
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2025

or

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

For the transition period from _____ to _____

Commission File Number: 001-35371



CIVITAS

Civitas Resources, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

61-1630631

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

555 17th Street, Suite 3700

Denver, Colorado

(Address of principal executive offices)

80202

(Zip Code)

(303) 293-9100

(Registrant's telephone number, including area code)

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

Title of each class

Common Stock, par value \$0.01 per share

Trading Symbol

CIVI

Name of exchange on which registered

New York Stock Exchange

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

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

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

Large Accelerated Filer ☒

Non-accelerated Filer ☐

Accelerated Filer ☐

Smaller reporting company ☐

Emerging growth company ☐

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

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

As of the filing date of this Quarterly Report on Form 10-Q, the registrant had 85,303,179 shares of common stock outstanding.

CIVITAS RESOURCES, INC.
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2025

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Information Regarding Forward-Looking Statements

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

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

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

- existing or potential future capital allocation initiatives such as repayments of outstanding debt or paying dividends on our common stock at their current level or at all;
- the impact of the loss of a single customer or any purchaser of our products;
- the timing and ability to meet certain volume commitments related to purchase and transportation agreements;
- the impact of customary royalty interests, overriding royalty interests, obligations incident to operating agreements, liens for current taxes, and other industry-related constraints;
- our anticipated financial position, including our cash flow and liquidity;
- the adequacy of our insurance;
- plans and expectations with respect to the Merger (as defined herein), including the timing of the completion thereof (or failure to complete the Merger), and the anticipated impact thereof on our or the combined company's results of operations, financial position, future growth opportunities, reserve estimates, and competitive position or relationships with employees, customers, suppliers, or other material business relations;
- the results, effects, benefits, and synergies of other mergers and acquisitions; and
- other statements concerning our anticipated operations, economic performance, and financial condition.

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

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

- the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024 ("[2024 Form 10-K](#)") and Part II, Item 1A of this Quarterly Report on Form 10-Q;
- declines or volatility in the prices we receive for our crude oil, natural gas, and NGL;
- general economic conditions, whether internationally, nationally, or in the regional and local market areas in which we do business, including any future economic downturn, the impact of continued or further inflation, disruption in the financial markets, the imposition of tariffs or trade or other economic sanctions, political instability, and the availability of credit on acceptable terms;
- the effects of disruption of our operations or excess supply of crude oil and natural gas and other effects of world events, and actions taken by OPEC+ as it pertains to global supply and demand of, and prices for, crude oil, natural gas, and NGL;
- political conditions in or affecting other producing countries, including conflicts or hostilities in or relating to the Middle East, South America, and Russia (including the current events involving Russia and Ukraine), and other sustained military campaigns or acts of terrorism or sabotage and the effects therefrom;
- our ability to consummate the Merger (on the expected time frame, or at all) and realize the anticipated benefits therefrom;
- the ability of our customers and vendors to meet their obligations to us;
- our access to capital on acceptable terms;
- our ability to generate sufficient cash flow from operations, borrowings, or other sources to enable us to fully develop our undeveloped acreage positions and to meet our capital allocation initiatives;
- the presence or recoverability of estimated crude oil and natural gas reserves and the actual future sales volume rates and associated costs;

- uncertainties associated with estimates of proved crude oil and natural gas reserves;
- changes in local, state, and federal laws, regulations or policies that may affect our business or our industry (such as the effects of tax law changes, and changes in environmental, health, and safety regulation and regulations addressing climate change, and trade policy and tariffs);
- environmental, health, and safety risks;
- seasonal weather conditions as well as severe weather and other natural events caused by climate change;
- lease stipulations;
- drilling and operating risks, including the risks associated with the employment of horizontal drilling and completion techniques;
- our ability to acquire adequate supplies of water for drilling and completion operations;
- availability of oilfield equipment, services, and personnel;
- exploration and development risks;
- operational interruption of centralized crude oil and natural gas processing facilities;
- competition in the crude oil and natural gas industry;
- management's ability to execute our plans to meet our goals;
- our ability to attract and retain key members of our senior management and key technical employees;
- our ability to maintain effective internal controls;
- access to adequate gathering systems and pipeline take-away capacity;
- our ability to secure adequate processing capacity for natural gas we produce, to secure adequate transportation for crude oil, natural gas, and NGL we produce, and to sell the crude oil, natural gas, and NGL at market prices;
- costs and other risks associated with perfecting title for mineral rights in some of our properties;
- pandemics and other public health epidemics; and
- other economic, competitive, governmental, legislative, regulatory, geopolitical, and technological factors that may negatively impact our businesses, operations, or pricing.

All forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We disclaim any obligation to update or revise these statements unless required by law, and you should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in or suggested by the forward-looking statements we make in this Quarterly Report on Form 10-Q are reasonable, we can give no assurance that these plans, intentions, or expectations will be achieved. We disclose other important factors that could cause our actual results to differ materially from our expectations under "Part I, Item 1A. Risk Factors" and elsewhere in our [2024 Form 10-K](#) and in Part II, Item 1A of this Quarterly Report on Form 10-Q, which may be updated in subsequent Quarterly Reports on Form 10-Q and other documents we file with the Securities and Exchange Commission (the "SEC"). These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 56	\$ 76
Accounts receivable, net:		
Crude oil, natural gas, and NGL sales	523	646
Joint interest and other	113	125
Derivative assets	169	67
Prepaid expenses and other	84	74
Total current assets	945	988
Property and equipment (successful efforts method):		
Proved properties	18,924	16,897
Less: accumulated depreciation, depletion, and amortization	(5,663)	(4,288)
Total proved properties, net	13,261	12,609
Unproved properties	318	631
Wells in progress	375	506
Other property and equipment, net of accumulated depreciation of \$10 million in 2025 and \$9 million in 2024	55	48
Total property and equipment, net	14,009	13,794
Derivative assets	2	17
Other noncurrent assets	155	145
Total assets	\$ 15,111	\$ 14,944
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 623	\$ 561
Severance and ad valorem taxes payable	291	323
Crude oil, natural gas, and NGL revenue distribution payable	646	702
Deferred acquisition consideration	—	479
Derivative liability	17	22
Other liabilities	118	118
Total current liabilities	1,695	2,205
Long-term liabilities:		
Debt, net	5,139	4,494
Ad valorem taxes	149	294
Deferred income tax liabilities, net	955	801
Asset retirement obligations	365	399
Derivative liability	8	13
Other long-term liabilities	115	109
Total liabilities	8,426	8,315
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$.01 par value, 25,000,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value, 225,000,000 shares authorized, 85,293,095 and 93,933,857 issued and outstanding as of September 30, 2025 and December 31, 2024, respectively	5	5
Additional paid-in capital	4,639	5,095
Retained earnings	2,041	1,529
Total stockholders' equity	6,685	6,629
Total liabilities and stockholders' equity	\$ 15,111	\$ 14,944

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Operating net revenues:				
Crude oil, natural gas, and NGL sales	\$ 1,160	\$ 1,272	\$ 3,406	\$ 3,911
Other operating income	8	—	13	3
Total operating net revenues	1,168	1,272	3,419	3,914
Operating expenses:				
Lease operating expense	159	147	491	405
Midstream operating expense	12	11	38	37
Gathering, transportation, and processing	88	97	258	280
Severance and ad valorem taxes	81	87	245	291
Exploration	1	1	7	14
Depreciation, depletion, and amortization	497	524	1,443	1,512
General and administrative expense	52	57	162	174
Transaction costs	2	—	8	31
Other operating expense	3	2	9	10
Total operating expenses	895	926	2,661	2,754
Other income (expense):				
Derivative gain, net	79	151	235	49
Interest expense	(120)	(117)	(341)	(342)
Other, net	2	9	(9)	16
Total other income (expense)	(39)	43	(115)	(277)
Income from operations before income taxes	234	389	643	883
Income tax expense	(57)	(93)	(156)	(195)
Net income	\$ 177	\$ 296	\$ 487	\$ 688
Earnings per common share:				
Basic	\$ 1.99	\$ 3.02	\$ 5.32	\$ 6.91
Diluted	\$ 1.99	\$ 3.01	\$ 5.31	\$ 6.88
Weighted-average common shares outstanding:				
Basic	88,864,529	97,905,077	91,644,288	99,539,882
Diluted	88,962,984	98,223,909	91,762,602	99,951,073

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

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

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total
	Shares	Amount			
Balances, December 31, 2024	93,933,857	5	5,095	1,529	6,629
Restricted common stock issued	304,697	—	—	—	—
Stock used for tax withholdings	(113,899)	—	(5)	—	(5)
Exercise of stock options	111	—	—	—	—
Common stock repurchased and retired	(1,540,340)	—	(84)	11	(73)
Stock-based compensation	—	—	13	—	13
Dividends declared, \$0.50 per share	—	—	—	(45)	(45)
Net income	—	—	—	186	186
Balances, March 31, 2025	92,584,426	5	5,019	1,681	6,705
Restricted common stock issued	48,824	—	—	—	—
Stock used for tax withholdings	(16,456)	—	—	—	—
Common stock repurchased and retired	(19,965)	—	(2)	—	(2)
Stock-based compensation	—	—	13	—	13
Dividends declared, \$0.50 per share	—	—	—	(46)	(46)
Net income	—	—	—	124	124
Balances, June 30, 2025	92,596,829	5	5,030	1,759	6,794
Restricted common stock issued	116,452	—	—	—	—
Stock used for tax withholdings	(39,628)	—	(2)	—	(2)
Common stock repurchased and retired	(7,380,558)	—	(400)	148	(252)
Stock-based compensation	—	—	11	—	11
Dividends declared, \$0.50 per share	—	—	—	(43)	(43)
Net income	—	—	—	177	177
Balances, September 30, 2025	85,293,095	\$ 5	\$ 4,639	\$ 2,041	\$ 6,685
Balances, December 31, 2023	93,774,901	5	4,964	1,212	6,181
Issuance pursuant to acquisition	7,181,527	—	489	—	489
Restricted common stock issued	255,442	—	—	—	—
Stock used for tax withholdings	(99,307)	—	(7)	—	(7)
Common stock repurchased and retired	(1,028,468)	—	(54)	(13)	(67)
Stock-based compensation	—	—	11	—	11
Dividends declared, \$1.45 per share	—	—	—	(148)	(148)
Net income	—	—	—	176	176
Balances, March 31, 2024	100,084,095	5	5,403	1,227	6,635
Restricted common stock issued	48,999	—	—	—	—
Stock used for tax withholdings	(18,571)	—	(2)	—	(2)
Exercise of stock options	222	—	—	—	—
Common stock repurchased and retired	(1,766,808)	—	(95)	(29)	(124)
Stock-based compensation	—	—	12	—	12
Dividends declared, \$1.50 per share	—	—	—	(151)	(151)
Net income	—	—	—	216	216
Balances, June 30, 2024	98,347,937	5	5,318	1,263	6,586
Restricted common stock issued	129,371	—	—	—	—
Stock used for tax withholdings	(42,354)	—	(3)	—	(3)
Exercise of stock options	111	—	—	—	—
Common stock repurchased and retired	(1,344,044)	—	(73)	(6)	(79)
Stock-based compensation	—	—	13	—	13
Dividends declared, \$1.52 per share	—	—	—	(145)	(145)
Net income	—	—	—	296	296
Balances, September 30, 2024	97,091,021	\$ 5	\$ 5,255	\$ 1,408	\$ 6,668

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

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

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 487	\$ 688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	1,443	1,512
Stock-based compensation	37	36
Derivative gain, net	(235)	(49)
Derivative cash settlement gain (loss), net	138	(6)
Amortization of deferred financing costs and deferred acquisition consideration	13	39
Deferred income tax expense	155	187
Other, net	2	(2)
Changes in operating assets and liabilities, net		
Accounts receivable, net	140	35
Prepaid expenses and other	(26)	(5)
Accounts payable, accrued expenses, and other liabilities	(277)	(428)
Net cash provided by operating activities	1,877	2,007
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(761)	(905)
Acquisitions of crude oil and natural gas properties	(54)	(24)
Capital expenditures for drilling and completion activities and other fixed assets	(1,432)	(1,632)
Proceeds from property transactions	188	163
Purchases of carbon credits and renewable energy credits	—	(4)
Other, net	1	2
Net cash used in investing activities	(2,058)	(2,400)
Cash flows from financing activities:		
Proceeds from credit facility	2,100	1,650
Payments to credit facility	(2,200)	(1,600)
Proceeds from issuance of senior notes	743	—
Dividends paid	(141)	(446)
Common stock repurchased and retired	(322)	(270)
Payment of employee tax withholdings in exchange for the return of common stock	(7)	(12)
Other, net	(12)	(9)
Net cash provided by (used in) financing activities	161	(687)
Net change in cash, cash equivalents, and restricted cash	(20)	(1,080)
Cash, cash equivalents, and restricted cash:		
Beginning of period	76	1,127
End of period	\$ 56	\$ 47
Refer to Note 2 - Acquisitions and Divestitures and Note 13 - Supplemental Disclosures of Cash Flow Information for additional information.		

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations

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

Basis of Presentation

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

The December 31, 2024 unaudited condensed consolidated balance sheet data has been derived from the audited consolidated financial statements contained in our [2024 Form 10-K](#), but does not include all disclosures, including notes required by GAAP. As such, this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes included in our [2024 Form 10-K](#). In connection with the preparation of the unaudited condensed consolidated financial statements, we evaluated events subsequent to the balance sheet date of September 30, 2025 through the filing date of this Quarterly Report on Form 10-Q. The results of operations for the three and nine months ended September 30, 2025 are not necessarily indicative of the results that may be expected for the full year or any other future period. Additionally, certain insignificant prior period amounts have been reclassified to conform to current period presentation in the accompanying unaudited condensed consolidated financial statements. Such reclassifications did not have a material impact on prior period consolidated financial statements.

Significant Accounting Policies

The significant accounting policies followed by us are set forth in *Note 1 - Summary of Significant Accounting Policies* in the [2024 Form 10-K](#) and are supplemented by the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Recently Issued and Adopted Accounting Standards

In December 2023, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2023-09, Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 is intended to enhance income tax disclosures by requiring disclosure of items such as the disaggregation of the income tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024, and early adoption is permitted. ASU 2023-09 should be applied on a prospective basis, and retrospective application is permitted. We adopted ASU 2023-09 on January 1, 2025, on a prospective basis, and will present the required new disclosures in the 2025 Form 10-K.

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses (“ASU 2024-03”). ASU 2024-03 requires public entities to disclose disaggregated information about certain costs and expenses. This ASU is effective for annual reporting periods beginning after December 15, 2026, and early adoption is permitted. ASU 2024-03 should be applied on a prospective basis, and retrospective application is permitted. We are evaluating the impact that ASU 2024-03 will have on the consolidated financial statements and our plan for adoption, including the adoption date and transition method.

In September 2025, the FASB issued ASU No. 2025-06, Targeted Improvements to the Accounting for Internal-Use Software (“ASU 2025-06”) which amends the guidance in ASC 350-40, Intangibles-Goodwill and Other-Internal-Use Software. The amendments modernize the recognition and disclosure framework for internal-use software costs, removing the previous “development stage” model and introducing a more judgment-based approach. ASU 2025-06 is effective for fiscal years beginning after December 15, 2027, and for interim periods within those annual reporting periods, with early adoption

permitted. We are evaluating the impact that ASU 2025-06 will have on the consolidated financial statements and our plan for adoption.

There are no other accounting standards applicable to us that would have a material effect on our consolidated financial statements and disclosures that have been issued but not yet adopted by us as of September 30, 2025, and through the filing date of this Quarterly Report on Form 10-Q.

NOTE 2 - ACQUISITIONS AND DIVESTITURES

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

Vencer Acquisition

On January 2, 2024, we completed the acquisition of certain crude oil and natural gas assets from Vencer Energy, LLC (“Vencer”) for adjusted aggregate consideration of approximately \$2.0 billion, inclusive of customary post-closing adjustments and \$550 million in cash to be paid on or before January 3, 2025 (the “Vencer Acquisition”). The following tables present the consideration transferred and the final purchase price allocation of the assets acquired and the liabilities assumed in the Vencer Acquisition:

Consideration (in millions, except share and per share amounts)

Cash consideration	\$	997
Deferred acquisition consideration ⁽¹⁾	\$	532
Shares of common stock issued		7,181,527
Closing price per share ⁽²⁾	\$	68.08
Equity consideration ⁽³⁾	\$	489
Total consideration	\$	2,018

⁽¹⁾ Based on discounted fixed and determinable future payments of cash. Amounts represent non-cash investing activities until such time payments are made, as applicable. Refer to *Note 5 - Debt* for additional information.

