31, 2022	110.4	33.5	(6.7)	137.2
December 31, 2023	118.5	56.6	(11.3)	163.8
Net proved undeveloped reserves as of:				
December 31, 2022	95.4	127.4	(25.5)	197.3
December 31, 2023	111.6	100.7	(20.1)	192.2

Note: Amounts may not calculate due to rounding.

	Gas (Bcf)			
	Historical			
	SM Energy	XCL Resources	NOG Adjustments	Pro Forma Combined
tal net proved reserves:				
of December 31, 2022	1,402.9	125.7	(25.1)	1,503.5
Revisions of previous estimates	194.2	8.4	(1.7)	200.9
Discoveries and extensions	69.1	14.7	(2.9)	80.9
Sales of reserves	(13.1)	(0.1)	—	(13.2)
Purchases of minerals in place	11.2	—	—	11.2
Production	(132.4)	(5.5)	1.1	(136.8)
of December 31, 2023	1,532.0	143.1	(28.6)	1,646.5
t proved developed reserves as of:				
cember 31, 2022	902.1	28.3	(5.7)	924.7
cember 31, 2023	948.5	53.3	(10.7)	991.1
t proved undeveloped reserves as of:				
cember 31, 2022	500.8	97.4	(19.5)	578.7
cember 31, 2023	583.5	89.9	(18.0)	655.4

Note: Amounts may not calculate due to rounding.

	NGLs (MMBbl)			
	Historical			
	SM Energy	XCL Resources	NOG Adjustments	Pro Forma Combined
tal net proved reserves:				
of December 31, 2022	97.8	—	—	97.8
Revisions of previous estimates	20.8	—	—	20.8
Discoveries and extensions	10.5	—	—	10.5
Sales of reserves	—	—	—	—
Purchases of minerals in place	—	—	—	—
Production	(9.7)	—	—	(9.7)
of December 31, 2023	119.5	—	—	119.5
t proved developed reserves as of:				
cember 31, 2022	57.1	—	—	57.1
cember 31, 2023	64.7	—	—	64.7
t proved undeveloped reserves as of:				
cember 31, 2022	40.7	—	—	40.7
cember 31, 2023	54.8	—	—	54.8

Note: Amounts may not calculate due to rounding.

	Total (MMBOE)			
	Historical			
	SM Energy	XCL Resources	NOG Adjustments	Pro Forma Combined
tal net proved reserves:				
of December 31, 2022	537.4	181.8	(36.3)	682.9
Revisions of previous estimates	91.9	(7.4)	1.5	86.0
Discoveries and extensions	30.9	18.8	(3.8)	45.9
Sales of reserves	(5.4)	(0.2)	—	(5.6)
Purchases of minerals in place	5.5	—	—	5.5
Production	(55.5)	(11.9)	2.4	(65.0)
of December 31, 2023	604.9	181.1	(36.2)	749.8
t proved developed reserves as of:				
cember 31, 2022	317.8	38.2	(7.6)	348.4
cember 31, 2023	341.2	65.4	(13.1)	393.5
t proved undeveloped reserves as of:				
cember 31, 2022	219.6	143.6	(28.7)	334.5
cember 31, 2023	263.6	115.7	(23.1)	356.2

Note: Amounts may not calculate due to rounding.

Pro Forma Standardized Measure of Discounted Future Net Cash Flows

The following table presents information with respect to historical and pro forma combined future net cash flows relating to proved oil, gas, and NGL reserves based on the standardized measure of discounted future net cash flows for SM Energy and XCL Resources as of December 31, 2023, giving effect to the Uinta Basin Acquisition as if it had been completed on January 1, 2023. The pro forma standardized measure of discounted future net cash flows is not necessarily indicative of the results that might have occurred had the Uinta Basin Acquisition been completed on January 1, 2023, and is not intended to be a projection of future results. The NOG adjustments column presents adjustments necessary to remove the historical amounts associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

	As of December 31, 2023 (in thousands)				
	Historical				
	SM Energy	XCL Resources	NOG Adjustments	Tax Adjustments (1)	Pro Forma Combined
ture cash inflows	$ 24,466,288	$ 10,742,871	$ (2,148,574)	$ —	$ 33,060,585
Future production costs	(7,894,043)	(2,714,596)	542,919	—	(10,065,720)
Future development costs	(2,997,545)	(1,383,939)	276,788	—	(4,104,696)
Future income taxes	(2,000,016)	(16,920)	3,385	(808,964)	(2,822,515)
ture net cash flows	11,574,684	6,627,416	(1,325,482)	(808,964)	16,067,654
10 percent annual discount	(5,294,535)	(2,580,952)	516,191	307,316	(7,051,980)
andardized measure of discounted future net cash flows	$ 6,280,149	$ 4,046,464	$ (809,291)	$ (501,648)	$ 9,015,674

(1) Tax adjustments were calculated based on SM Energy's 80 percent undivided interest in the Uinta Basin Assets.

The following table presents information with respect to historical and pro forma combined principal sources of changes in the standardized measure of discounted future net cash flows for SM Energy and XCL Resources for the year ended December 31, 2023, giving effect to the Uinta Basin Acquisition as if it had been completed on January 1, 2023. The pro forma sources of changes in the standardized measure of discounted future net cash flows is not necessarily indicative of the results that might have occurred had the Uinta Basin Acquisition been completed on January 1, 2023, and is not intended to be a projection of future results. The NOG adjustments column presents adjustments necessary to remove the historical amounts associated with the 20 percent undivided interest acquired by NOG in the Uinta Basin Assets.

	For the Year Ended December 31, 2023 (in thousands)				
	Historical				
	SM Energy	XCL Resources	NOG Adjustments	Tax Adjustments [(1)]	Pro Forma Combined
Standardized measure of discounted future net cash flows, beginning of year	$ 9,962,066	$ 4,429,741	$ (885,948)	$ (849,976)	$ 12,655,883
Sales of oil, gas, and NGLs produced, net of production costs	(1,800,346)	(609,712)	121,942	—	(2,288,116)
Net changes in prices and production costs	(5,649,606)	(1,217,580)	243,516	—	(6,623,670)
Extensions and discoveries, net of related costs	280,545	437,897	(87,579)	—	630,863
Sales of reserves in place	(83,850)	(4,318)	864	—	(87,304)
Purchase of reserves in place	151,263	—	—	—	151,263
Previously estimated development costs incurred during the period	772,602	377,757	(75,551)	—	1,074,808
Changes in estimated future development costs	99,974	76,035	(15,207)	—	160,802
Revisions of previous quantity estimates	537,502	(129,254)	25,851	—	434,099
Accretion of discount	1,215,452	444,087	(88,817)	—	1,570,722
Net change in income taxes	1,096,099	1,052	(210)	348,328	1,445,269
Changes in timing and other	(301,552)	240,760	(48,152)	—	(108,944)
Standardized measure of discounted future net cash flows, end of year	$ 6,280,149	$ 4,046,464	$ (809,291)	$ (501,648)	$ 9,015,674

Note: Amounts may not calculate due to rounding.

(1) Tax adjustments were calculated based on SM Energy's 80 percent undivided interest in the Uinta Basin Assets.