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

⁽³⁾ Amounts represent non-cash financing activities.

Final Purchase Price Allocation (in millions)

Assets Acquired	
Proved properties	\$ 1,859
Unproved properties	231
Other property and equipment	1
Right-of-use assets	4
Total assets acquired	<u>\$ 2,095</u>
Liabilities Assumed	
Accounts payable and accrued expenses	\$ 5
Crude oil and natural gas revenue distribution payable	28
Asset retirement obligations	40
Lease liability	4
Total liabilities assumed	<u>77</u>
Net assets acquired	<u>\$ 2,018</u>

The purchase price allocation for the Vencer Acquisition was finalized as of the fourth quarter of 2024 with immaterial adjustments made to the preliminary allocation initially presented in the Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 2, 2024.

Revenue and Earnings of the Acquiree

The results of operations for the Vencer Acquisition since the closing date have been included in our unaudited condensed consolidated financial statements during the three and nine months ended September 30, 2024. The amount of revenue of Vencer included in our accompanying unaudited condensed consolidated statements of operations (“statements of operations”) was approximately \$187 million and \$585 million during the three and nine months ended September 30, 2024, respectively. We determined that disclosing the amount of Vencer-related net income included in the accompanying statements of operations is impracticable as the operations from the acquisition were integrated into our operations from the date of the acquisition.

Supplemental Unaudited Pro Forma Financial Information

The results of operations for the Vencer Acquisition since the closing date have been included in our unaudited condensed consolidated financial statements and therefore do not require pro forma disclosure for the three and nine months ended September 30, 2024.

Transaction Costs

Transaction costs related to an insignificant acquisition in the Permian Basin in 2025 and the Vencer Acquisition in 2024 are accounted for separately from the assets acquired and liabilities assumed and are included in transaction costs in the accompanying statements of operations. Transaction costs also include costs associated with divestitures of certain non-core assets in the DJ Basin in both 2024 and 2025. We incurred transaction costs of \$2 million and zero during the three months ended September 30, 2025 and 2024, respectively, and \$8 million and \$31 million during the nine months ended September 30, 2025 and 2024, respectively.

Non-Core DJ Basin Divestitures

In July 2025, we executed two Purchase and Sale Agreements (each a “PSA”) with two different buyers to divest certain non-core DJ Basin assets. These transactions closed on August 29, 2025 and October 1, 2025. The aggregate purchase price for these transactions was \$435 million in cash consideration, subject to certain customary purchase price adjustments as set forth in each PSA.

NOTE 3 - REVENUE RECOGNITION

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

Sales by Commodity and Operating Region	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Crude oil				
Permian Basin	\$ 517	\$ 617	\$ 1,488	\$ 1,847
DJ Basin	433	487	1,231	1,467
Total	950	1,104	2,719	3,314
Natural gas				
Permian Basin	2	(36)	24	(54)
DJ Basin	63	46	214	160
Total	65	10	238	106
NGL				
Permian Basin	72	78	218	242
DJ Basin	73	80	231	249
Total	145	158	449	491
Crude oil, natural gas, and NGL				
Permian Basin	591	659	1,730	2,035
DJ Basin	569	613	1,676	1,876
Total	\$ 1,160	\$ 1,272	\$ 3,406	\$ 3,911

We record revenue in the month production is delivered to the purchaser. However, purchaser statements may not be received for one to two months after the date production is delivered, and as a result, we estimate the volume of production delivered to the purchaser and the price that will be received for the sale of the product. Generally, we record the differences between our estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. Any identified differences between our revenue estimates and actual revenue received historically have not been significant. For the three and nine months ended September 30, 2025 and 2024, revenue recognized in the reporting period related to performance obligations satisfied in prior reporting periods was not material.

NOTE 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	September 30, 2025	December 31, 2024
Accounts payable trade	\$ 44	\$ 35
Accrued drilling and completion costs	218	158
Accrued crude oil, natural gas, and NGL operating expense	161	160
Accrued general and administrative expense	33	37
Accrued interest expense	128	136
Other accrued expenses	39	35
Total accounts payable and accrued expenses	\$ 623	\$ 561

NOTE 5 - DEBT

Debt, net of unamortized discounts and deferred financing costs, consists of the following (in millions):

	September 30, 2025	December 31, 2024
Outstanding principal balances on Senior Notes:		
2026 Senior Notes (5.000%)	\$ 400	\$ 400
2028 Senior Notes (8.375%)	1,350	1,350
2030 Senior Notes (8.625%)	1,000	1,000
2031 Senior Notes (8.750%)	1,350	1,350
2033 Senior Notes (9.625%)	750	—
Outstanding principal balances on Senior Notes, gross	4,850	4,100
Less: unamortized discount and deferred financing costs	(61)	(56)
Outstanding principal balances on Senior Notes, net	4,789	4,044
Outstanding balance on Credit Facility	350	450
Long-term debt	5,139	4,494
Deferred acquisition consideration	—	479
Total debt	\$ 5,139	\$ 4,973

Senior Notes

The table below summarizes the face values, interest rates, maturity dates, and semi-annual interest payment dates related to our outstanding senior note obligations as of September 30, 2025 (\$ in millions):

	Interest Rate	Interest Payment Dates	Principal Amount	Maturity Date
2026 Senior Notes	5.000%	April 15, October 15	\$ 400	October 15, 2026
2028 Senior Notes	8.375%	January 1, July 1	1,350	July 1, 2028
2030 Senior Notes	8.625%	May 1, November 1	1,000	November 1, 2030
2031 Senior Notes	8.750%	January 1, July 1	1,350	July 1, 2031
2033 Senior Notes	9.625%	June 15, December 15	750	June 15, 2033

On June 3, 2025, we issued \$750 million aggregate principal amount of 9.625% Senior Notes due 2033 (the “2033 Senior Notes”), at par, pursuant to an indenture among us, Computershare Trust Company, N.A., as trustee, and the guarantors party thereto. Upon issuance of the 2033 Senior Notes, we received net proceeds of \$743 million after deducting fees of \$7 million. The net proceeds were used to repay a portion of the outstanding borrowings under our Credit Facility (as defined below). The 2033 Senior Notes will mature on June 15, 2033. Interest on the 2033 Senior Notes will accrue at the rate of 9.625% per annum, and will be payable semi-annually in arrears on June 15 and December 15 of each year, commencing on December 15, 2025.

At any time prior to June 15, 2028, we may redeem all or part of the 2033 Senior Notes, in whole or in part, at a redemption price equal to the sum of (i) the principal amount thereof, plus (ii) the “make-whole” premium at the redemption date, plus (iii) accrued and unpaid interest, if any. On or after June 15, 2028, we may redeem all or part of the 2033 Senior Notes at redemption prices (expressed as percentages of the principal amount redeemed) equal to (i) 104.813% for the twelve-month period beginning on June 15, 2028; (ii) 102.406% for the twelve-month period beginning on June 15, 2029; and (iii) 100.000% for the period beginning June 15, 2030 and at any time thereafter, plus accrued and unpaid interest, if any.

We may redeem up to 35% of the aggregate principal amount of the 2033 Senior Notes at any time prior to June 15, 2028 with an amount not to exceed the net cash proceeds from certain equity offerings at a redemption price equal to 109.625% of the principal amount of the 2033 Senior Notes redeemed, plus accrued and unpaid interest, if any, thereon, provided, however, that (i) at least 65% of the aggregate principal amount of 2033 Senior Notes originally issued on the issue date (but excluding 2033 Senior Notes held by us and our subsidiaries) remains outstanding immediately after the occurrence of such redemption (unless all such 2033 Senior Notes are redeemed substantially concurrently) and (ii) the redemption occurs within 180 days after the date of the closing of such equity offering.

The 2026 Senior Notes, 2028 Senior Notes, 2030 Senior Notes, 2031 Senior Notes, and 2033 Senior Notes (collectively, the “Senior Notes”) are unsecured senior obligations and rank equal in right of payment with all of our existing and any future unsecured senior debt and are senior in right of payment to any future subordinated debt. We may redeem some or all of our Senior Notes prior to their maturity at redemption prices that may include a premium, plus accrued and unpaid interest as described in the indentures governing the Senior Notes. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis by all of our existing subsidiaries and are expected to be guaranteed by certain other future subsidiaries that may be required to guarantee the Senior Notes.

The indentures governing the Senior Notes contain covenants that limit, among other things, our ability and the ability of our subsidiaries to: (i) incur or guarantee additional indebtedness; (ii) create liens securing indebtedness; (iii) pay dividends on or redeem or repurchase stock or subordinated debt; (iv) make specified types of investments and acquisitions; (v) enter into or permit to exist contractual limits on the ability of our subsidiaries to pay dividends to us; (vi) enter into transactions with affiliates; and (vii) sell assets or merge with other companies. These covenants are subject to a number of important limitations and exceptions. We were in compliance with all covenants and all restricted payment provisions related to our Senior Notes as of September 30, 2025 and through the filing date of this Quarterly Report on Form 10-Q. The indentures governing the Senior Notes also contain customary events of default.

For additional details on our Senior Notes, refer to *Note 5 - Debt in Item 8. Financial Statements and Supplementary Data* included in our [2024 Form 10-K](#).

Credit Facility

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

On February 21, 2025, we amended the Credit Agreement to increase our aggregate elected commitments from \$2.2 billion to \$2.5 billion. On May 28, 2025, we amended the Credit Agreement to, among other things, (i) decrease our borrowing base from \$3.4 billion to \$3.3 billion, (ii) reaffirm our aggregate elected commitments at \$2.5 billion, and (iii) modify the definition of “Revolving Credit Maturity Date” (as defined in the Credit Agreement) to remove the springing maturity requirement that would otherwise cause the Credit Facility under the Credit Agreement to mature on the date that is 180 days prior to the scheduled maturity of our 2026 Senior Notes.

As of September 30, 2025, the borrowing base and aggregate elected commitments under the Credit Agreement were \$3.3 billion and \$2.5 billion, respectively. In October 2025, we completed our scheduled borrowing base redetermination which reaffirmed our borrowing base and aggregate elected commitments under the Credit Agreement. The next scheduled borrowing base redetermination date is set to occur in May 2026.

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

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

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

In addition, we are subject to certain financial covenants under the Credit Facility, as tested on the last day of each fiscal quarter, including, without limitation, (a) a maximum ratio of our consolidated net indebtedness to earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash charges (“permitted net leverage ratio”) of 3.00 to 1.00, (b) a current ratio, inclusive of the unused commitments under the Credit Facility then available to be borrowed, to not be less than 1.00 to 1.00, and (c) upon the achievement of investment grade credit ratings, a PV-9 coverage ratio of the net present value, discounted at 9% per annum, of the estimated future net revenues expected in the proved reserves to our total net indebtedness of not less than 1.50 to 1.00 (“PV-9 coverage ratio”). We were in compliance with all covenants under the Credit Facility as of September 30, 2025 and through the filing date of this Quarterly Report on Form 10-Q.

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

	The Filing Date of this Quarterly Report on Form 10-Q	September 30, 2025	December 31, 2024
Outstanding balance	180	350	450
Letters of credit	2	2	2
Available borrowing capacity	2,318	2,148	1,748
Total aggregate elected commitments	\$ 2,500	\$ 2,500	\$ 2,200

As of September 30, 2025 and December 31, 2024, the unamortized deferred financing costs associated with amendments to the Credit Facility were \$25 million and \$29 million, respectively. Of the unamortized deferred financing costs, (i) \$16 million and \$21 million are presented within other noncurrent assets on the accompanying unaudited condensed consolidated balance sheets (“balance sheets”) as of September 30, 2025 and December 31, 2024, respectively, and (ii) \$9 million and \$8 million are presented within prepaid expenses and other on the accompanying balance sheets as of September 30, 2025 and December 31, 2024, respectively.

Deferred Acquisition Consideration

The Vencer Acquisition included deferred consideration of \$550 million to be paid in cash on or before January 3, 2025. We discounted this obligation and recorded \$532 million as deferred acquisition consideration upon closing and amortized the discount to interest expense in the accompanying statements of operations. During the year ended December 31, 2024, we paid \$75 million of this deferred consideration, and on January 3, 2025, we paid the remaining \$475 million. These payments are recorded as a cash outflow within the acquisitions of businesses, net of cash acquired in the accompanying unaudited condensed consolidated statements of cash flows (“statements of cash flows”) in the period of occurrence.

Interest Expense

For the three months ended September 30, 2025 and 2024, we incurred interest expense of \$120 million and \$117 million, respectively. Interest expense for the three months ended September 30, 2024 includes \$9 million related to the amortization of deferred acquisition consideration associated with the Vencer Acquisition. For the nine months ended September 30, 2025 and 2024, we incurred interest expense of \$341 million and \$342 million, respectively. Interest expense for the nine months ended September 30, 2024 includes \$27 million related to the amortization of deferred acquisition consideration associated with the Vencer Acquisition.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

Commitments. We routinely enter into, extend, or amend operating agreements in the ordinary course of business. We have long-term transportation, sales, processing, and water delivery commitments. During the nine months ended September 30, 2025 we entered into a transportation services agreement in the DJ Basin to deliver fixed and determinable quantities of crude oil. Under the terms of this agreement, we are required to make periodic deficiency payments for any shortfalls in delivering the minimum volume commitment of 25,000 Bbls per day over a term ending in April 2030. The aggregate financial commitment fee over the remaining term was \$68 million as of September 30, 2025. We have not, and do not, expect to incur any deficiency payments. There were no other significant commitments entered into during the nine months ended September 30, 2025. For details of our existing commitments, refer to *Note 6 - Commitments and Contingencies* in *Item 8. Financial Statements and Supplementary Data* included in our [2024 Form 10-K](#).

Litigation and Legal Items. We are involved in various legal proceedings. We review the status of these proceedings on an ongoing basis and, from time to time, may settle or otherwise resolve these matters on terms and conditions that management believes are in our best interests. We have provided the necessary estimated accruals in the accompanying balance sheets where deemed appropriate for litigation and legal related items that are ongoing and not yet concluded. Other than any ordinary routine litigation incidental to the business and except as described below, we are not currently a party to, nor is our property currently subject to, any material legal proceedings, and we are not aware of any such proceedings contemplated by governmental authorities.

On May 2, 2025, Jeremy Lin (the “Plaintiff”), individually and on behalf of all others similarly situated, filed a putative class action complaint for violation of federal securities laws against us, our former Chief Executive Officer, and our Chief Financial Officer (collectively, the “Defendants”) in the United States District Court for the District of New Jersey (the “Complaint”). The Complaint purported to bring a federal securities class action on behalf of a class of persons and entities other than the Defendants who acquired our securities between February 27, 2024 and February 24, 2025 and asserted violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Complaint alleged, among other things, that the Defendants made materially false and misleading statements related to our business, operations and prospects, including our anticipated production volumes and financial condition in 2025. The Plaintiff sought, among other things, certification of a class, an award of unspecified compensatory damages, interest, costs and expenses, including attorneys’ fees and expert fees. On October 27, 2025, the Plaintiff filed a notice of voluntary dismissal of the action without prejudice and, on October 28, 2025, the court entered an order closing the case.

NOTE 7 - STOCK-BASED COMPENSATION

Long Term Incentive Plans

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Restricted and deferred stock units	\$ 7	\$ 8	\$ 23	\$ 21
Performance stock units	4	5	14	15
Total stock-based compensation	\$ 11	\$ 13	\$ 37	\$ 36

As of September 30, 2025, unrecognized compensation expense related to the awards granted under the LTIP will be amortized through the relevant periods as follows (in millions):

	Unrecognized Compensation Expense	Final Year of Recognition
Restricted and deferred stock units	\$ 34	2028
Performance stock units	15	2027
Total unrecognized stock-based compensation	\$ 49	

Restricted Stock Units and Deferred Stock Units

We grant time-based restricted stock units (“RSUs”) to our officers, executives, and employees and time-based deferred stock units (“DSUs”) to our non-employee directors under the LTIP. Each RSU and DSU represents a right to receive one share of our common stock after the RSU or DSU vests and is settled. RSUs generally vest ratably over a one, two, or three-year service period on each anniversary following the grant date. RSUs are settled in shares of our common stock shortly after vesting. DSUs vest over a one-year period following the grant date. DSUs are settled in shares of our common stock upon the non-employee director’s separation of service from our Board of Directors (our “Board”). The grant-date fair value of RSUs and DSUs is equal to the closing price of our common stock on the date of the grant.

The following table presents the changes in non-vested RSUs and DSUs for the nine months ended September 30, 2025:

	RSUs and DSUs	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	932,902	\$ 65.69
Granted	810,453	40.88
Vested	(393,146)	65.38
Forfeited	(167,007)	59.10
Non-vested, end of period	1,183,202	\$ 49.73

The aggregate grant-date fair value of the RSUs and DSUs granted under the LTIP during the nine months ended September 30, 2025 was \$33 million.

Performance Stock Units

We grant market-based performance stock units (“PSUs”) to our officers and certain executives under the LTIP. The number of shares of our common stock issued to settle PSUs ranges from zero to 225% of the number of PSUs granted and is determined based on performance achievement against certain market-based criteria over a three-year performance period. Performance achievement is determined based on our annualized absolute total stockholder return (“TSR”). Absolute TSR is determined based upon the change in our stock price over the performance period plus dividends paid. PSUs generally vest on December 31 of the year preceding the third anniversary of the date of grant and settle by March 15 of the following year upon the determination and approval of performance achievement by the Compensation Committee of our Board.

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

The following table presents the change of non-vested PSUs for the nine months ended September 30, 2025:

	PSUs	Weighted-Average Grant-Date Fair Value
Non-vested, beginning of year	650,046	\$ 85.23
Granted ⁽¹⁾	348,371	52.63
Adjusted shares based on performance ⁽²⁾	(81,547)	73.09
Vested ⁽²⁾	(76,827)	72.98
Forfeited	(180,375)	72.99
Non-vested, end of period ⁽¹⁾	659,668	\$ 74.29

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

⁽²⁾ Upon completion of the performance period for the PSUs granted in 2022, a performance achievement of 46% or 54%, as applicable, was applied to each of the grants, resulting in a number of shares less than the target amount of such PSUs being settled during the nine months ended September 30, 2025.

The aggregate grant-date fair value of the PSUs granted under the LTIP during the nine months ended September 30, 2025 was \$18 million.

NOTE 8 - FAIR VALUE MEASUREMENTS

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

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

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

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

Level 3: Significant inputs to the valuation model are unobservable

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

Derivatives

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

The following table presents our financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2025 and December 31, 2024 and their classification within the fair value hierarchy (in millions):

	As of September 30, 2025	As of December 31, 2024
	Level 2	Level 2
Derivative assets	\$ 171	\$ 84
Derivative liabilities	25	35

Long-Term Debt

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

		As of September 30, 2025		As of December 31, 2024	
	Nominal Interest	Fair Value	Percent of Par	Fair Value	Percent of Par
2026 Senior Notes	5.000%	\$ 399	100%	\$ 394	99%
2028 Senior Notes	8.375%	1,402	104%	1,405	104%
2030 Senior Notes	8.625%	1,036	104%	1,049	105%
2031 Senior Notes	8.750%	1,403	104%	1,408	104%
2033 Senior Notes	9.625%	805	107%	—	—%

Our deferred acquisition consideration was recorded in connection with the Vencer Acquisition using an estimated fair value discount at the time of the transaction based on quoted market prices from our debt as well as other inputs classified as Level 2 within the fair value hierarchy. As of December 31, 2024, the carrying value of the deferred acquisition consideration approximated fair value. Refer to *Note 5 - Debt* for additional information.

Acquisitions and Impairments of Proved and Unproved Properties

We measure acquired assets or businesses at fair value on a nonrecurring basis and review our proved and unproved crude oil and natural gas properties for impairment using inputs that are not observable in the market and are therefore designated as Level 3 within the valuation hierarchy. The most significant fair value determinations for non-financial assets and liabilities are related to crude oil and natural gas properties acquired. During the three and nine months ended September 30, 2025 and 2024, we recorded no impairments of proved or unproved properties. Refer to *Note 2 - Acquisitions and Divestitures* for additional information and *Note 1 – Summary of Significant Accounting Policies* in *Item 8. Financial Statements and Supplementary Data* included in our [2024 Form 10-K](#) for information on our policies for determining fair value of proved and unproved properties and related impairment expense.

NOTE 9 - DERIVATIVES

We periodically enter into commodity derivative contracts to mitigate a portion of our exposure to potentially adverse market changes in commodity prices for our expected future crude oil and natural gas production and the associated impact on our cash flows. Our commodity derivative contracts consist of swaps, collars, and basis protection swaps. As of September 30, 2025, all of our derivative counterparties were members of our Credit Facility lender group, and all commodity derivative contracts are entered into for other-than-trading purposes. We do not designate our commodity derivative contracts as hedging instruments.

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

A typical collar arrangement establishes a floor and ceiling price on contracted volumes through the use of a short call and a long put. When the index price is below the floor price at the time of settlement, we receive the difference. When the index price is above the ceiling price at the time of settlement, we pay the difference. When the index price is between the floor price and ceiling price, no payment or receipt occurs.

A typical basis protection swap arrangement guarantees a fixed price differential from a specified delivery point on contracted volumes. If the price differential is greater than the fixed contract differential at the time of settlement, we receive the difference. If the price differential is less than the fixed contract differential at the time of settlement, we pay the difference.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Derivative cash settlement gain (loss), net				
Crude oil contracts	\$ 39	\$ (12)	\$ 76	\$ (42)
Natural gas contracts	26	30	62	36
Total derivative cash settlement gain (loss), net	65	18	138	(6)
Change in fair value gain	14	133	97	55
Total derivative gain, net	\$ 79	\$ 151	\$ 235	\$ 49

As of September 30, 2025, we had entered into the following commodity price derivative contracts:

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Crude Oil Derivatives (volumes in Bbl/day and prices in \$/Bbl)					
Swaps					
NYMEX WTI Volumes	74,700	37,000	46,500	18,000	—
Weighted-Average Contract Price	\$ 66.41	\$ 67.79	\$ 61.28	\$ 64.48	\$ —
Collars					
NYMEX WTI Volumes	19,000	15,000	7,000	3,000	—
Weighted-Average Ceiling Price	\$ 75.11	\$ 75.18	\$ 70.29	\$ 66.02	\$ —
Weighted-Average Floor Price	\$ 60.00	\$ 60.00	\$ 60.00	\$ 60.00	\$ —
Natural Gas Derivatives (volumes in MMBtu/day and prices in \$/MMBtu)					
Swaps					
NYMEX HH Volumes	240,000	60,000	60,000	60,000	60,000
Weighted-Average Contract Price	\$ 3.83	\$ 4.42	\$ 4.42	\$ 4.42	\$ 4.42
Collars					
NYMEX HH Volumes	50,000	200,000	200,000	200,000	200,000
Weighted-Average Ceiling Price	\$ 4.30	\$ 4.35	\$ 4.35	\$ 4.35	\$ 4.35
Weighted-Average Floor Price	\$ 3.66	\$ 3.52	\$ 3.52	\$ 3.52	\$ 3.52
Basis Protection Swaps					
Waha Basis Volumes	140,000	130,000	130,000	130,000	130,000
Weighted-Average Contract Price	\$ (1.32)	\$ (1.31)	\$ (1.31)	\$ (1.31)	\$ (1.31)
CIG Basis Volumes	\$ 150,000	\$ 130,000	\$ 130,000	\$ 130,000	\$ 130,000
Weighted-Average Contract Price	\$ (0.83)	\$ (0.57)	\$ (0.57)	\$ (0.57)	\$ (0.57)

Subsequent to September 30, 2025 and as of October 31, 2025, we had entered into the following commodity price derivative contracts:

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Crude Oil Derivatives (volumes in Bbl/day and prices in \$/Bbl)					
Swaps					
NYMEX WTI Volumes	—	—	—	3,000	—
Weighted-Average Contract Price	\$ —	\$ —	\$ —	\$ 60.00	\$ —
Collars					
NYMEX WTI Volumes	—	—	—	3,000	—
Weighted-Average Ceiling Price	\$ —	\$ —	\$ —	\$ 65.02	\$ —
Weighted-Average Floor Price	\$ —	\$ —	\$ —	\$ 55.00	\$ —

Derivative Assets and Liabilities Fair Value

Our commodity price derivatives are measured at fair value and are included in the accompanying balance sheets as derivative assets and liabilities. The following table contains a summary of all our derivative positions reported on the accompanying balance sheets as well as a reconciliation between the gross assets and liabilities and the potential effects of master netting arrangements on the fair value of our commodity derivative contracts as of September 30, 2025, and December 31, 2024 (in millions):

	September 30, 2025	December 31, 2024
Derivative Assets:		
Commodity contracts - current	\$ 169	\$ 67
Commodity contracts - noncurrent	2	17
Total derivative assets	171	84
Amounts not offset in the accompanying balance sheets	(25)	(27)
Total derivative assets, net	\$ 146	\$ 57
Derivative Liabilities:		
Commodity contracts - current	\$ (17)	\$ (22)
Commodity contracts - long-term	(8)	(13)
Total derivative liabilities	(25)	(35)
Amounts not offset in the accompanying balance sheets	25	27
Total derivative liabilities, net	\$ —	\$ (8)

NOTE 10 - ASSET RETIREMENT OBLIGATIONS

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

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

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

	Amount
Balance as of December 31, 2024	\$ 458
Additional liabilities incurred with development activities and other	6
Additional liabilities incurred with acquisitions	2
Obligations discharged with divestitures	(7)
Liabilities settled	(59)
Accretion expense ⁽¹⁾	24
Balance as of September 30, 2025	\$ 424
Current portion ⁽²⁾	\$ 59
Long-term portion	\$ 365

⁽¹⁾ Accretion expense is included in depreciation, depletion, and amortization on the accompanying statements of operations and statements of cash flows.

⁽²⁾ The current portion of the asset retirement obligation is included in other liabilities on the accompanying balance sheets.

NOTE 11 - EARNINGS PER SHARE

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

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

We have also issued warrants, which represent the right to purchase our common stock at a specified exercise price. The number of potentially dilutive shares related to the warrants is based on the number of shares, if any, that would be exercisable at the end of the respective reporting period, assuming that date was the end of such warrants' term. Warrants are only dilutive when the average price of the common stock during the period exceeds the exercise price. The exercise price of our warrants was in excess of our stock price during the three and nine months ended September 30, 2025 and 2024; therefore, they were excluded from the earnings per share calculation.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income	\$ 177	\$ 296	\$ 487	\$ 688
Basic earnings per common share	\$ 1.99	\$ 3.02	\$ 5.32	\$ 6.91
Diluted earnings per common share	\$ 1.99	\$ 3.01	\$ 5.31	\$ 6.88
Weighted-average shares outstanding - basic	88,864,529	97,905,077	91,644,288	99,539,882
Add: dilutive effect of stock awards	98,455	318,832	118,314	411,191
Weighted-average shares outstanding - diluted	88,962,984	98,223,909	91,762,602	99,951,073

There were 727,241 and 160,611 unvested awards that were anti-dilutive for the three months ended September 30, 2025 and 2024, respectively. There were 675,480 and 144,300 unvested awards that were anti-dilutive for the nine months ended September 30, 2025 and 2024, respectively.

NOTE 12 - INCOME TAXES

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

We assess the recoverability of our deferred tax assets each period by considering whether it is more likely than not that all or a portion of the deferred tax assets will be realized. In making such a determination, we consider all available evidence (both positive and negative), including future reversals of temporary differences, tax-planning strategies, projected future taxable income, and results of operations. As a result of merger activity in 2021, we recorded a valuation allowance of \$25 million, which continued to be recorded as of September 30, 2025 and December 31, 2024, against certain acquired net operating losses and other tax attributes due to the limitation on realizability caused by the change of ownership provisions of Section 382 of the Internal Revenue Code. We will continue to monitor facts and circumstances in the reassessment of the likelihood that the deferred tax assets will be realized.

The net deferred tax liability as of September 30, 2025 and December 31, 2024 was \$955 million and \$801 million, respectively. Additionally, prepaid income tax of \$1 million is included in prepaid expenses and other on the accompanying balance sheets as of September 30, 2025, and income tax payable of \$2 million is included in other liabilities on the accompanying balance sheets as of December 31, 2024.

During the three months ended September 30, 2025 and 2024, we recorded income tax expense of \$57 million and \$93 million, respectively. During the nine months ended September 30, 2025 and 2024, we recorded income tax expense of \$156 million and \$195 million, respectively. Income tax expense differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income from operations before income taxes due to the effect of state income taxes, excess tax benefits and deficiencies on stock-based compensation awards, tax limitations on compensation of covered individuals, tax credits, and other permanent differences. During the nine months ended September 30, 2024, income tax expense was additionally impacted by deferred tax benefits from state apportionment changes as a result of the Vencer Acquisition.

We had no unrecognized tax benefits as of September 30, 2025 and December 31, 2024. We do not believe that there are any new items or changes in facts or judgments that would impact our tax position taken thus far in 2025.

On July 4, 2025, President Trump signed into law the One Big Beautiful Bill Act ("OBBBA"). The OBBBA made permanent key elements of the Tax Cuts and Jobs Act of 2017, including favorable tax treatment of 100% bonus depreciation and interest expense. Consistent with ASC Topic 740, *Income Taxes*, we have completed our evaluation of the impact of the OBBBA and recognized the effects in the quarterly income tax provision for the three months ended September 30, 2025. While the OBBBA did not materially impact our income tax expense or effective tax rate for the three and nine months ended September 30, 2025, its favorable provisions resulted in the deferral of certain income taxes previously reflected in income taxes payable on the accompanying balance sheets as of September 30, 2025.

NOTE 13 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	Nine Months Ended September 30,	
	2025	2024
Supplemental cash flow information:		
Cash (paid) refunded for income taxes, net	\$ (4)	\$ 3
Cash paid for interest	(334)	(335)
Supplemental non-cash investing and financing activities:		
Changes in working capital related to capital expenditures	(60)	(22)

NOTE 14 - STOCKHOLDERS' EQUITY

Capital Return Program

In August 2025, our Board reinstated a capital return strategy of allocating 50% of our annual Adjusted Free Cash Flow, after the base dividend, which remains \$0.50 per share quarterly, to share repurchases. In conjunction with this decision, our Board increased the amount authorized for repurchases remaining under our existing stock repurchase program to \$750 million. However, pursuant to terms of the Merger Agreement (as defined below), we are prohibited from (i) repurchasing shares of our common stock pending the consummation of the Merger and (ii) paying quarterly dividends in excess of our \$0.50 base dividend.

Stock Repurchases

Prior to entry into the Merger Agreement, we were permitted, under our existing stock repurchase program, to repurchase our outstanding shares of common stock, in the open market, in privately negotiated transactions, or through block trades, derivative transactions, or purchases made in accordance with Rule 10b-18 and Rule 10b5-1 of the Exchange Act. The stock repurchase program does not have a termination date, does not require any specific number of shares to be acquired, and can be modified or discontinued by our Board at any time.

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

On August 8, 2025, we entered into an accelerated share repurchase agreement (the "ASR Agreement") with a financial institution (the "Counterparty") to repurchase an aggregate of \$250 million (the "Repurchase Price") of our common stock. Under the terms of the ASR Agreement, we paid the Repurchase Price and received an initial delivery of 6,646,726 shares of our common stock from the Counterparty, representing 80% of the Repurchase Price based on the closing price of our common stock on August 7, 2025. Final settlement of the ASR Agreement occurred in September 2025, pursuant to which we received an additional 733,832 shares of our common stock from the Counterparty.

The table below summarizes stock repurchases pursuant to the stock repurchase program during the nine months ended September 30, 2025 and 2024:

	Number of Shares	Weighted-Average Price	Total Purchase Price (in millions) ⁽¹⁾
2025			
ASR Agreement	7,380,558	\$ 33.87	\$ 250
Open market repurchases	1,560,305	46.08	72
Total stock repurchases	8,940,863	\$ 36.00	\$ 322
2024			
Privately negotiated transactions			
NGP	876,193	\$ 64.54	\$ 57
Vitol	1,041,667	71.99	75
Open market repurchases	2,221,460	62.24	138
Total stock repurchases	4,139,320	\$ 65.18	\$ 270

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

These stock repurchases were funded from our cash on hand, and the shares were immediately retired. As of September 30, 2025, \$500 million remained available under the program for repurchase of our outstanding common stock.

Dividends

The following table summarizes the dividends declared for the nine months ended September 30, 2025 and 2024:

	Base (per share)	Variable (per share)	Total (per share)	Total (in millions)
2025				
First quarter	\$ 0.50	\$ —	\$ 0.50	\$ 45
Second quarter	\$ 0.50	\$ —	\$ 0.50	\$ 46
Third quarter	\$ 0.50	\$ —	\$ 0.50	\$ 43
2024				
First quarter	\$ 0.50	\$ 0.95	\$ 1.45	\$ 148
Second quarter	\$ 0.50	\$ 1.00	\$ 1.50	\$ 151
Third quarter	\$ 0.50	\$ 1.02	\$ 1.52	\$ 145

All RSUs, DSUs, and PSUs receive a dividend equivalent per unit, recognized as a liability included in other liabilities and other long-term liabilities on the accompanying balance sheets until the recipients receive the dividend equivalents. Refer to *Note 7 - Stock-Based Compensation* for further discussion around our LTIP.

NOTE 15 - SEGMENT REPORTING

We aggregate and report our crude oil and natural gas exploration and production operations in one reportable upstream segment. The Permian Basin and the DJ Basin are operating segments of the Company that we aggregate into the upstream segment due to the similarity of these domestic operations. The upstream segment derives revenue from the sale of produced crude oil, natural gas, and NGL. We consider our midstream functions as ancillary to our upstream segment. Our chief operating decision maker (“CODM”) is our Interim Chief Executive Officer.

The measure of profit or loss that the CODM uses to assess performance and allocate resources for the upstream segment is Adjusted EBITDAX. Adjusted EBITDAX is defined as earnings before interest, income taxes, depreciation, depletion, and amortization, exploration expense, and other non-cash and non-recurring charges. The measure of segment assets is reported on the accompanying consolidated balance sheets as total consolidated assets and capital expenditures are reported in our statements of cash flows. The CODM uses Adjusted EBITDAX to evaluate income generated from segment assets in deciding whether to reinvest profits into the upstream segment or into other activities, such as for acquisitions, debt reduction, or to return capital to stockholders.

The following table presents a reconciliation of reportable segment Adjusted EBITDAX to income from operations before income taxes (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Adjusted EBITDAX	\$ 855	\$ 910	\$ 2,389	\$ 2,756
Interest expense, net ⁽¹⁾	(119)	(115)	(336)	(334)
Depreciation, depletion, and amortization	(497)	(524)	(1,443)	(1,512)
Exploration	(1)	(1)	(7)	(14)
Transaction costs	(2)	—	(8)	(31)
Derivative gain, net	79	151	235	49
Derivative cash settlement (gain) loss, net	(65)	(18)	(138)	6
Non-recurring cash severance ⁽²⁾⁽³⁾	(3)	—	(7)	—
Stock-based compensation ⁽²⁾	(11)	(13)	(37)	(36)
Other, net ⁽⁴⁾	(2)	(1)	(5)	(1)
Income from operations before income taxes	\$ 234	\$ 389	\$ 643	\$ 883

⁽¹⁾ Includes interest income of \$1 million and \$2 million for the three months ended September 30, 2025 and 2024, respectively, and \$5 million and \$8 million for the nine months ended September 30, 2025 and 2024, respectively. Interest income is included as a portion of other, net in the accompanying statements of operations.

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

⁽³⁾ The three months ended September 30, 2025 includes non-recurring cash severance charges incurred in connection with our CEO separation. The nine months ended September 30, 2025 includes non-recurring cash severance charges incurred in connection with our announced reduction in force and our CEO separation.

⁽⁴⁾ Other, net activity primarily includes (i) non-recurring cash unused commitment fees that are included in other operating expense in the accompanying statements of operations for each period presented and (ii) non-capitalized expenses incurred in connection with our ERP implementation that are included in general and administrative expense in the accompanying statements of operations during the three months ended September 30, 2025.

NOTE 16 - SUBSEQUENT EVENTS

Merger Agreement

On November 2, 2025, SM Energy Company, a Delaware corporation (“SM Energy”), Cars Merger Sub, Inc., a Delaware corporation and direct wholly owned subsidiary of SM Energy (“Merger Sub”), and Civitas, entered into an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which, upon the terms and subject to the conditions set forth in the Merger Agreement, (i) Merger Sub will merge with and into Civitas, with Civitas surviving as a wholly owned subsidiary of SM Energy (the “First Company Merger”), and (ii) immediately following the First Company Merger, Civitas as the surviving corporation (the “First Surviving Corporation”) will merge with and into SM Energy, with SM Energy continuing as the surviving corporation (the “Second Company Merger” and, together with the First Company Merger, the “Merger”).

Under the terms of the Merger Agreement, at the First Effective Time (as defined in the Merger Agreement), each share of our common stock issued and outstanding immediately prior to the First Effective Time (other than shares to be cancelled as provided for by the Merger Agreement) will be converted into the right to receive 1.45 shares of common stock, par value \$0.01 per share, of SM Energy (the “Exchange Ratio”).

The Merger has been unanimously approved by our Board and the board of directors of SM Energy. Consummation of the Merger is subject to the satisfaction or waiver of various customary conditions set forth in the Merger Agreement, including regulatory clearance and approvals by the stockholders of each of Civitas and SM. The Merger Agreement contains certain termination rights for each of Civitas and SM Energy, and in certain circumstances, a termination fee or reimbursement of expenses would be payable by Civitas or SM Energy thereunder.

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which is attached as Exhibit 2.2 to this Quarterly Report on Form 10-Q and is incorporated herein by reference. For additional information related to the Merger, refer to the filings made with the SEC in connection with such transaction.

Voting Agreement

Following the execution and delivery of the Merger Agreement, on November 3, 2025, we entered into a Voting Agreement (the “Voting Agreement”) with Kimmeridge Chelsea, LLC (“Kimmeridge”), which provides for, among other things, the obligation of Kimmeridge to vote (i) in favor of the adoption of the Merger Agreement and approval of any other matters necessary for the consummation of the transactions contemplated by the Merger Agreement, including the Merger, and (ii) against any alternative Company Acquisition Proposals (as defined in the Merger Agreement) and against any action, proposal, transaction, or agreement that could reasonably be expected to impede, interfere with, delay, discourage, adversely affect, or inhibit the timely consummation of the Merger, subject to the terms and conditions set forth in the Voting Agreement.

The Voting Agreement will terminate upon the earliest to occur of: (a) the First Effective Time, (b) the date on which the Merger Agreement is terminated in accordance with its terms, (c) the mutual written consent of the parties thereto, (d) the date on which a Company Adverse Recommendation Change (as defined in the Merger Agreement) occurs and (e) the date of any modification, waiver or amendment to the Merger Agreement effected without Kimmeridge’s consent that (i) decreases the amount or changes the form of consideration payable to all of our stockholders pursuant to the terms of the Merger Agreement or (ii) otherwise materially adversely affects the interests of Kimmeridge or our stockholders.

The foregoing description of the Voting Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Voting Agreement, which is attached as Exhibit 10.6 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” contained in our [2024 Form 10-K](#), as well as with our unaudited condensed consolidated financial statements and notes thereto included in this Quarterly Report on Form 10-Q. Further, we encourage you to review the *Information Regarding Forward-Looking Statements*.

Executive Summary

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

Financial and Operating Results

Our financial and operating results for the three months ended September 30, 2025:

- Total sales volumes of 31 MMBoe and average sales volumes of 336 MBoe per day;
- Net income of \$177 million, or \$1.99 per diluted share. Adjusted EBITDAX⁽¹⁾ of \$855 million;
- Cash flows provided by operating activities of \$860 million. Adjusted Free Cash Flow⁽²⁾ was \$254 million;
- Capital expenditures in drilling, completions, facilities, land, midstream assets, and other were \$491 million;
- Net reductions in outstanding balance of the Credit Facility of \$250 million;
- Repurchases of approximately 7.4 million shares of our common stock totaling \$250 million; and
- Cash dividends paid of \$44 million.

Our financial and operating results for the nine months ended September 30, 2025:

- Total sales volumes of 88 MMBoe and average sales volumes of 321 MBoe per day;
- Net income of \$487 million, or \$5.31 per diluted share. Adjusted EBITDAX⁽¹⁾ of \$2.4 billion;
- Cash flows provided by operating activities of \$1.9 billion. Adjusted Free Cash Flow⁽²⁾ was \$548 million;
- Capital expenditures in drilling, completions, facilities, land, midstream assets, and other were \$1.5 billion;
- Repurchases of approximately 8.9 million shares of our common stock totaling \$322 million; and
- Cash dividends paid of \$141 million.

⁽¹⁾ Adjusted EBITDAX is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures - Reconciliation of Net Income to Adjusted EBITDAX” below for additional discussion.

⁽²⁾ Adjusted Free Cash Flow is a non-GAAP financial measure. Refer to the “Non-GAAP Financial Measures - Reconciliation of Adjusted Free Cash Flow to Cash Provided by Operating Activities” and “Liquidity and Capital Resources” below for additional discussion.

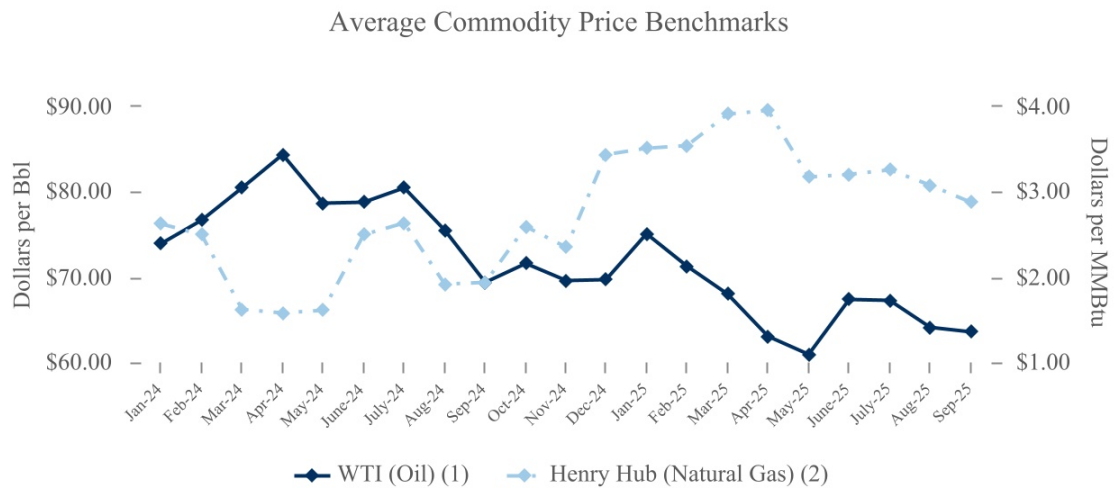
Commodity Prices and Certain Other Market Conditions

The crude oil and natural gas industry is cyclical and commodity prices are inherently volatile. During the nine months ended September 30, 2025, crude oil prices experienced significant volatility as a result of (i) the conflicts in the Middle East, South America, and Russia (including current events involving Russia and Ukraine), (ii) trade and tariff uncertainties driving concerns over an increase in inflation, as well as disruption to global supply chains and consumer demand, (iii) continued concerns over economic growth, specifically in China and India as both are significant oil consumers, and (iv) OPEC+’s decision to increase crude oil output, creating additional global supply and further downward pressure on oil prices. These factors have led to declining average crude oil prices for the year.

U.S. inflation rates during the nine months ended September 30, 2025 were relatively stable, yet remained slightly higher than historical averages. Inflationary pressures, such as trade tariffs, can lead to economic slowdown and/or lead to a recession. A slowdown or recession can cause a decrease in short-term or longer-term demand for commodities, resulting in oversupply and potential for lower commodity prices.

The foregoing destabilizing factors have led to significant fluctuations in global financial markets and uncertainty about world-wide crude oil and natural gas supply and demand, which in turn has increased the volatility of crude oil and natural gas prices. Prolonged lower crude oil prices and inflationary costs could adversely affect our drilling program and could result in a significant triggering event that may cause an impairment over our crude oil and natural gas assets. Consequently, we may incur substantial impairment charges in the future, which could have a material adverse effect on our results of operations. We maintain operational flexibility to control the pace of our capital spending and we regularly monitor these external factors that may negatively influence it. As a result, we may revise our capital program during the year.

The below graph depicts monthly average NYMEX WTI crude oil and NYMEX HH natural gas price from January 2024 through September 2025.



⁽¹⁾ The average NYMEX WTI crude oil price for the three months ended September 30, 2025 and June 30, 2025 was \$64.93 and \$63.74, respectively. The average NYMEX WTI crude oil price for the nine months ended September 30, 2025 and 2024 was \$66.70 and \$77.54, respectively.

⁽²⁾ The average NYMEX natural gas HH price for the three months ended September 30, 2025 and June 30, 2025 was \$3.07 and \$3.44, respectively. The average NYMEX natural gas HH price for the nine months ended September 30, 2025 and 2024 was \$3.39 and \$2.10, respectively.

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

We receive a premium or discount to the benchmark WTI price for our crude oil production. The differential between the benchmark price and the price we receive can reflect adjustments for quality, location, and transportation. Our Permian Basin crude oil price generally includes a transportation differential for delivery to Cushing, Oklahoma. During the three and nine months ended September 30, 2025, our Permian Basin crude oil differential was a premium to WTI. Our DJ Basin crude oil price generally includes a higher-grade quality differential. A transportation differential is also charged for delivery of crude oil to Cushing, Oklahoma or other contractually stated delivery points and may be presented net within crude oil, natural gas, and NGL sales or gross within gathering, transportation, and processing in our accompanying statement of operations based on when control is transferred within the associated contracts with customers. Basis differentials can be volatile and can change at various times given their high correlation with market dynamics, supply and demand, and overall production.

Our natural gas production is typically sold at a discount to the benchmark NYMEX Henry Hub price. Our Permian Basin natural gas production is sold based on prices established for the Waha Hub in West Texas, and our DJ Basin natural gas production is sold based on prices established for Colorado Interstate Gas (“CIG”). The pricing we receive for our natural gas in both basins is correlated with the capacity of in-field gathering systems, compression, and processing facilities, as well as transportation pipelines out of the basins, of which are majority owned and operated by third parties. During 2024 and 2025, the Waha Hub has experienced periods of negative pricing due to oversupply, seasonal maintenance, and limited pipeline capacity. During 2025, periods of negative pricing have occurred less often as pricing has been positively impacted by increased winter seasonal demand and improvements in available pipeline capacity. CIG pricing is often impacted by seasonality and typically receives a higher price during the winter months as local demand increases as temperatures decrease.

We periodically enter into natural gas basis protection swaps to mitigate a portion of our exposure to adverse market changes. Refer to *Note 9 - Derivatives* under Part I, Item 1 of this Quarterly Report on Form 10-Q for further discussion on our derivative contracts.

Our NGL production is sold based on Mt. Belvieu market benchmarks. Our realized prices reflect adjustments, both premiums and discounts, driven by crude oil prices and various other factors including seasonal demand fluctuations, transportation, processing and logistics costs, regional location differentials, and broader market dynamics. In the DJ Basin, we take the majority of our NGL in kind from third party processors and sell them to directly to the markets via pipeline or trucks. In the Permian Basin, the majority of our NGL are marketed on our behalf by third-party processors.

Results of Operations

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

	Three Months Ended			Nine Months Ended		
	September 30, 2025	June 30, 2025	Percent Change	September 30, 2025	September 30, 2024	Percent Change
Revenues (in millions):						
Crude oil sales	\$ 950	\$ 868	9 %	\$ 2,719	\$ 3,314	(18)%
Natural gas sales	65	48	35 %	238	106	125 %
NGL sales	145	138	5 %	449	491	(9)%
Product revenue	<u>\$ 1,160</u>	<u>\$ 1,054</u>	<u>10 %</u>	<u>\$ 3,406</u>	<u>\$ 3,911</u>	<u>(13)%</u>
Sales Volumes:						
Crude oil (MBbl)	14,562	13,583	7 %	40,854	42,974	(5)%
Natural gas (MMcf)	50,178	47,709	5 %	148,358	164,205	(10)%
NGL (MBbl)	7,998	7,285	10 %	22,153	23,416	(5)%
Total sales volumes (MBoe)	30,923	28,819	7 %	87,734	93,758	(6)%
Average Sales Prices (before derivatives):						
Crude oil (per Bbl)	\$ 65.24	\$ 63.87	2 %	\$ 66.54	\$ 77.12	(14)%
Natural gas (per Mcf)	\$ 1.29	\$ 1.00	29 %	\$ 1.61	\$ 0.64	152 %
NGL (per Bbl)	\$ 18.21	\$ 18.99	(4)%	\$ 20.29	\$ 20.95	(3)%
Total (per Boe)	\$ 37.53	\$ 36.56	3 %	\$ 38.82	\$ 41.71	(7)%
Average Sales Prices (after derivatives)⁽¹⁾:						
Crude oil (per Bbl)	\$ 67.87	\$ 66.55	2 %	\$ 68.39	\$ 76.16	(10)%
Natural gas (per Mcf)	\$ 1.81	\$ 1.69	7 %	\$ 2.02	\$ 0.86	135 %
NGL (per Bbl)	\$ 18.21	\$ 18.99	(4)%	\$ 20.29	\$ 20.95	(3)%
Total (per Boe)	\$ 39.60	\$ 38.97	2 %	\$ 40.39	\$ 41.65	(3)%

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

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

	Three Months Ended		Percent Change	Nine Months Ended		Percent Change
	September 30, 2025	June 30, 2025		September 30, 2025	September 30, 2024	
Crude oil (MBbl)						
Permian Basin	7,905	7,552	5 %	22,264	23,644	(6)%
DJ Basin	6,657	6,031	10 %	18,590	19,330	(4)%
Total	14,562	13,583	7 %	40,854	42,974	(5)%
Natural gas (MMcf)						
Permian Basin	24,989	23,190	8 %	72,746	75,585	(4)%
DJ Basin	25,189	24,519	3 %	75,612	88,620	(15)%
Total	50,178	47,709	5 %	148,358	164,205	(10)%
NGL (MBbl)						
Permian Basin	4,589	4,076	13 %	12,551	13,194	(5)%
DJ Basin	3,409	3,209	6 %	9,602	10,222	(6)%
Total	7,998	7,285	10 %	22,153	23,416	(5)%
Total sales volumes (MBoe)						
Permian Basin	16,659	15,492	8 %	46,939	49,436	(5)%
DJ Basin	14,264	13,327	7 %	40,795	44,322	(8)%
Total	30,923	28,819	7 %	87,734	93,758	(6)%
Average sales volumes per day (MBoe/d)						
Permian Basin	181	171	6 %	172	180	(4)%
DJ Basin	155	146	6 %	149	162	(8)%
Total	336	317	6 %	321	342	(6)%

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

Average Sales Price	Three Months Ended			Percent Change	Nine Months Ended			Percent Change		
	September 30, 2025	June 30, 2025			September 30, 2025	September 30, 2024				
Crude Oil (Per Bbl)										
Permian Basin	\$	65.41	\$	64.06	2 %	\$	66.83	\$	78.11	(14)%
DJ Basin	\$	65.03	\$	63.63	2 %	\$	66.19	\$	75.91	(13)%
Total	\$	65.24	\$	63.87	2 %	\$	66.54	\$	77.12	(14)%
Natural Gas (Per Mcf)										
Permian Basin	\$	0.07	\$	(0.11)	**	\$	0.33	\$	(0.71)	**
DJ Basin	\$	2.51	\$	2.06	22 %	\$	2.83	\$	1.80	57 %
Total	\$	1.29	\$	1.00	29 %	\$	1.61	\$	0.64	152 %
NGL (Per Bbl)										
Permian Basin	\$	15.87	\$	16.68	(5)%	\$	17.41	\$	18.36	(5)%
DJ Basin	\$	21.36	\$	21.92	(3)%	\$	24.04	\$	24.30	(1)%
Total	\$	18.21	\$	18.99	(4)%	\$	20.29	\$	20.95	(3)%
Production Cost (Per Boe) ⁽¹⁾										
Permian Basin	\$	6.21	\$	6.52	(5)%	\$	6.81	\$	5.26	29 %
DJ Basin	\$	4.70	\$	5.20	(10)%	\$	5.12	\$	4.10	25 %
Total	\$	5.51	\$	5.91	(7)%	\$	6.02	\$	4.71	28 %

** Percent not meaningful

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

Product revenues increased 10% to \$1.2 billion for the three months ended September 30, 2025 compared to \$1.1 billion for the three months ended June 30, 2025. The increase was primarily due to (i) a 7% increase in total sales volumes primarily due to the timing of wells turned-in-line in both basins and (ii) a 3% increase in total product pricing on an equivalent basis per Boe, excluding the impact of derivatives.

Product revenues decreased 13% to \$3.4 billion for the nine months ended September 30, 2025 compared to \$3.9 billion for the nine months ended September 30, 2024. The decrease was primarily due to (i) a 7% decrease in total product pricing on an equivalent basis per Boe, excluding the impact of derivatives and (ii) a 6% decrease in total sales volumes primarily due to the timing of wells turned-in-line in both basins and normal decline in production from our existing wells.

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

	Three Months Ended			Nine Months Ended		
	September 30, 2025	June 30, 2025	Percent Change	September 30, 2025	September 30, 2024	Percent Change
Operating Expenses:						
Lease operating expense	\$ 159	\$ 158	1 %	\$ 491	\$ 405	21 %
Midstream operating expense	12	12	— %	38	37	3 %
Gathering, transportation, and processing	88	83	6 %	258	280	(8)%
Severance and ad valorem taxes	81	75	8 %	245	291	(16)%
Exploration	1	3	(67)%	7	14	(50)%
Depreciation, depletion, and amortization	497	501	(1)%	1,443	1,512	(5)%
General and administrative expense	52	53	(2)%	162	174	(7)%
Transaction costs	2	—	100 %	8	31	(74)%
Other operating expense	3	2	50 %	9	10	(10)%
Total operating expenses	<u>\$ 895</u>	<u>\$ 887</u>	<u>1 %</u>	<u>\$ 2,661</u>	<u>\$ 2,754</u>	<u>(3)%</u>
Selected Operating Expenses (per Boe):						
Lease operating expense	\$ 5.12	\$ 5.49	(7)%	\$ 5.59	\$ 4.32	29 %
Midstream operating expense	0.39	0.42	(7)%	0.43	0.39	10 %
Gathering, transportation, and processing	2.84	2.87	(1)%	2.94	2.98	(1)%
Severance and ad valorem taxes	2.62	2.58	2 %	2.79	3.10	(10)%
Depreciation, depletion, and amortization	16.09	17.36	(7)%	16.45	16.13	2 %
General and administrative expense	1.68	1.86	(10)%	1.85	1.85	— %
Total selected operating expenses (per Boe)	<u>\$ 28.74</u>	<u>\$ 30.58</u>	<u>(6)%</u>	<u>\$ 30.05</u>	<u>\$ 28.77</u>	<u>4 %</u>

Lease operating expense. Our lease operating expense increased 1% to \$159 million for the three months ended September 30, 2025, compared to \$158 million for the three months ended June 30, 2025, and decreased 7% on an equivalent basis per Boe. The slight increase in total lease operating expense is comprised of offsetting increases and decreases in various categories. The most significant increase is attributable to salt water disposal costs, with the largest offsetting decrease due to lower fuel and power usage resulting from a continued shift from generators to less expensive line power in the Permian Basin. The decrease in lease operating expense per Boe is attributable to the increase in total sales volumes of 7%.

Our lease operating expense increased 21% to \$491 million for the nine months ended September 30, 2025, compared to \$405 million for the nine months ended September 30, 2024, and increased 29% on an equivalent basis per Boe. The Permian Basin accounted for approximately 60% of the increase on an equivalent basis per Boe primarily due to increases in operational activities related to (i) increased salt water disposal costs, including costs incurred to dispose of produced water arising from takeaway capacity constraints with certain of our vendors, (ii) compression, and (iii) fuel and power usage. The DJ Basin accounted for the remaining approximately 40% of the increase on an equivalent basis per Boe primarily due to (i) increases in our plugging and abandonment program and related environmental remediation costs incurred on old vertical well sites, many of which we never operated, (ii) compression, and (iii) declining production volumes relative to fixed costs.

Gathering, transportation, and processing. Our gathering, transportation, and processing (“GTP”) expense increased 6% to \$88 million for the three months ended September 30, 2025, compared to \$83 million for the three months ended June 30, 2025, and decreased 1% on an equivalent basis per Boe. The increase in GTP expense is attributable to the increase in total sales volumes of 7%.

Our GTP expense decreased 8% to \$258 million for the nine months ended September 30, 2025, compared to \$280 million for the nine months ended September 30, 2024, and decreased 1% on an equivalent basis per Boe. The decrease in GTP expense is attributable to the decrease in total sales volumes of 6%. The decrease in GTP expense per Boe was primarily attributable to a shift in natural gas and NGL production toward areas within the DJ Basin that benefit from more favorable GTP contractual terms, offset by our entry into a new crude oil gathering contract in the DJ Basin. Pursuant to this contract, GTP costs are now incurred prior to the transfer of control and thereby recorded as GTP expense compared to the former contract where GTP costs were incurred subsequent to the transfer of control and thereby recorded net within crude oil, natural gas, and NGL sales.

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

Our severance and ad valorem taxes increased 8% to \$81 million for the three months ended September 30, 2025, from \$75 million for the three months ended June 30, 2025, and increased 2% on an equivalent basis per Boe. Increases in both total and on an equivalent basis per Boe primarily resulted from the increase of 10% in total product revenue for the three months ended September 30, 2025 when compared to the three months ended June 30, 2025.

Our severance and ad valorem taxes decreased 16% to \$245 million for the nine months ended September 30, 2025, from \$291 million for the nine months ended September 30, 2024, and decreased 10% on an equivalent basis per Boe. Decreases in both total and on an equivalent basis per Boe resulted from the decrease of 13% in total product revenue for the nine months ended September 30, 2025 when compared to the nine months ended September 30, 2024. In addition, during the nine months ended September 30, 2025, we updated our Texas ad valorem tax estimates to reflect updated assessed values resulting in a further decrease in our severance and ad valorem taxes.

Depreciation, depletion, and amortization. Our depreciation, depletion, and amortization expense (“DD&A”) decreased 1% to \$497 million for the three months ended September 30, 2025, from \$501 million for the three months ended June 30, 2025, and decreased 7% on an equivalent basis per Boe. The decrease in total DD&A expense was primarily due to a decrease in the depletion rate driven by a greater increase in proved reserves relative to the increase in the depletable property base, partially offset by a 7% increase in sales volumes.

Our DD&A decreased 5% to \$1.4 billion for the nine months ended September 30, 2025, from \$1.5 billion for the nine months ended September 30, 2024, and increased 2% on an equivalent basis per Boe. The decrease in total DD&A expense was primarily due to a 6% decrease in sales volumes between periods and was partially offset by an increase in the depletion rate driven by a greater increase in the depletable property base in proportion to proved reserves.

General and administrative expense. Our general and administrative expense decreased 2% to \$52 million for the three months ended September 30, 2025, from \$53 million for the three months ended June 30, 2025, and decreased 10% on an equivalent basis per Boe. The decrease in general and administrative expense was primarily due a reduction in professional services, stock compensation expense, and other corporate expenses and was partially offset by \$3 million of non-recurring cash severance charges incurred in connection with our CEO separation during the three months ended September 30, 2025. General and administrative expense per Boe decreased due to a 7% increase in sales volumes.

Our general and administrative expense decreased 7% to \$162 million for the nine months ended September 30, 2025, from \$174 million for the nine months ended September 30, 2024, and remained flat on an equivalent basis per Boe. The

decrease in general and administrative expense was primarily due to (i) increases in the portion of labor billable to joint interest accounts and (ii) cost savings initiatives resulting in a reduction in professional services and contract labor. The decrease in general and administrative expense was partially offset by \$7 million of non-recurring cash severance charges and \$1 million of additional stock compensation expense incurred in connection with our announced reduction in force during the three months ended March 31, 2025 and our CEO separation during the three months ended September 30, 2025. General and administrative expense per Boe remained flat as expenditure decreased commensurate with the 6% decrease in sales volumes.

Derivative gain (loss), net. Our derivative gain for the three months ended September 30, 2025 was \$79 million, as compared to a gain of \$104 million for the three months ended June 30, 2025. Our derivative gains for the three months ended September 30, 2025 and June 30, 2025 were due to cash settlement gains and fair market value adjustments resulting from lower market prices relative to our open positions.

Our derivative gain for the nine months ended September 30, 2025 was \$235 million, as compared to a gain of \$49 million for the nine months ended September 30, 2024. Our derivative gain for the nine months ended September 30, 2025 was due to cash settlement gains and fair market value adjustments resulting from lower market prices relative to our open positions. Our derivative gain for the nine months ended September 30, 2024 was due to fair market value adjustments resulting from lower market prices relative to our open positions, partially offset by cash settlement losses.

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

Interest expense. Our interest expense for the three months ended September 30, 2025 and June 30, 2025 was \$120 million and \$114 million, respectively. Average debt outstanding for the three months ended September 30, 2025 and June 30, 2025 was \$5.5 billion and \$5.4 billion, respectively.

Our interest expense for the nine months ended September 30, 2025 and 2024 was \$341 million and \$342 million, respectively. Average debt outstanding for the nine months ended September 30, 2025 and 2024 was \$5.4 billion and \$4.8 billion, respectively. The components of interest expense for the periods presented are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2025	June 30, 2025	September 30, 2025	September 30, 2024
Senior Notes	\$ 103	\$ 90	\$ 277	\$ 253
Credit Facility	11	18	46	45
Amortization of deferred financing costs and deferred acquisition consideration	4	5	13	39
Other	2	1	5	5
Total interest expense	<u>\$ 120</u>	<u>\$ 114</u>	<u>\$ 341</u>	<u>\$ 342</u>

Income tax expense. Our effective tax rate differs from the amount that would be provided by applying the statutory United States federal income tax rate of 21% to income before income taxes due to the effect of state income taxes, excess tax benefits and deficiencies on stock-based compensation awards, tax limitations on compensation of covered individuals, tax credits, and other permanent differences. Refer to *Note 12 - Income Taxes* under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional discussion.

Our income tax expense for the three months ended September 30, 2025 and June 30, 2025 was \$57 million and \$38 million, resulting in an effective tax rate of 24.3% and 23.5% on pre-tax income, respectively.

Our income tax expense for the nine months ended September 30, 2025 and 2024 was \$156 million and \$195 million, resulting in an effective tax rate of 24.2% and 22.1% on pre-tax income, respectively. During the nine months ended September 30, 2024, income tax expense was additionally impacted by deferred tax benefits from state apportionment changes as a result of the Vencer Acquisition.

Liquidity and Capital Resources

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

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

As of September 30, 2025, our liquidity was \$2.2 billion, consisting of cash on hand of \$56 million and \$2.1 billion of available borrowing capacity on our Credit Facility. Borrowing capacity under the Credit Facility is primarily based on the value assigned to the proved reserves attributable to our crude oil and natural gas interests. As of the filing date of this Quarterly Report on Form 10-Q, the available borrowing capacity on our Credit Facility was \$2.3 billion. Our Credit Facility is set to mature in August 2028. In October 2025, we completed our scheduled borrowing base redetermination which reaffirmed our borrowing base and aggregate elected commitments under the Credit Agreement. The next scheduled borrowing base redetermination date is set to occur in May 2026.

The Credit Facility contains customary representations and various affirmative and negative covenants as well as certain financial covenants, including (a) a permitted net leverage ratio of not greater than 3.00 to 1.00, (b) a current ratio, inclusive of the unused commitments under the Credit Facility then available to be borrowed, of not less than 1.00 to 1.00, and (c) upon the achievement of investment grade credit ratings, a PV-9 coverage ratio. We were in compliance with all covenants under the Credit Facility as of September 30, 2025, and through the filing date of this Quarterly Report on Form 10-Q. Refer to *Note 5 - Debt* in Part I, Item 1 for additional information.

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

Funding for these requirements may be provided by any combination of the sources of liquidity outlined above. We expect our 2025 capital program to be funded by cash flows from operations. Although we cannot provide any assurance, based on our projected cash flows from operations, our cash on hand, and available borrowing capacity on our Credit Facility, we believe that we will have sufficient capital available to fund these requirements through the 12-month period following the filing date of this Quarterly Report on Form 10-Q, and based on current expectations, the long-term.

Sources and Uses of Cash and Cash Equivalents

The following table presents the sources and uses of our cash and cash equivalents for the periods indicated (in millions):

	Activity Type	Nine Months Ended	
		September 30, 2025	September 30, 2024
Sources of Cash and Cash Equivalents			
Net cash provided by operating activities	Operating	\$ 1,877	\$ 2,007
Proceeds from property transactions	Investing	188	163
Proceeds from credit facility	Financing	2,100	1,650
Proceeds from issuance of senior notes	Financing	743	—
Other, net	Investing	1	2
Total sources of cash and cash equivalents		\$ 4,909	\$ 3,822
Uses of Cash and Cash Equivalents			
Acquisitions of businesses, net of cash acquired	Investing	(761)	(905)
Acquisitions of crude oil and natural gas properties	Investing	(54)	(24)
Capital expenditures for drilling and completion activities and other fixed assets	Investing	(1,432)	(1,632)
Payments to credit facility	Financing	(2,200)	(1,600)
Dividends paid	Financing	(141)	(446)
Common stock repurchased and retired	Financing	(322)	(270)
Other, net	Investing/Financing	(19)	(25)
Total uses of cash and cash equivalents		\$ (4,929)	\$ (4,902)
Net change in cash and cash equivalents		\$ (20)	\$ (1,080)

Sources of Cash and Cash Equivalents

Our sources of cash and cash equivalents increased by \$1.1 billion year over year, primarily driven by proceeds from issuance of our 2033 Senior Notes of \$743 million, increased draws on our Credit Facility of \$450 million, and increased proceeds of \$25 million from property transactions, including the divestiture of certain non-core DJ Basin assets during the nine months ended September 30, 2025. These increases were partially offset by a decrease in net cash provided by operating activities of \$130 million. Our net cash provided by operating activities are primarily impacted by commodity prices, sales volumes, net settlements from our commodity derivative positions, operating costs, and changes in our working capital. See “Results of Operations” above for more information on the factors driving these changes.

Uses of Cash and Cash Equivalents

Our uses of cash and cash equivalents increased by \$27 million year over year, primarily driven by increased payments on our Credit Facility of \$600 million, an increase in common stock repurchased and retired of \$52 million, and an increase in acquisitions of crude oil and natural gas properties of \$30 million. These increases were partially offset by a decrease in dividends paid of \$305 million, decreased capital expenditures for drilling and completion activities and other fixed assets of \$200 million, and a decrease in acquisitions of businesses, net of cash acquired of \$144 million.

As a result of the changes in our capital return program over the past year, dividends declared and paid during the year decreased by \$2.97 per share, or \$305 million, net payments on our Credit Facility increased by \$150 million, and common stock repurchased and retired increased by \$52 million. Refer to *Note 14 – Stockholders’ Equity* under Part I, Item 1 of this Quarterly Report on Form 10-Q and *Note 14 – Stockholders’ Equity* in Item 8. Financial Statements and Supplementary Data included in our [2024 Form 10-K](#) for additional information.

Capital expenditures for drilling and completion activities and other fixed assets decreased by \$200 million, largely attributable to a 5% reduction in our 2025 capital investment program when compared to 2024 as well as efforts to level-load our capital to more evenly distribute investments throughout the year. During the nine months ended September 30, 2025, we drilled, completed, and turned to sales 78, 94, and 115 net operated wells, respectively, in the Permian Basin, and 86, 89, and 89 net operated wells, respectively, in the DJ Basin. During the nine months ended September 30, 2024, we drilled, completed, and turned to sales 93, 90, and 104 net operated wells, respectively, in the Permian Basin, and 66, 79, and 76 net operated wells, respectively, in the DJ Basin.

Cash proceeds from draws on our Credit Facility increased by \$450 million year over year, primarily driven by the payment of the remaining Vencer deferred acquisition consideration of \$475 million, as well as acquisition of certain crude oil and natural gas properties accounted for as a business combination in the Permian Basin for cash consideration of \$286 million during the nine months ended September 30, 2025, partially offset by the cash consideration paid at closing for the Vencer Acquisition during the nine months ended September 30, 2024. The increase in payments to our Credit Facility is driven by the use of the net proceeds from the 2033 Senior Notes of \$743 million to repay a portion of the outstanding borrowings under our Credit Facility.

Material Commitments

There have been no significant changes from our [2024 Form 10-K](#) in our obligations and commitments, other than what is disclosed within *Note 6 - Commitments and Contingencies* under Part I, Item 1 of this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

Reconciliation of Net Income to Adjusted EBITDAX

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2025	June 30, 2025	September 30, 2025	September 30, 2024
Net income	\$ 177	\$ 124	\$ 487	\$ 688
Interest expense, net ⁽¹⁾	119	112	336	334
Income tax expense	57	38	156	195
Depreciation, depletion, and amortization	497	501	1,443	1,512
Exploration	1	3	7	14
Transaction costs	2	—	8	31
Derivative gain, net	(79)	(104)	(235)	(49)
Derivative cash settlement gain (loss), net	65	69	138	(6)
Non-recurring cash severance ⁽²⁾⁽³⁾	3	—	7	—
Stock-based compensation ⁽²⁾	11	13	37	36
Other, net ⁽⁴⁾	2	(7)	5	1
Adjusted EBITDAX	<u>\$ 855</u>	<u>\$ 749</u>	<u>\$ 2,389</u>	<u>\$ 2,756</u>

⁽¹⁾ Includes interest income of \$1 million and \$2 million for the three months ended September 30, 2025 and June 30, 2025, respectively and \$5 million and \$8 million for the nine months ended September 30, 2025 and 2024, respectively. Interest income is included as a portion of other, net in the accompanying statements of operations.

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

⁽³⁾ The three months ended September 30, 2025 includes non-recurring cash severance charges incurred in connection with our CEO separation. The nine months ended September 30, 2025 includes non-recurring cash severance charges incurred in connection with our announced reduction in force and our CEO separation.

⁽⁴⁾ The activity relates to (i) non-recurring cash unused commitment fees that are included in other operating expense in the accompanying statements of operations for each period presented and (ii) non-capitalized expenses incurred in connection with our ERP implementation that are included in general and administrative expense in the accompanying statements of operations during the three months ended September 30, 2025. The three months ended June 30, 2025 includes (i) a \$9 million reduction related to the settlement of the unrealized loss on crude oil linefill contracts recorded during the three months ended March 31, 2025 that is included in other, net in the accompanying statements of operations for the period.

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

Adjusted Free Cash Flow is a supplemental non-GAAP financial measure that is calculated as net cash provided by operating activities before changes in operating assets and liabilities and less exploration and development of crude oil and natural gas properties, changes in working capital related to capital expenditures, and purchases of carbon credits and renewable energy credits. We believe that Adjusted Free Cash Flow provides additional information that may be useful to investors and analysts in evaluating our ability to generate cash from our existing crude oil and natural gas assets to fund future exploration

and development activities and to return cash to stockholders. Adjusted Free Cash Flow is a supplemental measure of liquidity and should not be viewed as a substitute for cash flows from operations because it excludes certain required cash expenditures.

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

	Three Months Ended		Nine Months Ended	
	September 30, 2025	June 30, 2025	September 30, 2025	September 30, 2024
Net cash provided by operating activities	\$ 860	\$ 298	\$ 1,877	\$ 2,007
Add back: Changes in operating assets and liabilities, net	(115)	331	163	398
Cash flow from operations before changes in operating assets and liabilities	745	629	2,040	2,405
Less: Cash paid for capital expenditures for drilling and completion activities and other fixed assets	(471)	(486)	(1,432)	(1,632)
Less: Changes in working capital related to capital expenditures	(20)	(20)	(60)	(22)
Capital expenditures	(491)	(506)	(1,492)	(1,654)
Less: Purchases of carbon credits and renewable energy credits	—	—	—	(4)
Adjusted Free Cash Flow	\$ 254	\$ 123	\$ 548	\$ 747

Reconciliation of average sales price, after derivatives

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 2025	June 30, 2025	September 30, 2025	September 30, 2024
Average crude oil sales price (per Bbl)	\$ 65.24	\$ 63.87	\$ 66.54	\$ 77.12
Effects of derivatives, net (per Bbl) ⁽¹⁾	2.63	2.68	1.85	(0.96)
Average crude oil sales price (after derivatives) (per Bbl)	\$ 67.87	\$ 66.55	\$ 68.39	\$ 76.16
Average natural gas sales price (per Mcf)	\$ 1.29	\$ 1.00	\$ 1.61	\$ 0.64
Effects of derivatives, net (per Mcf) ⁽¹⁾	0.52	0.69	0.41	0.22
Average natural gas sales price (after derivatives) (per Mcf)	\$ 1.81	\$ 1.69	\$ 2.02	\$ 0.86
Average NGL sales price (per Bbl)	\$ 18.21	\$ 18.99	\$ 20.29	\$ 20.95
Effects of derivatives, net (per Bbl) ⁽¹⁾	—	—	—	—
Average NGL sales price (after derivatives) (per Bbl)	\$ 18.21	\$ 18.99	\$ 20.29	\$ 20.95

⁽¹⁾ Derivatives economically hedge the price we receive for crude oil, natural gas, and NGL. For the three months ended September 30, 2025, the derivative cash settlement gain for crude oil and natural gas was \$39 million and \$26 million, respectively. For the three months ended June 30, 2025, the derivative cash settlement gain for crude oil and natural gas was \$36 million and \$33 million respectively. For the nine months ended September 30, 2025, the derivative cash settlement gain for crude oil and natural gas was \$76 million and \$62 million, respectively. For the nine months ended September 30, 2024, the derivative cash settlement loss for crude oil was \$42 million, and the derivative cash settlement gain for natural gas was \$36 million. We did not hedge the price we received for NGL during the periods presented. Refer to Note 9 - Derivatives under Part I, Item 1 of this Quarterly Report on Form 10-Q for additional disclosures.

New Accounting Pronouncements

Refer to *Note 1 - Summary of Significant Accounting Policies* under Part I, Item 1 of this Quarterly Report on Form 10-Q and *Note 1 - Summary of Significant Accounting Policies* in the [2024 Form 10-K](#) for any recently issued or adopted accounting standards.

Critical Accounting Estimates

Information regarding our critical accounting estimates is contained in Part II, Item 7 of our [2024 Form 10-K](#). During the three months ended September 30, 2025, there were no significant changes in the application of critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Crude Oil and Natural Gas Price Risk

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

Commodity Price Derivative Contracts

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

Interest Rates

As of September 30, 2025 and the filing date of this Quarterly Report on Form 10-Q, we had \$350 million and \$180 million, respectively, outstanding under our Credit Facility. Borrowings under our Credit Facility bear interest at a fluctuating rate that is tied to the ABR or SOFR, in each case, plus the applicable margin, at our option. Any increases in these interest rates can have an adverse impact on our results of operations and cash flows. As of September 30, 2025, and through the filing date of this Quarterly Report on Form 10-Q, we were in compliance with all financial and non-financial covenants under the Credit Facility.

Counterparty and Customer Credit Risk

We are exposed to counterparty credit risk associated with our derivative activities. As of September 30, 2025 and October 31, 2025, our derivative contracts have been executed with 16 counterparties, all of which are members of the Credit Facility lender group and have investment grade credit ratings. However, if our counterparties fail to perform their obligations under the contracts, we could suffer financial loss.

We are also subject to credit risk due to the concentration of our crude oil and natural gas receivables with certain significant customers. The inability or failure of our significant customers to meet their obligations to us or their insolvency or

liquidation may adversely affect our financial results. We review the credit rating, payment history, and financial resources of our customers, but we do not require our customers to post collateral.

Marketability of Our Production

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

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2025. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized, and reported, within the time periods specified in SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers and internal audit function, as appropriate, to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2025, our principal executive officer and principal financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended September 30, 2025 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

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

Disclosure of certain environmental matters is required when a governmental authority is a party to the proceedings and the proceedings involve potential monetary sanctions that we reasonably believe could exceed a specified threshold. Pursuant to Item 103 of Regulation S-K, we have elected to apply a threshold of \$1 million for purposes of determining whether disclosure of any such proceedings is required. Applying this threshold, and other than as previously disclosed in our Quarterly Report on Form 10-Q filed on August 6, 2025, we are not aware of any such proceedings, or material developments to previously disclosed proceedings, required to be disclosed for the quarter ended September 30, 2025.

Item 1A. Risk Factors.

Our business faces many risks. Any of the risk factors discussed in this Quarterly Report on Form 10-Q or our other SEC filings could have a material impact on our business, financial position, or results of operations. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operation. For a discussion of our potential risks and uncertainties, see the risk factors identified in Part I, Item 1A in our [2024 Form 10-K](#), together with other information in this Quarterly Report on Form 10-Q and other reports and materials we may subsequently file with the SEC. We have identified these risk factors as important factors that could cause our actual results to differ materially from those contained in any written or oral forward-looking statements made by us or on our behalf.

Because the Exchange Ratio is fixed and the market price of the Company's common stock and SM Energy's common stock has and may continue to fluctuate, the Company's stockholders cannot be certain of the value of the consideration they will receive in the Merger, if consummated.

If the Merger is consummated, each share of the Company's common stock outstanding immediately prior to the Merger will automatically be converted into the right to receive 1.45 shares of SM Energy common stock. Because the Exchange Ratio is fixed, the value of the consideration that the Company's stockholders would receive in connection with the Merger, if consummated, will depend on the market price of SM Energy common stock at the time the Merger is consummated, which is expected to impact the market price of the Company's common stock until such consummation. The value of SM Energy's common stock has fluctuated since the date of the announcement of the Merger Agreement and may continue to fluctuate. Accordingly, the Company's stockholders will not be able to determine the market value of the consideration they would receive in connection with the Merger until the consummation thereof. Share price changes may result from a variety of factors, many of which are beyond the control of the Company and SM Energy, including, among others, general market and economic conditions, commodity prices, changes in the Company's and SM's respective businesses, operations and prospects, and market assessments of the likelihood that the requisite closing conditions, including approval of both the stockholders of the Company and SM Energy, will be satisfied and the Merger will be consummated.

The Merger Agreement contains provisions that limit our ability to pursue alternatives to the Merger.

The Merger Agreement contains restrictions on our ability to solicit or execute any agreement with respect to an alternative Company Acquisition Proposal from third parties, to provide non-public information to third parties, and to engage in discussions with third parties regarding alternative Company Acquisition Proposals, subject to customary exceptions. The Merger Agreement also contains provisions that may require, in certain circumstances, a termination fee or reimbursement of expenses to be payable by Civitas thereunder. Such restrictions may discourage a third party from submitting an alternative Company Acquisition Proposal that might result in greater value to our stockholders than the Merger.

The inability to consummate the Merger on the expected time frame or at all may adversely affect the price of our common stock and our business, financial condition, or results of operations.

The consummation of the Merger is subject to the satisfaction or waiver of certain closing conditions, including, among others, (i) adoption of the Merger Agreement by the affirmative vote of the holders of a majority of our outstanding shares common stock entitled to vote thereon, (ii) approval of (a) the issuance of SM Energy common stock in connection with the Merger by the affirmative vote of the holders of a majority of the outstanding shares of SM Energy common stock present in person or represented by proxy at a special meeting of the stockholders of SM Energy and entitled to vote thereon and (b) the amendment of SM Energy's certificate of incorporation to increase the authorized number of shares of SM Energy common stock to 400,000,000 shares by the votes cast for such amendment exceeding the votes cast against such amendment by the

holders of outstanding shares of SM Energy common stock, (iii) the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or any other antitrust law relating to the Merger, (iv) no temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition being in effect, and no law having been enacted, entered, promulgated, enforced or deemed applicable by any governmental entity that, in any such case, prohibits or makes illegal the consummation of the Merger, (v) approval for listing on New York Stock Exchange of the shares of SM Energy common stock to be issued in the First Company Merger, (vi) the effectiveness of the registration statement on Form S-4 to be filed by SM Energy, which will include a joint proxy statement of SM Energy and Civitas and a prospectus of SM Energy, (vii) the accuracy of representations and warranties and compliance with covenants of each party, (viii) absence of a material adverse effect on SM Energy or Civitas, and (ix) receipt by Civitas of an opinion from Civitas' counsel that the Merger will qualify as a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, in each case subject to the standards set forth in the Merger Agreement. Any such conditions not being satisfied or waived in a timely manner, or at all, may result in the Merger not being consummated, which could adversely affect the market price of our shares of common stock, and our business, results of operations and financial condition. No assurance can be given that the conditions to the Merger's consummation will be satisfied or waived, or that the Merger will be completed in a timely manner or at all.

The pendency of the Merger could adversely affect our business, results of operations and financial condition.

The pendency of the Merger could cause disruptions in our business, which could have an adverse effect on our business, results of operations and financial condition. In particular, the attention of the Company's management and employees may be directed towards the Merger, including obtaining required approvals and other transaction-related considerations and may be diverted from the day-to-day business operations of the Company and matters related to the Merger may require commitments of time and resources that could otherwise have been devoted to other opportunities that might have been beneficial to us. Any of these matters could adversely affect our business, results of operations, financial condition or cash flows, even if the Merger is consummated.

Even if we and SM Energy complete the Merger, the combined company may fail to realize all of the anticipated benefits of the Merger.

The success of the Merger will depend, in part, on the combined company's ability to realize the anticipated benefits and cost savings from combining Civitas' and SM Energy's businesses, including operational and other synergies. The anticipated benefits and cost savings of the Merger may not be realized fully or at all, may take longer to realize than expected or could have other adverse effects that we and SM Energy do not currently foresee. The integration process may, for each of Civitas and SM Energy, result in the loss of key employees, the disruption of ongoing businesses or inconsistencies in standards, controls, procedures and policies. There could be potential unknown liabilities and unforeseen expenses associated with the Merger that were not discovered in the course of performing due diligence. The foregoing may negatively affect the combined company's ongoing business, operations and financial results following the completion of the Merger.

Our stockholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over the policies of the combined company than they now have on the policies of Civitas.

Immediately after the Merger is completed, it is expected that our current stockholders will own approximately 52% of SM Energy's outstanding common stock and current SM Energy stockholders will own approximately 48% of SM Energy's outstanding common stock on a fully diluted basis. As a result, our current stockholders will have less influence on the management and policies of the combined company than they now have on the management and policies of Civitas.

We will incur significant transaction costs in connection with the Merger.

We have incurred and are expected to continue to incur a number of non-recurring costs associated with the Merger, integrating our business with SM Energy's business, and realizing the expected benefits therefrom. A substantial majority of non-recurring expenses will consist of transaction costs and include, among others, fees paid to financial, legal, accounting and other advisors. Although we expect that the elimination of duplicative costs, as well as the realization of expected benefits related to the integration of our business with SM Energy's, will allow us to offset these transaction costs over time, this net benefit may not be achieved in the near term or at all.

Litigation relating to the Merger could result in an injunction preventing the completion of the Merger and/or substantial costs to us.

Securities class action lawsuits and derivative lawsuits are often brought against public companies that have entered into acquisition, merger or other business combination agreements. Even if such a lawsuit is without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in

monetary damages, which could have a negative impact on our liquidity and financial condition. Such lawsuits could also seek, among other things, injunctive relief or other equitable relief, including a request to enjoin us and SM Energy from consummating the Merger.

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

The following table provides information about our purchases of our common stock during the three months ended September 30, 2025:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽³⁾	Maximum Dollar Value that May Yet be Purchased as Part of Publicly Announced Plans or Programs (in millions) ⁽³⁾
July 1, 2025 – July 31, 2025	1,943	\$ 30.76	—	\$ 193
August 1, 2025 – August 31, 2025 ⁽⁴⁾	6,683,373	33.85	6,646,726	500
September 1, 2025 – September 30, 2025 ⁽⁴⁾	734,870	33.87	733,832	500
Total	7,420,186	\$ 33.85	7,380,558	\$ 500

⁽¹⁾ Purchases outside of the stock repurchase program represent shares withheld from officers, former officers, executives, and employees for the payment of personal income tax withholding obligations upon the vesting of restricted stock awards. The withheld shares are not considered common stock repurchased under the stock repurchase program.

⁽²⁾ Excludes commissions paid and excise taxes accrued related to stock repurchases.

⁽³⁾ In August 2025, our Board increased the amount authorized for repurchases of our outstanding common stock under our existing stock repurchase program to \$750 million pursuant to which we are authorized, from time to time, to acquire shares of our common stock in the open market, in privately negotiated transactions, or through block trades, derivative transactions, or purchases made in accordance with Rule 10b-18 and Rule 10b5-1 of the Exchange Act. The stock repurchase program does not have a termination date, does not require any specific number of shares to be acquired, and can be modified or discontinued by our Board at any time.

⁽⁴⁾ On August 8, 2025, we entered into an ASR Agreement to repurchase an aggregate of \$250 million of our common stock. Final settlement of the ASR Agreement occurred in September 2025. Refer to *Note 14 - Stockholders' Equity* under Part I, Item 1 of this Quarterly Report for additional information.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2025, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description
2.1*	Purchase and Sale Agreement, dated as of October 3, 2023, by and among Vencer Energy, LLC, as seller, and Civitas Resources, Inc., as buyer (incorporated by reference to Exhibit 2.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on October 4, 2023)
2.2	Agreement and Plan of Merger among SM Energy Company, Cars Merger Sub, Inc., and Civitas Resources, Inc., dated as of November 2, 2025 (incorporated by reference to Exhibit 2.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on November 3, 2025)
3.1	Fourth Amended and Restated Certificate of Incorporation of Civitas Resources, Inc. (incorporated by reference to Exhibit 3.1 to Civitas Resources, Inc.'s Quarterly Report on Form 10-Q filed on August 2, 2023)
3.2	Seventh Amended and Restated Bylaws of Civitas Resources, Inc. (incorporated by reference to Exhibit 3.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on June 5, 2023)
10.1+	Employment Letter, dated as of August 6, 2025, by and between Civitas Resources, Inc. and Wouter van Kempen (including the form of RSU Award Agreement) (incorporated by reference to Exhibit 10.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on August 6, 2025)
10.2+	Civitas Resources, Inc. Eighth Amended and Restated Executive Change in Control and Severance Benefit Plan (incorporated by reference to Exhibit 10.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on January 25, 2022)
10.3+	Form of Employee Restrictive Covenants, Proprietary Information and Inventions Agreement (incorporated by reference to Exhibit 10.49 to Civitas Resources, Inc.'s Annual Report on Form 10-K filed on February 27, 2024)
10.4+	Form of Indemnity Agreement between Civitas Resources, Inc. and the directors and executive officers of Civitas Resources, Inc. (incorporated by reference to Exhibit 10.9 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on November 3, 2021)
10.5+†	Form of Executive Officer Confidential Severance and Release Agreement
10.6	Voting Agreement, dated as of November 3, 2025, by and between Civitas Resources, Inc. and Kimmeridge Chelsea, LLC (incorporated by reference to Exhibit 10.1 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on November 3, 2025)
10.7+	Employment Letter Amendment, dated as of November 2, 2025, by and between Civitas Resources, Inc. and Wouter van Kempen (incorporated by reference to Exhibit 10.2 to Civitas Resources, Inc.'s Current Report on Form 8-K filed on November 3, 2025)
31.1†	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)
31.2†	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)
32.1†	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2†	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase
101.DEF†	XBRL Taxonomy Extension Definition Linkbase
101.LAB†	XBRL Taxonomy Extension Label Linkbase
101.PRE†	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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

+ Management contract or compensatory plan or arrangement.

† Filed or furnished herewith.

SIGNATURES

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

CIVITAS RESOURCES, INC.

Date: November 6, 2025

By: /s/ Wouter van Kempen
Wouter van Kempen
Interim Chief Executive Officer and Director (principal executive officer)

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

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

CONFIDENTIAL SEVERANCE AND RELEASE AGREEMENT

This Confidential Severance and Release Agreement (“Agreement”) is made by and between (i) [Employee Name] (“Employee”) and (ii) Civitas Resources, Inc. (the “Company”). Employee and the Company are referred to each as a “Party” and collectively as the “Parties.”

RECITALS

WHEREAS, Employee’s employment with the Company has ended effective [] (the “Separation Date”);

WHEREAS, the Parties wish to resolve fully and finally potential disputes regarding any and all claims or causes of action that Employee has or may have against the Company, including any claims or causes of action that Employee may have arising out of Employee’s employment with the Company or the end of such employment; and

WHEREAS, in order to accomplish this end, the Parties are willing to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and undertakings contained herein, the Parties agree as follows:

TERMS

1. Effective Date. This Agreement shall become effective on the day Employee signs and delivers to the Company this Agreement (the “Effective Date”), subject to Section 6(h). Regardless of whether Employee signs this Agreement, to the extent Employee participated in the Company’s group health insurance, coverage will cease on the last day of the month in which the Separation Date occurs. Beginning at that time, if Employee participated in the Company’s group health insurance, Employee will be eligible to continue Employee’s group health insurance benefits for Employee and Employee’s eligible dependents, subject to the terms and conditions of the Company’s benefit plans, federal law, including the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”), and, as applicable, state insurance laws.

2.

3. Consideration.

a. Employee shall receive from the Company Employee’s Accrued Obligations (as defined in the Plan (as defined below)), which consist of (i) payment of all earned but unpaid base salary through the Separation Date prorated for any partial period of employment; (ii) payment, in accordance with the terms of the applicable benefit plan of the Company or its affiliates or to the extent required by law, of any benefits to which Employee has a vested entitlement as of the Separation Date; (iii) payment of any accrued unused vacation as of the Separation Date; and (iv) payment of any approved but not yet reimbursed business expenses incurred in accordance with applicable policies of the Company and its affiliates as of the Separation Date.

b. After the ADEA Release Effective Date (as defined below), and on the express condition that Employee has not revoked the ADEA Release and Employee satisfies the conditions of Sections 5(e) and 8 of the Plan, the Company will provide Employee with the payments, benefits, and other consideration set forth in Appendix A to this Agreement (“Appendix A”) in accordance with, and subject to the terms and conditions of, this Agreement (including, without limitation, Employee’s compliance with respect to Sections 7, 9, 10, 11, 12 and 13 of this Agreement), Appendix A, and the

Eighth Amended and Restated Executive Change in Control and Severance Plan, as in effect as of the Separation Date (the "Plan"), which is incorporated herein by reference.

c. Reporting of and withholding on any payment or benefit set forth in Appendix A for tax purposes shall be at the discretion of the Company in conformance with applicable tax laws. If a claim is made against the Company for any additional tax or withholding in connection with or arising out of any payment or benefit pursuant to Appendix A, Employee shall pay any such claim within thirty (30) days of being notified by the Company and agrees to indemnify the Company and hold it harmless against such claims, including, but not limited to, any taxes, attorneys' fees, penalties, and/or interest, which are or become due from the Company.

4. General Release.

a. Employee, for Employee and for Employee's affiliates, successors, heirs, subrogees, assigns, principals, agents, partners, employees, associates, attorneys, and representatives, voluntarily, knowingly, and intentionally releases and discharges the Company and each of its predecessors, successors, parents, subsidiaries, affiliates, and assigns and each of their respective officers, directors, principals, shareholders, board members, committee members, employees, agents, and attorneys (collectively, the "Released Parties") from any and all claims, actions, liabilities, demands, rights, damages, costs, expenses, and attorneys' fees (including, but not limited to, any claim of entitlement for attorneys' fees under any contract, statute, or rule of law allowing a prevailing party or plaintiff to recover attorneys' fees) of every kind and description from the beginning of time through the Effective Date (the "Released Claims").

b. The Released Claims include, but are not limited to, those which arise out of, relate to, or are based upon: (i) Employee's employment with the Company or the termination thereof; (ii) statements, acts, or omissions by the Released Parties whether in their individual or representative capacities; (iii) express or implied agreements between the Parties and claims under any severance plan (except as provided herein); (iv) any stock or stock option grant, agreement, or plan; (v) all federal, state, and municipal statutes, ordinances, and regulations, including, but not limited to, claims of discrimination based on race, color, national origin, age, sex, sexual orientation, religion, disability, veteran status, whistleblower status, public policy, or any other characteristic of Employee under the Age Discrimination in Employment Act ("ADEA"), the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Equal Pay Act, Title VII of the Civil Rights Act of 1964 (as amended), the Employee Retirement Income Security Act of 1974, the Rehabilitation Act of 1973, Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act or any other federal, state, or municipal law prohibiting discrimination or termination for any reason; (vi) state and federal common law; (vii) the failure of this Agreement, or of any other employment, severance, profit sharing, bonus, equity incentive or other compensatory plan to which Employee and the Company are or were parties, to comply with, or to be operated in compliance with, Internal Revenue Code Section 409A, or any similar provision of state or local income tax law; and (viii) any claim which was or could have been raised by Employee.

5. Unknown Facts. This Agreement includes claims of every nature and kind, known or unknown, suspected or unsuspected. Employee hereby acknowledges that Employee may hereafter discover facts different from, or in addition to, those which Employee now knows or believes to be true with respect to this Agreement, and Employee agrees that this Agreement and the releases contained

herein shall be and remain effective in all respects, notwithstanding such different or additional facts or the discovery thereof.

6. No Admission of Liability. The Parties agree that nothing contained herein, and no action taken by any Party hereto with regard to this Agreement, shall be construed as an admission by any Party of liability or of any fact that might give rise to liability for any purpose whatsoever.

7. Warranties. Employee warrants and represents as follows:

a. Employee has read this Agreement, and Employee agrees to the conditions and obligations set forth in it.

b. Employee voluntarily executes this Agreement (i) after having been advised to consult with legal counsel, (ii) after having had opportunity to consult with legal counsel, and (iii) without being pressured or influenced by any statement or representation or omission of any person acting on behalf of the Company including, without limitation, the officers, directors, board members, committee members, employees, agents, and attorneys for the Company.

c. Employee has no knowledge of the existence of any lawsuit, charge, or proceeding against the Company or any of its officers, directors, board members, committee members, employees, successors, affiliates, or agents arising out of or otherwise connected with any of the matters herein released. In the event that any such lawsuit, charge, or proceeding has been filed, Employee immediately will take all actions necessary to withdraw or terminate that lawsuit, charge, or proceeding, unless the requirement for such withdrawal or termination is prohibited by applicable law.

d. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not limit Employee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Notwithstanding the foregoing, Employee waives any right to any monetary recovery or other relief should any party, including, without limitation, any federal, state or local governmental entity or administrative agency, pursue any claims on Employee's behalf arising out of, relating to, or in any way connected with the Released Claims, provided, however, this Agreement does not limit Employee's right to receive a reward for information provided to any Government Agencies.

e. Employee has not previously disclosed any information, the disclosure of which would be a violation of the confidentiality provisions set forth below if such disclosure were to be made after the execution of this Agreement.

f. Employee has full and complete legal capacity to enter into this Agreement.

g. Employee has had at least twenty-one (21) days in which to consider the terms of this Agreement. In the event that Employee executes this Agreement in less time, it is with the full understanding that Employee had the full twenty-one (21) days if Employee so desired and that Employee was not pressured by the Company or any of its representatives or agents to take less time to consider the Agreement. In such event, Employee expressly intends such execution to be a waiver of any right Employee had to review the Agreement for a full twenty-one (21) days.

h. Employee has been informed and understands that (i) to the extent that this Agreement waives or releases any claims Employee might have under the ADEA (the “ADEA Release”), Employee may rescind Employee’s waiver and release within seven (7) calendar days of Employee’s execution of this Agreement and (ii) any such rescission must be in writing and hand delivered to [____], [____], at Civitas Resources, Inc., 555 17th Street, Suite 3700, Denver, CO 80202, within the seven-day period. Provided that Employee does not revoke Employee’s execution of this Agreement for purposes of the ADEA Release within such seven (7) day revocation period, the ADEA Release will become effective on the eighth (8th) calendar day after the date on which Employee signs this Agreement (the “ADEA Release Effective Date”).

i. Employee admits, acknowledges, and agrees that (i) Employee is not otherwise entitled to payments, benefits, and other consideration set forth in Appendix A and (ii) these payments, benefits, and other consideration are good and sufficient consideration for this Agreement.

j. Employee admits, acknowledges, and agrees that Employee has been fully and finally paid or provided all wages, compensation, vacation, bonuses, stocks, stock options, or other benefits from the Company which are or could be due to Employee under the terms of Employee’s employment with the Company, or otherwise.

8. Confidential Information.

a. Except as herein provided, including Section 6(d), all discussions regarding this Agreement, including, but not limited to, the amount of consideration, offers, counteroffers, or other terms or conditions of the negotiations or the agreement reached shall be kept confidential by Employee from all persons and entities other than the Parties to this Agreement. Employee may disclose the amount received in consideration of the Agreement only if necessary (i) for the limited purpose of making disclosures required by law to agents of the local, state, or federal governments; (ii) for the purpose of enforcing any term of this Agreement; or (iii) in response to compulsory process, and only then after giving the Company ten (10) days advance notice of the compulsory process and affording the Company the opportunity to obtain any necessary or appropriate protective orders. Otherwise, in response to inquiries about Employee’s employment and this matter, Employee shall state, “My employment with the Company has ended” and nothing more.

b. Employee shall not use, nor disclose to any third party, any of the Company’s business, personnel, or financial information that Employee learned during Employee’s employment with the Company. Employee hereby expressly acknowledges that any breach of this Section 7 shall result in a claim for injunctive relief and/or damages against Employee by the Company, and possibly by others.

c. 18 U.S.C. § 1833(b) provides: “An individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that—(A) is made—(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.” Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Accordingly, the parties to this Agreement have the right to disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected

violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

9. Section 409A. This Agreement is intended to comply with Section 409A of the Code and Treasury Regulations promulgated thereunder ("Section 409A") or an exemption thereunder and shall be construed accordingly. It is the intention of the Parties that payments or benefits payable under this Agreement not be subject to the additional tax or interest imposed pursuant to Section 409A. Such payments or benefits are intended to be exempt from Section 409A by reason of the exemptions for separation pay arrangements found in Treasury Regulation Section 1.409A-1(b)(9) and/or for "short-term deferrals" found in Treasury Regulation Section 1.409A-1(b)(4) (or both) and the terms of this Agreement shall be applied and interpreted to the extent possible in a manner that is consistent with the requirements of such regulations. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall the Company or any of its affiliates be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A. Employee shall, at the request of the Company, take any reasonable action (or refrain from taking any action), required to comply with any correction procedure promulgated pursuant to Section 409A. Each payment to be made under this Agreement shall be a separate payment, and a separately identifiable and determinable payment, to the fullest extent permitted under Section 409A.

10. Non-Disparagement. Except as herein provided, including Sections 6(d) and 7(c), Employee agrees not to make to any person any statement that disparages the Company or reflects negatively on the Company, including, but not limited to, statements regarding the Company's financial condition, employment practices, or officers, directors, board members, committee members, employees, successors, affiliates, or agents. Notwithstanding anything to the contrary, nothing in this Agreement prohibits Employee from making truthful statements about the terms or conditions of Employee's employment, or from exercising Employee's rights under the National Labor Relations Act, government whistleblower programs, or whistleblowing statutes or regulations. Pursuant to C.R.S. section 24-34-407, disclosure of the underlying facts of any alleged discriminatory or unfair employment practice within the parameters specified in section 24-34-407(1)(b) (including disclosure (i) of the existence and terms of a settlement agreement, to Employee's immediate family members, religious advisor, medical or mental health provider, mental or behavioral health therapeutic support group, legal counsel, financial advisor, or tax preparer, (ii) to any local, state, or federal government agency for any reason, including disclosing the existence and terms of a settlement agreement, without first notifying the Company, (iii) in response to legal process, such as a subpoena to testify at a deposition or in a court, including disclosing the existence and terms of a settlement agreement, without first notifying the Company, and (iv) for all other purposes as required by law) is not prohibited by anything in this Agreement, and such disclosure does not constitute disparagement. Pursuant to section 24-34-407(1)(d), if the Company disparages Employee to a third party, the Company may not seek to enforce the nondisparagement or nondisclosure provision of this Agreement or seek damages against Employee for violating these provisions, but all other remaining terms remain enforceable. Employee and the Company shall execute the addendum attached hereto as Appendix B attesting that they have complied with C.R.S. section 24-34-407(1).

11. Non-Solicitation; Non-Interference. For a period of [] months from the Effective Date, Employee agrees that Employee shall not, except in the furtherance of Employee's duties to the Company or any of its subsidiaries, directly or indirectly, individually or on behalf of any other Person (i) solicit, aid or induce any employee, representative or agent of the Company or any of its subsidiaries to leave such employment or retention or to accept employment with or render services to or with any other Person unaffiliated with the Company or hire or retain any such employee, representative or agent, or take any action to materially assist or aid any other Person in identifying, hiring or soliciting any such employee, representative or agent, or (ii) interfere, or aid or induce any other Person in interfering, with the relationship between the Company or any of its subsidiaries and any of their respective vendors, joint venturers or working interest partners. An employee, representative or agent shall be deemed covered by this Section 10 while so employed or retained and for a period of 12 months thereafter. Notwithstanding the foregoing, the placement of any advertisement or solicitation not directed at any employee, representative or agent of the Company or any of its subsidiaries shall not be deemed a breach or violation of this Section 10. For purposes of this Section 10 "Person" means an individual, corporation, partnership, limited liability company, limited liability partnership, joint venture, syndicate, person, trust, association,

organization or other entity, including any Government Agency, and including any successor, by merger or otherwise, of any of the foregoing

12. Return of Property and Information. Employee represents and warrants that, prior to Employee's execution of this Agreement, Employee will return to the Company any and all property, documents, data, and files, including any documents (in any recorded or stored media, such as papers, computer disks, drives, copies, photographs, and maps) that relate in any way to the Company or the Company's business. Employee agrees that, to the extent that Employee possesses any files, data, or information relating in any way to the Company or the Company's business on any personal computer or other device or account, Employee will first return to the Company and then delete those files, data, or information (and will retain no copies in any form). Employee will also return any tools, equipment, calling cards, credit cards, access cards or keys, any keys to any filing cabinets, vehicles, vehicle keys, and all other property in any form prior to the date Employee executes this Agreement.

13. Re-Affirmation of Restrictive Covenants. Employee acknowledges that Employee executed an Employee Restrictive Covenants, Proprietary Information and Inventions Agreement under which Employee assumed certain obligations relating to the Company's confidential and proprietary business information and trade secrets and containing certain covenants relating to competition, solicitation, disparagement and assignment of inventions (the "Restrictive Covenant Agreement"). Employee agrees that, except to the extent it conflicts with Section 6(d) or 7(c), the Restrictive Covenant Agreement shall by its terms survive the execution of this Agreement and expressly reaffirms Employee's commitment to abide by, and promises to abide by, the terms of the Restrictive Covenant Agreement. Employee further warrants and represents that, except as provided by Section 6(d) or 7(c), Employee has never violated the Restrictive Covenant Agreement, and will not do so in the future.

14. Cooperation for Proceedings. Employee acknowledges that because of Employee's position with the Company, Employee may possess information that may be relevant to or discoverable in connection with claims, litigation or judicial, arbitral or investigative proceedings initiated by a private party or by a regulator, governmental entity, or self-regulatory organization, that relates to or arises from matters with which Employee was involved during Employee's employment with the Company, or that concern matters of which Employee has information or knowledge (collectively, a "Proceeding"). Employee agrees that Employee shall testify truthfully in connection with any such Proceeding. Except as provided in Section 6(d) or 7(c), Employee agrees that Employee shall cooperate with the Company in connection with every such Proceeding, and that Employee's duty of cooperation shall include an obligation to meet with Company representatives and/or counsel concerning all such Proceedings for such purposes, and at such times and places, as the Company reasonably requests, and to appear for deposition and/or testimony upon the Company's request and without a subpoena. The Company shall reimburse Employee for reasonable out-of-pocket expenses that Employee incurs in honoring Employee's obligation of cooperation under this Section.

15. Resignation. Employee acknowledges and agrees that, as of the Separation Date, Employee will be deemed to have automatically resigned, to the extent applicable: (a) as an officer of the Company and each affiliate of the Company for which Employee served as an officer; (b) from the Board of Directors of the Company and the board of directors or board of managers (or similar governing body) of each affiliate of the Company for which Employee served as a director or manager; and (c) from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which the Company or any other affiliate of the Company holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee served as the Company's or such other affiliate's member's designee or other representative. Employee agrees to promptly execute such additional documentation as requested by the Company to effectuate the foregoing.

16. No Application. Employee agrees that Employee will not apply for any job or position as an employee, consultant, independent contractor, or otherwise, with the Company or its subsidiaries or affiliates. Employee warrants that no such applications are pending at the time this Agreement is executed.

17. Severability. If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited so as to give effect to the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Employee against the Company shall not constitute a defense to enforcement by the Company.

18. Assignments. The Company may assign its rights under this Agreement. No other assignment is permitted except by written permission of the Parties.

19. Enforcement. The releases contained herein do not release any claims for enforcement of the terms, conditions, or warranties contained in this Agreement. The Parties shall be free to pursue any remedies available to them to enforce this Agreement.

20. Entire Agreement. This Agreement, the Plan and any confidentiality, assignment of inventions, non-disparagement, non-solicitation, non-competition, or other restrictive covenant agreement signed by Employee are the entire agreement between the Parties relating to the matters set forth herein. Except as provided herein, this Agreement supersedes any and all prior oral or written promises or agreements between the Parties. Employee acknowledges that Employee has not relied on any promise, representation, or statement other than those set forth in this Agreement. This Agreement cannot be modified except in writing signed by all Parties.

21. Interpretation. The determination of the terms of, and the drafting of, this Agreement has been by mutual agreement after negotiation, with consideration by and participation of all Parties. Accordingly, the Parties agree that rules relating to the interpretation of contracts against the drafter of any particular clause shall not apply in the case of this Agreement. The term "Section" shall refer to the enumerated sections of this Agreement, unless context suggests otherwise. The headings contained in this Agreement are for convenience of reference only and are not intended to limit the scope or affect the interpretation of any provision of this Agreement.

22. Choice of Law and Venue. This Agreement shall be construed and interpreted in accordance with the laws of the State of Colorado, without regard to its conflict of laws rules. Venue shall be exclusively in the Colorado state or federal courts located in Denver County, Colorado.

23. Waiver of Jury Trial. EACH OF THE PARTIES HERETO HEREBY VOLUNTARILY AND IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION OR OTHER PROCEEDING BROUGHT IN CONNECTION WITH THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

24. Waiver. The failure of any Party to give notice of any breach by the other Party, or insist upon strict performance of any of the terms or conditions, of this Agreement shall not constitute a waiver of any of such Party's rights hereunder.

25. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and electronic signatures shall be treated as originals.

26. *[Remainder of page intentionally left blank]*

27. IN WITNESS WHEREOF, the Parties have executed this Confidential Severance and Release Agreement on the dates written below.

EMPLOYEE

[Employee Name] Date

THE COMPANY

Civitas Resources, Inc, Date
By:
Title:

Appendix A

The Company shall provide Employee with the benefits set forth below in accordance with, and subject to the terms of, the Eighth Amended and Restated Executive Change in Control and Severance Plan (the “Severance Plan”), the Agreement to which this Appendix A is attached (the “Agreement”), and this Appendix A. Capitalized terms not otherwise defined in the Agreement or this Appendix A shall have the meanings set forth in the Severance Plan.

Employee will receive the following elements as consideration for Employee’s execution of the Agreement (collectively, the “Severance Benefits”):

1. Payment in cash of \$[____], which is equal to []% of Employee’s Base Salary as in effect on the Separation Date, which will be payable in ratable installments in accordance with the Company’s normal payroll process during the []-month period immediately following the Separation Date, with the first payment being made on the first payroll payment date occurring at least 60 days after the Separation Date and including all payments that would otherwise have been made during such 60-day period.
2. All equity awards granted to Employee under the Company’s and Extraction Oil & Gas, Inc.’s long-term incentive plans and the corresponding award agreements thereunder (the “Award Agreements”) that are outstanding and held by Employee as of the Separation Date will be governed by the applicable Award Agreement. For clarity, a summary of the treatment of Employee’s outstanding restricted stock units (“RSUs”) and performance stock units (“PSUs”) is set forth below; provided that the below table is only a summary and the applicable Award Agreement governs. Employee’s outstanding RSUs and PSUs that do not vest or remain outstanding and eligible to vest in accordance with the terms of the applicable Award Agreement shall be forfeited as of the Separation Date without consideration.

Grant Date	Type of Award	Number of RSUs or PSUs (at target) Outstanding as of Separation Date	Treatment of RSUs or PSUs (provided that this column is only a summary and the applicable Award Agreement governs)	Number of Shares of the Company's Common Stock Received upon Settlement (prior to taxes and withholdings)
[]	RSU	[]	Pro-rated number of RSUs vest, pro-rated based on number of days worked during the period from the most recent vesting date to the final vesting date.	[]
[]	PSU	[]	Pro-rated number of PSUs vest based on actual performance as of the end of the performance period, pro-rated based on the number of days worked during the performance period.	[]

3. If and to the extent permitted under applicable law and without additional cost or penalty to the Company or Employee, during the portion, if any, of the []-month period, commencing as of

the date Employee is eligible to elect and timely elects to continue coverage for Employee and Employee's eligible dependents under the Company's group health plan pursuant to COBRA or similar state law, the Company shall reimburse Employee for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that active senior executive employees of the Company pay for the same or similar coverage, with any such reimbursement payable for the 60 day period immediately following the Separation Date being payable on the first business day 60 days following the Separation Date and any other such reimbursement payable being paid on a monthly basis thereafter; provided that the Company may modify the continuation coverage contemplated by this provision to the extent reasonably necessary to avoid the imposition of any excise taxes on the Company for failure to comply with the nondiscrimination requirements of the Patient Protection and Affordable Care Act of 2010, as amended, and/or the Health Care and Education Reconciliation Act of 2010, as amended (to the extent applicable).

All Severance Benefits will be subject to applicable taxes and withholdings. The Severance Benefits shall not be payable if Employee revokes the ADEA Release.

For the sake of clarity, all payments and benefits set forth herein shall be subject to the terms of this Appendix A and the Severance Plan that are applicable in the case of a termination of a Tier ☐ Executive's employment by the Company without Cause other than during the one year period following a Change in Control and the payment of severance in accordance with Section 5 of the Severance Plan.

28. **Appendix B**

Addendum Required by C.R.S. § 24-34-407(1)(f):

The Parties hereby attest that they have complied with C.R.S. § 24-34-407(1):

EMPLOYEE

[Employee Name] Date

THE COMPANY

Civitas Resources, Inc, Date
By:
Title:

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

I, Wouter van Kempen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2025 of Civitas Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2025

/s/ Wouter van Kempen

Wouter van Kempen

Interim Chief Executive Officer and Director
(principal executive officer)

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

I, Marianella Foschi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended September 30, 2025 of Civitas Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2025

/s/ Marianella Foschi

Marianella Foschi

Chief Financial Officer and Treasurer (principal financial officer)

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

In connection with the Quarterly Report of Civitas Resources, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Wouter van Kempen, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

Date: November 6, 2025

/s/ Wouter van Kempen

Wouter van Kempen

Interim Chief Executive Officer and Director
(principal executive officer)

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

In connection with the Quarterly Report of Civitas Resources, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Marianella Foschi, Chief Financial Officer, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

Date: November 6, 2025

/s/ Marianella Foschi

Marianella Foschi

Chief Financial Officer and Treasurer (principal financial officer)